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Our ref FEYZEXF-07BudgetSubmission0801-STL

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1 August 2006

Dear John

A plan to simplify and streamline superannuation - KPMG's submission

Please find attached KPMG's response with respect to the superannuation simplification proposals announced by the Federal Treasurer as part of the 2006 Federal Budget.

KPMG has considered both the financial and administrative implications of the proposals and we submit our comments and suggestions for Treasury's and the Government's consideration.

We wish to ensure that our submission is fully considered and understood by Treasury and accordingly, we would be happy to meet with you or any other designated Treasury official to clarify or amplify any aspect of our submission, as necessary.

Please contact one of us if you believe that this would be of value in Treasury's deliberations.

Yours sincerely

Emery Feyzeny
Partner

Yours sincerely

Guy McAliece
Partner

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Federal Budget 2006-07

KPMG Submission regarding

Superannuation

1 August 2006

KPMG Superannuation Services Pty Limited
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Contents

1 Introduction 1

2 Areas where amendment or transitional relief is sought 3
2.1 Proposed new arrangements for employer Eligible Termination Payments (Section 7.1.2) 3
2.2 Simplified pension rules – treatment of current non-commutable pensions (Section 3.2) 4
2.3 Portability (Section 9.2.1) 5
2.4 Undeducted Contributions (Section 4.5) 6
2.5 Non-quoting of Tax File Numbers (Section 7.2) 7

3 Areas where clarification is sought 9
3.1 Benefits paid to individuals aged under 60 years (Section 2.3.1) 9
3.2 Abolition of RBLs and the impact on the Bankruptcy Act (Section 2.2.1) 9
3.3 Abolition of RBLs and the impact on the Superannuation Guarantee (Administration) Act ("SG Act") (Section 2.2.1) 9
3.4 Notional taxable contributions for funded define benefit schemes (Section 4.2) 9

4 Suggested areas of additional change 11
4.1 Work tests to be eligible to contribute to superannuation from age 65 to 75 11
4.2 Averaging of $50,000 limit on concessionally taxed deductible contributions over three years 11
4.3 Interaction of the proposed rules with 'contribution splitting' 12
4.4 Contribution deduction rules – employed and self-employed 14
4.5 Administering contribution limits 15
4.6 Deductibility of interest on borrowings to make concessionally taxed deductible superannuation contributions 16

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1 Introduction

In general, KPMG welcomes the proposed changes to the superannuation system, announced as part of the 2006 Federal Budget and outlined in the document titled “A Plan to Simplify and Streamline Superannuation, Detailed Outline, May 2006” (Detailed Outline). We concur with the view that following industry consultation and once legislated and implemented, the proposed changes should simplify the Australian superannuation system.

We believe the key changes, particularly the removal of tax on benefit payments (in most instances) and the simplification of the current contribution restrictions will increase the potential for individuals to engage with and have a greater degree of independent control over their superannuation. The changes also enhance existing incentives for individuals to increase their superannuation savings towards self-funded retirement.

There are a number of aspects of the proposal which we would like to address and to offer alternative approaches. There are other aspects which we believe require clarification. Each of these is described in the remainder of this document and briefly summarised below, with references to the relevant sections of the Detailed Outline.

1.1.1.1 Areas where amendments or transitional relief is sought

- Proposed new arrangements for employer Eligible Termination Payments (ETPs) with regard to the employment consequences the proposed changes may have (Section 7.1.2).

- Simplified pension rules – treatment of current non-commutable pensions (Section 3.2).

- Portability – in relation to the reduced timeframe for processing benefit payments (Section 9.2.1).

- Undeducted contributions – concern regarding transfers from eligible overseas funds (Section 4.5).

- Non quoting of Tax File Numbers (TFNs) – concern regarding the time fame and receivable limits of contributions without penalty and clarification regarding the stated limits (Section 7.2).

1.1.1.2 Areas where clarification is sought

- Benefits paid to individuals aged less than 60 – freezing or Pre-July 1983 components (Section 2.3.1).

- The abolition of Reasonable Benefit Limits (RBLs) and the Bankruptcy Act (1966) - how protected assets for a bankrupt will be determined going forward (Section 2.2.1).

- The abolition of RBLs and the Superannuation Guarantee (Administration) Act (1992) - how the limit on SG contributions over the Pension RBL will be handled going forward (Section 2.2.1).

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- Notional taxable contributions for funded defined benefit schemes – the basis upon which these should be calculated (Section 4.2).

1.1.1.3 Suggested areas of additional change

- Removal of the work test from age 65 onwards.
- Averaging of deductible contribution limits over three years.
- The interaction of the new contribution limits and contribution splitting – the abolition of contribution splitting.
- Tax deductions for personal contributions made by employees as well as the self-employed.
- Administration of the new contribution limits – reclassification of excessive deductible contributions as undeducted contributions.
- Allowing a tax deduction for borrowings by employed and self-employed persons for the purposes of making concessionally taxed deductible superannuation contributions.

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2 Areas where amendment or transitional relief is sought

2.1 Proposed new arrangements for employer Eligible Termination Payments (Section 7.1.2)

2.1.1 Proposed changes

- For tax purposes, employer ETPs would consist of two components; a tax-exempt component made up of any Post-June 1994 invalidity and Pre-July 1983 amounts, and a taxable component consisting of the Post-June 1983 amount.

- Up to $140,000 of the taxable component would be taxed at 30 percent for those under age 55 and 15 percent for those aged 55 and over. Any taxable component above $140,000 would be taxed at the top marginal rate.

- Employer ETPs would no longer be able to be rolled over to a superannuation fund.

2.1.2 Area of concern – the short-term impact of the above proposal

An employer ETP received upon retirement constitutes a significant portion of retirement savings for many individuals. These payments are generally contractually guaranteed and have been factored into individuals' retirement savings plans. The introduction of the above changes may leave many individuals due to retire within the next five years or so with a shortfall in their retirement savings.

We believe that the combination of the $140,000 concessional tax cap and the inability to roll over employer ETPs to a superannuation fund could result in unintended short-term employment consequences.

Because the change in approach to the treatment of employer ETPs is prospective (effective 1 July 2007), it provides individuals with the opportunity to exit the workforce on either the current or proposed legislative basis. Upon termination of employment under the current rules, the individual could receive an amount in excess of $140,000, roll it over to a superannuation fund, have tax deducted from the Post-June 1983 component at the 15 percent rate and then withdraw the net amount from the superannuation fund, post 30 June 2007, without further tax being deducted, provided they are over age 60. That is, as proposed, tax would be at the 15 percent rate but without the $140,000 cap.

In order to avail themselves of the above opportunity, individuals may bring forward their retirement or termination of employment, thereby encouraging a possible 'mass exodus' of senior employees and executives in June 2007. We do not believe that this is the Government's intention and it would not be conducive to the efficient operation of businesses.

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2.1.3 Alternative approach

Whilst we acknowledge that the Government's aim is to keep the new proposed rules as simple as possible, some transitional arrangements may be appropriate.

We propose that where:

- an employee is over 50 years of age on 1 July 2007;
- an employer ETP was included and quantified in a written employment contract on 9 May 2006; and
- the employer ETP becomes payable prior to 1 July 2009;

the ETP be permitted to be rolled over into a superannuation fund.

Transitional arrangements of a similar nature were adopted at the time of the introduction of the Superannuation Surcharge tax.

The introduction of a three-year transition period (1 July 2006 to 30 June 2009) would allow for most contracts to be honoured in the manner originally intended, as well as for a more orderly termination of the associated employments, avoiding any potentially unnecessary disruption to business.

2.2 Simplified pension rules – treatment of current non-commutable pensions (Section 3.2)

2.2.1 Proposed changes

- A new minimum standard for pensions commencing on or after 1 July 2007, that includes full commutability (with the exception of pensions commenced under the transition to retirement condition of release).
- Existing pensions would be deemed to meet the new standards.

2.2.2 Area of concern – treatment of existing non-commutable pensions ("Complying Pensions")

The Detailed Outline does not address whether or not existing Complying Pensions (which currently can only be commuted to purchase another Complying Pension) could be commuted to purchase a pension that meets the new minimum standards. Further, a Press Release issued by Treasury on 26 May 2006 stated that Treasury has not indicated that existing non-commutable pensions can be cancelled as part of the proposed changes.

As one of the intents of the proposed changes is to increase the flexibility of access to superannuation while continuing in the workforce, it would appear inconsistent to restrict the

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options for individuals who have already chosen to access their superannuation in the form of a Complying Pension. We believe that many individuals who have previously decided to access their superannuation in the form of Complying Pensions have done so to access the concessional treatment for the age-pension assets test or to access the higher Pension RBL. Given the removal of RBLs, from a policy perspective there does not appear to be any reason for requiring these individuals to remain in Complying Pensions.

In addition, the process by which the Undeducted Purchase Price (UPP) of a pension paid to a person under age 60 is calculated will change from 1 July 2007. This change will increase the size of the UPP and hence, decrease the tax payable. We understand that as currently proposed, this change in the calculation of the UPP will not apply to existing Complying Pensions. This would appear to disadvantage current Complying Pension recipients unnecessarily.

We understand that, in some circumstances, for example, where a Complying Pension is matched by fixed interest type investments or where the pension provider has imposed contractual restrictions, there may be scope for losses to be incurred by the pensioner if a pension is commuted. However, we consider this to be a commercial matter, the merits of which the pensioner will need to evaluate when considering whether commutation is beneficial or not.

2.2.3 Alternative approach

We believe the Government should amend the proposed rules so that from 1 July 2007, if a member in receipt of a Complying Pension wishes, and if the pension provider decides to offer this facility, the member should be allowed to commute a Complying Pension to access the more flexible arrangements.

At the member's option, the commuted amount should be able to be re-invested in a superannuation account, or used to take out another pension product in accordance with the new arrangements.

Where a Complying Pension purchased before 1 July 2007 is commuted and a new pension is purchased, access to the 50 percent assets test exemption would be lost.

2.3 Portability (Section 9.2.1)

2.3.1 Proposed changes

- The time limit to process a benefit payment will be reduced from 90 days to 30 days.

- The time limit to process a benefit payment does not suspend or re-start whilst a fund is awaiting additional information.

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2.3.2 Area of concern – inability to process a benefit payment where further information is required

We note that, under the proposed new arrangements, the 90-day time limit for a superannuation fund to process a benefit payment has been reduced to 30-days. This forced improvement in processing time is welcomed and should not be unduly burdensome on superannuation funds. We are concerned however, that the mechanism by which a trustee can restart or suspend the 90/30 day period when new information is required to be sought from a member, has been removed.

It appears unreasonable that fund trustees could find themselves in breach of their compliance obligations through no fault of their own. Where, for example, a member is requested to provide further information to confirm their identity prior to a benefit payment being processed, the trustee should not be penalised where the member refuses or is tardy in providing it.

This also appears to contradict the increased focus on fraud and anti money laundering, which requires far more stringent identity and security checks to be performed by trustees. The risk could be that trustees will neglect such obligations in order to meet the 30-day deadline, which in our view, poses a greater risk to the safeguarding of members' benefits than the short delay of a benefit payment.

2.3.3 Alternative approach

We propose that the new 30-day benefit payment time frame be implemented, but that the 30-day period be allowed to be restarted or suspended where new information is sought, as per the current arrangements.

2.4 Undeducted Contributions (Section 4.5)

2.4.1 Proposed changes

- Undeducted contributions are to be limited to $150,000 per annum per member.
- Following industry input, the Government has announced that the annual amount may be averaged over three years on a 'use it or lose it' basis.
- Section 4.5.3 states that there will be scope for exemptions to the cap.

2.4.2 Area of concern – transfers from eligible non-resident non-complying superannuation funds

Under current legislation, provided certain pre-conditions are met, transfers from the above funds to a complying Australian superannuation fund are treated as undeducted contributions. Furthermore, there is currently no limit to the amount which can be repatriated in this way. However, in the absence of these transfers being classified as an 'exemption', they will form

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part of the $150,000 cap. If the proposed legislation fails to address the special circumstances relating to these payments then:

- it may result in the amounts concerned being retained offshore, creating a currency mismatch between where the assets and liabilities are held, adding an unnecessary element of financial risk to the savings involved;
- these amounts will circumvent the preservation rules (since the amounts involved would not be subject to Australian regulations); and
- it may create unnecessary administrative complexity for both the individuals and the ATO.

2.4.3 Alternative approach

- The existing taxation provisions dealing with the treatment of transfers from eligible non-resident non-complying superannuation funds should be retained; and
- to the extent that they are classified as undeducted contributions, they should be exempt from the proposed undeducted contribution cap of $150,000.

2.5 Non-quoting of Tax File Numbers (Section 7.2)

2.5.1 Proposed changes

- Where a TFN has not been quoted, the top marginal rate will apply to deductible contributions in excess of $1,000.
- Undeducted contributions will be unable to be accepted where a TFN has not been provided.

2.5.2 Clarification sought

It is unclear whether in the absence of a TFN, the top marginal rate of tax is to be applied where only a single contribution exceeds $1,000, or if the top marginal rate is to be applied to all contributions, until the member's aggregate contributions exceed $1,000 (that is, as the result of a number of contributions of less than $1,000). Furthermore, it is unclear as to whether this will be a financial year test or a once only test.

We are also unsure as to whether or not additional tax charged as the result of non-supply of a TFN would be refundable to a member once the TFN is provided, and what process would be utilised to achieve this.

For the purposes of the below suggested amendments, it is assumed that the $1,000 limit will be cumulative and measured per each financial year.

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2.5.3 Area of concern – the ability of superannuation funds to collect sufficient TFNs by 1 July 2007

We are concerned that large industry superannuation funds in particular, will have extreme difficulty in collecting the required number of TFNs from members by the 1 July 2007 deadline, such that significant numbers of their members will be paying additional tax on contributions or will be unable to make undeducted contributions.

Our anecdotal evidence suggests that some large industry superannuation funds have TFNs for less that 10-15 percent of their membership. Employers are unable to provide superannuation funds with TFNs without the employee's approval, and many members of large industry superannuation funds are itinerant workers such as fruit pickers and shearers who can be very difficult to gain approval from to provide a TFN. We are aware of significant efforts by such funds in the past to collect TFNs from such members but with little success.

2.5.4 Alternative approach

Due to the difficulty in collecting TFNs as outlined above, it may be necessary to review the provisions of the Privacy Act (1988) to allow employers to provide the TFNs of employees to superannuation funds, without employee consent.

In addition, to give such funds additional time in which to collect TFNs, we propose some transitional arrangements to extend for a three-year period as follows:

- increase the contribution limit above which additional tax will be charged or contributions rejected to $5,000 for a period of three years; or

- the $5,000 limit could be phased out over three years, that is, a $5,000 limit in year 1, a $3,000 limit in year 2, and a $1,000 limit in year three and ongoing.

An increase in the limit from $1,000 to $5,000, for three years or less will provide superannuation funds the additional time to communicate this change effectively to existing and potential members, as the contributions for the effected members of such funds are historically for small amounts.

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3 Areas where clarification is sought

3.1 Benefits paid to individuals aged under 60 years (Section 2.3.1)

We have interpreted this section to mean that members' Pre-July 1983 amounts will be required to be calculated by superannuation funds as at a particular set date, for example 1 July 2007, and these amounts will then be 'frozen' going forward, similar to members' current Unrestricted Non-Preserved benefit amounts.

Please confirm that our understanding is correct and the mechanism by which a 'freezing date' will be determined and communicated.

3.2 Abolition of RBLs and the impact on the Bankruptcy Act (Section 2.2.1)

Currently, in the event of bankruptcy, the superannuation and life insurance assets of the bankrupt are protected up to the pension RBL. We seek clarification regarding how this provision will be administered, following the abolition of RBLs.

We believe that the existing protection provided by the Bankruptcy Act should be retained with the level of protection being referenced to an appropriately indexed amount, not dissimilar in quantum to the current pension RBL.

3.3 Abolition of RBLs and the impact on the Superannuation Guarantee (Administration) Act ("SG Act") (Section 2.2.1)

The SG Act contains provisions which allow an employee to elect not to receive further employer superannuation contributions, once the employee has accrued a benefit equal to or greater than the pension RBL. The main rationale for this provision was to avoid the recipient employee from accruing excess benefits which are taxed at the penalty rate.

Given that it is proposed that benefits received after age 60 will be tax free, it would appear that there is no longer a need for the retention of the SG Act provision in this regard.

3.4 Notional taxable contributions for funded define benefit schemes (Section 4.2)

We note that 'notional taxable contributions' will have to be calculated in relation to members of funded defined benefit schemes, for the purposes of determining whether the $50,000 cap on concessionally taxed deductible contributions has been exceeded.

We wish to clarify the basis upon which 'notional taxable contributions' will be calculated. We note that this should be calculated based upon a member's benefit accrual rate (or similar measure) as opposed to the actual contribution made by the employer to the defined benefit fund. This will be important where a defined benefit fund is underfunded, and the employer is

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required to make a large lump sum contribution in one year of income. Furthermore, the requirement for the large contribution (or a series of large contributions) could be imposed by the Australian Prudential Regulation Authority. In such cases it would be inequitable for the $50,000 limit to be based upon contributions to the fund, as opposed to the members' benefit accrual rates.

In addition, we note that where the $50,000 limit for a defined benefit member is exceeded, additional tax will be payable. In the case of defined benefit members however, this additional taxation will effectively be borne by the employer, not the member, as the additional tax payable will not decrease the defined benefit the member is scheduled to receive, but will decrease the assets of the fund (the shortfall of which the employer will then be obligated to meet). This would appear inequitable to employers, particularly if the excess deductible contribution is a consequence of contributions which may have been made by another employer to an accumulation fund.

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4 Suggested areas of additional change

4.1 Work tests to be eligible to contribute to superannuation from age 65 to 75

4.1.1 Current arrangements

We note that the proposed rules do not remove the work tests applicable after age 65 for contributing to superannuation. The tests applicable for retaining money in superannuation have, however, been removed.

4.1.2 Suggested approach

In keeping with the simplification of the superannuation rules, we recommend the removal of the work tests in relation to being able contribute to superannuation. Alternatively these should be replaced with a simple age based test as follows:

- deductible contributions able to be made by anybody under the age of 70; and
- undeducted contributions able to be made by anybody up to the age of 75.

This will remove the currently difficult to administer requirements in relation to working hours.

We note that the Government has outlined in the Fact Sheet regarding Post Tax Contributions distributed following the Budget, that if a person who is aged 64 wanted to take advantage of the three year averaging and made a $300,000 undeducted contribution, the person would be required to meet the work test in the next financial year as well the current year, in order for this contribution to be valid. We note the extreme difficulty that will be faced by superannuation funds in confirming the work arrangements of people who have made such contributions (particularly if there is a change of fund). A simple age limit would remove this difficulty.

If the Government were particularly concerned about members making three years worth of undeducted contributions that is, $450,000 at age 74 for example, the age limit could phase in such that at age 73 only $300,000 worth of contributions could be allowed and at age 74 only $150,000.

4.2 Averaging of $50,000 limit on concessionally taxed deductible contributions over three years

4.2.1 Current arrangements

We note that the $150,000 limit on undeducted contributions is to be averaged over three years, to allow increased flexibility for those with uneven earnings patterns, such as sports persons,

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models, actors and small business owners. This flexibility has not been extended to concessionally taxed deductible contributions.

4.2.2 Suggested approach

We propose that the three-year forward averaging of the undeducted contribution limits be extended to deductible contributions. The rules in relation to excess deductible contributions would be the same, with extra tax payable on benefits over $150,000 over a three-year period.

This would allow those with uneven earnings patterns to help maximise their superannuation savings.

4.3 Interaction of the proposed rules with 'contribution splitting'

Due to the complexities that will be created by the interaction of the proposed changes with the contribution splitting requirements (which are outlined below) we propose that contribution splitting be abolished. The tax advantages of contribution splitting, following the removal of RBLs, will be negligible.

The following scenario illustrates the administrative complexities that are likely to be created by maintaining contribution splitting:

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Scenario:

Mr Jones receives employer deductible contributions into Superannuation Fund No. 1 of $50,000 during the first half of the 2007/08 financial year.

Mr Jones then changes jobs and receives another $50,000 of employer deductible contributions (to Superannuation Fund No. 2) in the second half of the 2007/08 financial year.

Following the end of the 2007/08 financial year, Mr Jones makes application to split 85 percent of his employer contributions in Fund No. 2 to his wife, Mrs Jones' account in Fund No. 3.

Due to the $50,000 limit on concessionally taxed deductible contributions, Fund No. 2 receives notice from the ATO during the 2008/09 financial year that additional tax of 30 percent (assuming a top marginal tax rate of 45 percent) or $15,000 is payable by Mr Jones in respect of the $50,000 contributed during the 2007/08 financial year to Fund No. 2.

However, 85 percent of the $50,000 contribution (or $42,500) was transferred to Mrs Jones' account in Fund no. 3. The remaining 15 percent or $7,500 left in Mr Jones account in Fund No. 2, has already been paid by Fund No. 2 in contributions tax to the ATO.

Mr Jones has no account balance remaining in Fund No. 2 to satisfy the additional tax bill of around $15,000.

A possible solution to this scenario would be for the additional tax bill of $15,000 to be passed on to Mrs Jones account in Fund No. 3 (similar to the way Surcharge assessments were forwarded to a member's next superannuation fund). However, the full 30 percent tax still outstanding, will be charged against only 85 percent of the original contribution that is, $15,000 tax payable on an amount of $42,500, meaning tax of approximately 35 percent will be payable on this amount. In addition, Mrs Jones may have in the interim transferred these benefits to another Fund, which will create additional complexities.

It is usual for superannuation funds to levy the 15 percent contributions tax on employer deductible contributions, following the deduction of fees and insurance premiums, such that the effective tax rate paid is lower than 15 percent. To ensure that tax is paid equitably between members, this 'discount' would have to be factored into the splitting process and any additional tax payable by members contributing over the $50,000 limit. The proposed arrangements do not address these issues.

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4.3.1 Suggested approach

The maintenance of contribution splitting will result in a system that is administratively expensive and time consuming, resulting in a scenario where an additional tax bill could be passed from fund to fund for years, similar to the difficulties experienced with the Surcharge system.

Given that the major tax advantage of contribution splitting, namely for a couple to gain access to two RBLs, has been proposed to be removed, there seems little advantage in retaining the contribution splitting system.

We acknowledge that much of the argument for contribution splitting was to also improve the superannuation benefits of women, however, we believe that the Family Law provisions in relation to allowing superannuation benefits to be split upon divorce can adequately address this.

As such, we propose that the contribution splitting system be abolished, effective from 1 July 2007.

4.4 Contribution deduction rules – employed and self-employed

4.4.1 Current arrangements

Currently a tax deduction in respect of superannuation contributions is:

- available to employers in respect of their employees;
- available to individuals who are at least 90 percent self-employed (eligible persons); and
- not available to individuals who are eligible for, or are in receipt of, employer contributions and who are not classified as 'eligible persons'.

The Government has acknowledged and accepted the practice of salary sacrificing which indirectly provides employees with tax relief, by allowing them to transfer some of their pre-tax income to superannuation.

4.4.2 Suggested amendment

We welcome the proposed changes to the taxation treatment of contributions by the self-employed. However, we believe that there is further scope for improving the arrangements, both from an equity and efficiency perspective, and at little or no cost to revenue.

We believe that:

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- The concept of an 'eligible person' is no longer relevant. The proposals already align the level of concessionally taxed deductible contributions between employers and the self-employed.

- By engaging in salary sacrificing, employees will be able to in effect 'top-up' their employer's contribution to the maximum of $50,000 per annum on concessionally taxed terms.

- Any residual distinction between employed and self-employed people appears to be artificial.

Given the above, we believe that there is a strong argument for removing the 'eligible person' requirement for an individual to claim a tax deduction for superannuation contributions.

There does not appear to be any reason why the proposed changes should not be extended to allow employers, employees and the self-employed to collectively make concessionally taxed tax deductible contributions up the $50,000 cap.

From an administrative perspective:

- it would remove the need for assessing eligibility;

- unless designated as undeducted, all contributions would be tax deductible;

- the cap for concessional tax treatment would be tested at the time the individual lodges their annual income tax return;

- all employees would have access to further deductible contributions (irrespective of whether their employer allowed salary sacrificing);

- their would be improved privacy, with an employer no longer being privy to the private savings patterns of its employees; and

- employers would have reduced administrative work as they would no longer need to be involved with the issue of derivation and affective salary sacrificing.

4.5 Administering contribution limits

4.5.1 Proposed changes

Whilst the detail remains to be determined, we understand that in broad terms, the reporting system for contributions will be the Member Contribution Statement which was used for reporting Surcharge and has been adopted for Co-contributions.

Based on our analysis of the information submitted, the ATO will determine whether excessive contributions were made (deductible and undeducted) and whether any additional tax needs to

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be levied. The ATO will also have the initial responsibility for determining the source of any tax and the refund of excessive undeducted contributions.

Whilst the above proposed arrangements can prove to be complex, on occasions time consuming and unproductive, the bulk of the infrastructure to support the arrangements is already in place. Therefore subject to the one suggested amendment mentioned below, we support the Government's proposals in this regard.

We do not support the alternative proposal put forward by the Institute of Actuaries of Australia (IAA) in their submission of 5 July 2006, primarily because it effectively makes adherence to the undeducted contribution cap subject to self-assessment. Furthermore, due to the low level of likely incidence for excessive deductible contributions, the introduction of a new employer reporting and employee tax return reporting system appears unwarranted.

4.5.2 Suggested amendment

Consistent with the proposal by the IAA, we recommend that the net amount of any excess deductible contributions is reclassified as an undeducted contribution in order to protect the integrity of the $150,000 cap on undeducted contributions.

4.6 Deductibility of interest on borrowings to make concessionally taxed deductible superannuation contributions

4.6.1 Current arrangements

Currently an employer can claim a tax deduction for the interest payments on borrowings used to pay superannuation contributions on behalf of employees.

4.6.2 Alternative approach

To bring the treatment of self-employed contributors into line with employers (as the proposed changes appear to be trying to achieve) we believe that interest on the borrowings made by self-employed persons to make concessionally taxed deductible superannuation contributions should also be tax deductible.

In the event that our suggested approach to eliminate the concept of 'eligible person' is adopted, then deductibility for interest (as outlined above) should be extended to employees as well as the self-employed.

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