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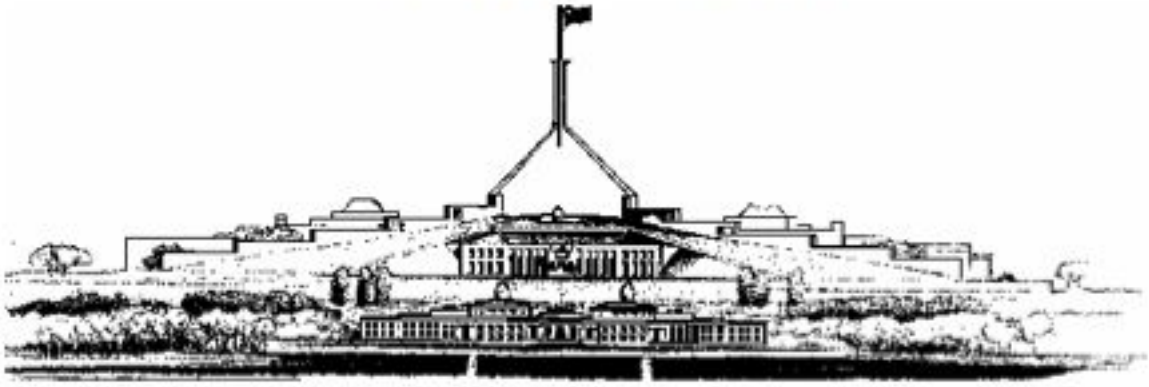

HOUSE OF REPRESENTATIVES

Federation Chamber

BILLS

Superannuation Legislation Amendment (Reform of Self Managed Superannuation Funds Supervisory Levy Arrangements) Bill 2013

Second Reading

SPEECH

Thursday, 21 March 2013

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date	Thursday, 21 March 2013	**Source**	House
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Questioner		**Responder**	
Speaker	O'Dwyer, Kelly, MP	**Question No.**	

Ms O'DWYER (Higgins) (10:40): I rise today to speak on the Superannuation Legislation Amendment (Reform of Self Managed Superannuation Funds Supervisory Levy Arrangements) Bill 2013. We have heard a number of speeches in this place as to the import of this bill, but let me recount that the bill amends the Superannuation (Self Managed Superannuation Funds) Supervisory Levy Imposition Act 1991 to increase the maximum levy payable by a trustee of a self-managed superannuation fund for an income year from $191 to $259 from the 2013-14 financial year. It brings forward the liability to pay the levy during the income year instead of the current requirement to pay some months after the year ends, when the SMSF lodges its returns.

Whilst the government made the announcement in the Mid-Year Economic and Fiscal Outlook last year that it would increase the levy from around $191 to $259, the implementation and timing is such that these changes will in fact result in a total levy being paid in the 2012-13 year of $321 and a total levy in the 2014-15 year of $388. We on this side understand that levies do need to be recovered on a cost-recovery basis. We respect that attitude, we respect that that is a responsible way to manage the budget and, in that statement, we do not oppose this bill.

However, it has been clear from the evidence presented to the Parliamentary Joint Committee on Corporations and Financial Services that there is a suggestion that the amounts and levies being charged on self-managed super funds are over and above what would be considered cost recovery. Evidence was presented to the committee by the Self-Managed Superannuation Professionals' Association of Australia that there was no justification provided, no evidence presented, by the government that this was in fact cost recovery. They said in evidence to the Parliamentary Joint Committee on Corporations and Financial Services:

As we alluded to previously, the increased costs have been around changes from the Stronger Super package. We have seen those in the 2011-12 budget papers and again in the 2012-13 papers, but, in contrast, in the recent 2012-13 MYEFO papers, there was no justification or reasons given accompanying the increase in the levy.

This was indeed curious, and members asked questions of the ATO. They asked questions regarding the increase and the bring-forward provisions of the bill. The ATO were asked the specific question:

Who proposed this increase in the levy? Was it the tax office or the government?

The ATO's response was:

I think it is best to take that one on notice. My recollection—but my memory sometimes fails—is that on this occasion the discussion was probably initiated by Treasury, but I may be mistaken.

We are not convinced that this cost increase was one that did not come directly from the government. In fact, the government has a very strong track record of ripping money out of the superannuation sector. Over five years it has ripped more than $8 billion out of the superannuation sector.

I wanted to talk in the time available today about the changes that the government has made to superannuation and how it is having a very direct and significant impact on those people who are doing the right thing—trying to save for their future and be self-reliant. It is critical that people have confidence in our superannuation system and, when people invest their hard earned money, they need certainty—certainty around how that money will be taxed going in and how it will be taxed coming out. They need certainty around the contributions that they can make. They need to know that there will not be continued fiddles with the superannuation system.

This government has in fact made more than 23 fiddles with the superannuation system. That is almost four changes every year, and that is the very opposite of certainty. Some of those changes include: the reduction of the rate at which the government superannuation co-contribution is paid from 1 July 2009 and 30 June 2014; a limit on concessional contributions, reduced from $50,000 per annum to $25,000 per annum; matching the rate for government superannuation co-contributions to be reduced from $1 to 50c, with the maximum benefit

also to be reduced from $1,000 to $500; the maximum incomes threshold also proposed to fall from $61,920 to $46,920; and the indexation of concessional contribution caps proposed to be paused for one year in 2013-14 at $25,000 for individuals under the age of 50 and $50,000 for individuals aged 50 and over. That is not to mention, of course, the penalties that have been applied to those people who many have inadvertently breached the ever-moving caps that the government seems to change at every opportunity.

There are significant penalties that go towards ensuring that those people will not see the benefit of the hard earned money they have contributed to their superannuation savings to ensure that they can live the life that they would like to live in retirement. How does the provision to introduce another levy on self-managed super funds incentivise investment in our superannuation system? How does this provide more certainty? The answer is that it does not, and we have already heard from the Prime Minister that she intends to make yet further changes to superannuation. In her Press Club address earlier in the year she flagged that there will be more changes in the budget around the tax arrangements to do with superannuation.

I hear the very deep and real concerns from constituents, who raise this matter with me in a very heartfelt way and who are desperate to know what faces them in retirement. Let me read into *Hansard* the letter that I received from Glen. He says this:

I am writing—desperately—about the noise on taxation of Superannuation/ Pensions. My wife and I are just recently retired. I am 67 and have worked to the end. We had planned for retirement—foregoing much else to fund our superannuation. And we are totally self-funded. This was long term planning and was done deliberately not to be a burden on the Government and to enjoy some financial freedom. Although the amount we have accumulated in Super may look large, it is frightening to watch how long it is going to have to last while supporting our planned lifestyle.

To be candid, the current 'noise' is terrifying us.—

And this noise is of course coming from the government.

We had planned everything a long time ago based on Peter Costello's initiatives and have taken advantage of every new government adjustment while relying on the promises. We are asking you—

maybe that should be pleading—

to lend you weight to preventing changes for those of us who are now self-funded in retirement without any possibility of re-entering the workforce.

Let me read from what Angela sent me:

As I am facing retirement myself in the not too distant future I am deeply concerned about the proposal to tax the income of self-funded retirees in the name of addressing structural problems within the budget. The only structural problem that I can identify is the reckless and wasteful spending that has occurred over the last six years. Like many self-funded retirees, I have worked, saved and salary sacrificed in order to build-up enough superannuation to ensure that I could enjoy a reasonably comfortable retirement for as long as possible. With the exception of a small minority of wealthy people most self-funded retirees are not 'wealthy' and should not be the subject of an unfair tax impost. Apart from the activities of this government, inflation and rises in the cost of living pose the greatest threat to the financial security of self-funded retirees who are living on a fixed income. Many of them run out of money after a short period of time and qualify for a pension. For example, 10 years ago $500,000 was considered adequate for a couple to retire on. Today, financial advisers are recommending that a couple would require at least $1 million in superannuation in order to retire comfortably. It has been estimated that $1 million in superannuation will deliver an annual income of approximately $55,000-$65,000. This might seem to be a reasonable income today however in ten years time an annual income of $55,000-$65,000 may be insufficient. To give you an example, when I started working 40 years ago, I earned the grand total of $35.00 per week. Today, $35.00 might buy you a weekly zone 1 train ticket, if you are lucky.

I am concerned that self-funded retirees are viewed as a soft target by this government and their hard-earned superannuation savings are considered to be a honey-pot ripe for the picking. Any adverse changes will make superannuation an unattractive investment option for working people with the result that fewer people will

be motivated to work and save towards independence in retirement. That defeats the purpose of having a superannuation scheme in the first place.

I say to Angela: I could not have put it any better myself.

Finally, let me tell you what Daryl has said:

Why is it that in this country we continue to penalise hard work, sacrifice and the occasional success?

… … …

I am in my late 50s and therefore approaching retirement age. I have planned for my retirement, sacrificed and worked hard to save for my retirement so I will not have to rely on government handouts. I am therefore increasingly concerned that the incumbent government … continues to covet superannuation with growing evidence that superannuation and superannuation savings could be targeted as soon as the May budget. This is of immense concern for those who have planned carefully, been thrifty and worked damn hard to build a reasonable fund balance. In some respects, one must question whether it was all worth it, or whether sacrifice, responsible savings and thrift should have given way to a more extravagant lifestyle in years past.

We on this side have given an undertaking not to muck around with superannuation, as this government continues to do. We understand the importance of certainty when people are sacrificing and saving for their retirement. We understand the importance of good and responsible economic management so that the government does not have to put its hand in the pockets of the retirement savings of Australians. It is quite, quite wrong. That is why we will stand up for all Australians who want to work hard, create opportunities for their families and be rewarded for their efforts. They should not be penalised. This government has an awful lot to learn, and, come 14 September, the voices of those people who have been penalised will be heard.