

Subject: FW: 856 Submission on "A Plan to Simplify and Streamline Superannuation"

-----Original Message-----

From:
Sent: Thursday, 20 July 2006 10:23 AM
To: Simpler Super
Subject: 856 Submission on "A Plan to Simplify and Streamline Superannuation"

I wish to make a personal submission on the proposal "A Plan to Simplify and Streamline Superannuation".

I welcome the proposed changes, however, the treatment of Pre-July 83 component can be further simplified.

Section 2. Taxation of benefit payments says "All funds would be required to calculate a pre-July 1983 amount as at a particular date under the existing legislative formula – that amount would then become a fixed component that would not change in the future and would then form part of the new exempt component."

Given that many people may have more than one superannuation fund there would be an enormous complexity in calculating the pre-July 83 component in many cases and I'm sure a raft of regulations will be required to deal with a plethora of situations. The possibly inaccurate records due to the definition of the Eligible Service Period will only further add to the confusion. I propose an alternative.

My suggestion is that anyone with a pre-July 83 component would be given a fixed non indexed amount of \$75,000 as an exempt component. The \$75,000 amount would apply irrespective of whether a person has one day or 20 years of pre-July 83 component. In this proposal no calculations by the funds are necessary. All the funds will need to do is record whether the person has an entitlement to a pre-July 83 component or not. Naturally only one \$75,000 entitlement per person per lifetime which will be administered by the ATO.

The proposed amount of \$75,000 for pre-July 83 component would thus be carried forward for both lump sum and pension benefits as in the remained of the " Plan to Simplify and Streamline Superannuation". In the case of a pension the \$75,000 would apply to both tax and non taxed sources.

In the case of a lump sum benefit Table 2.1 would be changed to reflect under the my proposal

Under 55. The \$75,000 exempt component would be preserved till age 55.

Age 55-59. The \$75,000 is exempt and additional to the low rate threshold.

Age 60 and over. No real effect as all components are tax free.

EXAMPLE

A person has \$500,000 in superannuation and a pre July 83 component. If they retire aged between 55 and 59 their entitlement would be

Pre July 83 component	\$75,000	exempt
Low rate threshold	\$129,751	taxed at 0 per cert
Balance		\$295,249 taxed at 15 per cent

NOTE: While I have no objection to this being published I wish my email address withheld.

Regards
David Horwitz

