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**Subject:** Comments on a Plan to Simplify Superannuation.

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**From:** Peter Weverling

**Sent:** Tuesday, 1 August 2006 1:07 PM

**To:** Simpler Super

**Subject:** Comments on a Plan to Simplify Superannuation.

To :

General Manager

Superannuation, Retirement and Savings Division

The Treasury

Langton Crescent

PARKES ACT 2600

I welcome the proposed changes to the Superannuation system to abolish the tax on superannuation benefits paid after age 60. However I would like to present the case for the removal of the 15% Contributions Tax and the restoration of tax exemptions for Non-Employer Superannuation Funds.

15% Contributions Tax

Before the introduction of the present compulsory Superannuation Guarantee system all individuals, regardless of whether they were self employed, could claim up to \$3,000 per year as a tax deduction for superannuation contributions. Thereby making superannuation contributions tax free for the first \$3000 of contributions. (This is now \$5000 for self employed persons.)

With the introduction of the Superannuation Guarantee system this \$3,000 is now taxed at 15% as a Contributions Tax and represents a substantial financial loss of superannuation assets for those who were already contributing to a non-employer superannuation fund.

As a result of the 15% Contributions Tax the investment value of this \$3000 has been reduced to \$2,550, representing a loss to the taxpayer of \$450 (15%) for every \$3,000 invested in Superannuation. Working out the investment loss at a modest 5% compound interest over 40 years comes to over \$57,000, and is a substantial reduction in the value of someone's superannuation assets regardless of the tax on retirement benefits.

This is an issue that has been a sore point with me ever since the introduction of the Superannuation Guarantee system.

The argument that eliminating the 15% Contributions Tax is too complicated is just nonsense. Nothing could be simpler than for the superannuation funds to stop paying the 15% Contributions Tax from 1 July 2007. The benefit to the value of superannuation assets is obvious, in that it increases the amount of capital to be invested and so provides a greater return on retirement.

In addition, the suggestion that Employers should get a 30% tax deduction for superannuation contributions is grossly unfair to the Employee. Why should an Employer receive a tax deduction for an Employee superannuation contribution when it is money from the Employees salary package that is being contributed to a super fund. The tax deduction should go to the Employee. That is, abolish the 15% Contributions Tax.

Non Employer Superannuation Funds

Once again before the introduction of the Superannuation Guarantee system many people had superannuation funds which were created as a result of rollovers from previous employment and were not administered through their employer. Subsequent changes to the Superannuation

Guarantee system took away any tax exemptions for further employee contributions paid into these existing non-employer superannuation funds. This resulted in the loss of tax exemptions because further contributions paid into these funds were taxed at the full marginal tax rates of 30% or more. This denied the employee to top up these funds with the same tax advantage as an employer superannuation fund. This is important because in my experience employer superannuation funds have not always provided the best returns, and I for one have relied on my Non Employer Superannuation Fund to consolidate my superannuation each time I have changed jobs.

In the past we paid income tax so that we could receive an old age pension when we retired. We still pay income tax, and now we are paying for our own retirement. Therefore we have reduced the cost to government of providing the age pension. It is only fair therefore that all superannuation contributions are tax free so that the maximum amount can be invested in a super fund and so provide for a better financial security in retirement.

Yours sincerely,

Peter Weverling

(Please withhold Address)