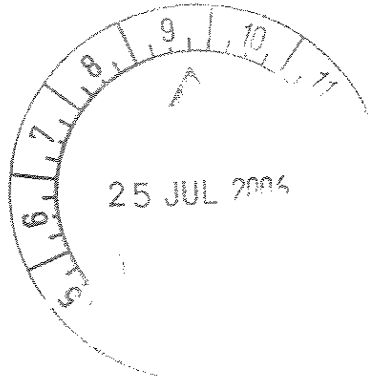




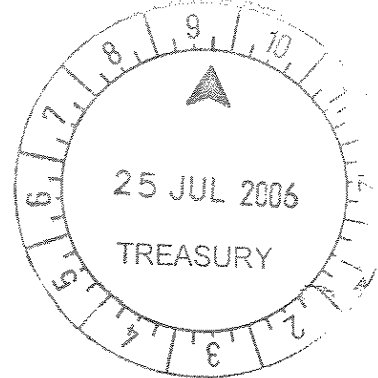
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18 July 2006



General Manager  
Superannuation Retirement and Savings Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600



Dear Sir

**COMMENTS:**                    **A PLAN TO SIMPLIFY AND STREAMLINE  
SUPERANNUATION**

The purpose of this letter is to respond to the Governments invitation to comment on the above paper.

**AREA OF COMMENTARY : DEATH BENEFITS**

We make reference to the proposal for the treatment of Death Benefits.  
(Para 2.4 of the above paper).

The proposed arrangements suggest that ;

*A pension would not be able to revert to a non dependant on death, rather death payment benefits to non-dependants would have to be made as a lump-sum. Lump sum payments to non dependants (irrespective of their age), would be taxed in the same manner as other superannuation fund payments to someone in the age 55-59 group, though the entire taxable component would be taxed at 15% (as is currently the case for the post June 1983 taxed element).*

In our view the Death Benefit Proposal is not consistent with the underlying principal behind the entire plan which is that Superannuation benefits paid to a person aged 60 or over will be tax free.

If the payment of a Death Benefit is not to be paid to a reversionary pensioner then the taxable component of the death benefit if paid to a non dependant would be taxed at 15% under the proposal.

Consequently, for superannuants (over 60), finding themselves without a tax defined dependent and with advance notice of a terminal illness would have

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their families financially rewarded by drawing down their entire superannuation benefits in a lump sum with no tax payable prior to their demise. Once outside the fund, there would be no death benefit ETP for tax purposes and the non dependant beneficiaries could receive the benefit as an Estate asset without tax via the superannuants will.

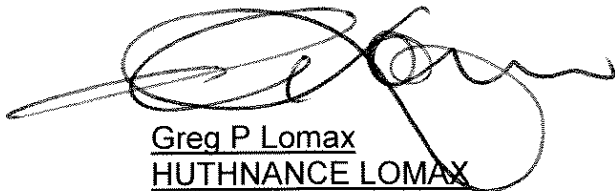
Therefore we have a position whereby those in the unenvious position of knowing about their imminent demise are distinctly in a better 'tax position' than the unfortunate souls who have not planned the timing of their death and thus stand to receive a 'double whammy'.

The 'fortunate' ones knowing of their demise can simply transfer their super benefits out from the hands of the revenue fiend before their death, and consequently these funds are free of tax.

This of course will start a new industry for Soothsayers and Palm Readers as superannuants flock to them to try and ascertain a 'timely' cash in of their super benefits before the appointment with their maker arrives.

We would therefore suggest that the Government considers extending the tax free status of super benefits for those aged over 60 to their beneficiaries when they die, whether dependant or non dependant, (for tax purposes). This would seem to be a much more sensible approach and will avoid a mass exodus of people from super as their age and health deteriorates.

Yours faithfully



Greg P Lomax  
HUTHNANCE LOMAX  
mjm