

Submission to Treasury The 2006 Budget Proposals for Superannuation

26th July 2006

Contribution Limits

The thrust of the 2006 Budget proposals focussed on the simplification of superannuation for most Australians.

The proposals contained certain initiatives that would enable monies to be retained in the superannuation system indefinitely. Other proposals focussed on the simplification of the current contribution arrangements including the removal of the current 'age-based' contribution limits and the complex guidelines that presently apply where an employee is over age 65 years.

On this latter point, the current superannuation guidelines indirectly places certain restrictions on superannuation funds to accept contributions made by employers.

In particular, we draw your attention to:

- For members aged 65 to 70 years, a fund can only accept employer contributions in excess of 'mandated' contributions subject to the employee satisfying the 'work test'. Mandated contributions are Superannuation Guarantee contributions and those made by an employer in accordance with an industrial award or a certified agreement.
- For members aged 70 years and over, a fund can only accept employer contributions that are 'mandated' contributions. (Superannuation Guarantee contributions cease at age 70 years.)

Whilst the 2006 Budget papers indicate that a superannuation fund will be able to accept employer contributions made on behalf of employees up to age 75 years, the position is unchanged for employees aged 75 years or more.

We would appreciate the Government's consideration and advice as to the following:

1. As a transitional measure for 2006-07, a superannuation fund be able to accept 'all' employer contributions for members aged 65 to 75 years.
2. Review the contribution cessation age of 75 years as proposed in the Budget. In line with the Government's philosophy (as per the Budget initiatives) to allow monies to remain in the superannuation system indefinitely, persons who are in bona fide employment should be able to receive employer superannuation support irrespective of age, particularly as, under the current guidelines, they may have been employed in a non-award environment prior to age 75 years and therefore, under the current guidelines, unable to benefit from an employer contribution post age 70 years.

(By way of example, Sunsuper has a member aged 76 years who is an arm's length employee who is currently employed on the full-time basis. The member's ability to accumulate reasonable superannuation benefits has been limited since age 70 years by the current contribution guidelines.)

We trust our raising these 'real-life' issues will assist the Government in achieving its stated objective of simplifying superannuation for all Australians.

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