

The General Manager
Superannuation, Retirement & Savings Division
The Treasury
Langton Place
PARKES ACT 2600

Sir/Madam

This submission seeks clarification on the ability of a person NOT in eligible employment to claim a deduction when making a 'non-employer sponsored superannuation contribution [personal superannuation contribution]'.
Currently, according to the fact sheet from the ATO site

[<http://www.ato.gov.au/print.asp?doc=/content/19411.htm>], an individual, such as a full time investor, may make a deductible contribution provided that person can satisfy the 10% rule; is under 65 years old and satisfies other conditions. This deductible amount is calculated according to a formula based on the person's age on the day of last contribution.

Under the 2006-2007 Budget proposals, this provision will be continued but age restrictions will be removed for those under 50 and a cap of \$50,000 pa will apply for all claiming a contribution deduction. Furthermore, anyone may leave his/her superannuation in the accumulation phase till age 75.

What is unclear, is whether in allowing a super fund to remain open after age 65, the proposal also allows a deductible contribution to be made to a superannuation fund till the individual is aged 75, without entering into the required period of paid employment or being self-employed.

In the summary 'A Plan to simplify and streamline superannuation', it states unconditionally on page 1, that "The ability to make deductible superannuation contributions would be extended up to age 75." On pages 9 and 16, this is repeated but implies it is referring to those who are self-employed.

What is not clear is what happens to those who satisfied the 10% rule but are not strictly 'self-employed [no ABN, no business].

In the ATO fact sheet referred to earlier----'Non-employer sponsored superannuation contributions'-----the self-employed and those who are not in eligible employment are treated the same, in being able to claim deductible contributions to superannuation.

Does this equity of treatment continue in the budget proposals please? OR will the eligible work test apply after age 65 to both deductible and non-deductible contributions?

Superannuation advisers themselves appear to be of two minds, some opting for one interpretation and some the other. Clarification would greatly assist those who are trying to decide how to organise their retirement income sensibly.

Yours faithfully

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