SUBMISSION TO REVIEW OF AUSTRALIA'S FUTURE TAX SYSTEM: RETIREMENT

I have read with interest the matters published so far concerning Australia's future tax system and would like to make some comments about a number of matters. These are set out below.

Superannuation

The Timing of Changes. The current superannuation system has been in operation for barely 30 months and was agreed on a bi-partisan political basis in the national parliament. A review so soon after its introduction is sending negative messages about the stability of the current arrangements, especially when many people have made significant modifications to their asset portfolios to fit in with the new superannuation requirements. Further changes in superannuation are bound to increase stress levels and lead to further confusion among older people. Surely there is some way of at least letting the new system settle down before further changes are made?

Listen to Not Only the Big End of Town. Secondly, there is a concern that the review will predominantly reflect the views of "the big end of town". There are some 370,000+ self-managed superannuation funds (covering over 700,000 people) operating in Australia (and the number is growing at a very healthy rate). If people are satisfied with existing arrangements offered by commercial and industry funds, why are they so keen to establish their own self-managed funds? Surely the very popularity of self-managed funds is an attestation to the fact that the commercial and industry funds are not providing suitable "products" and appropriate levels of flexibility and fees to a large number of potential clients?

Too Much Focus on Shares. Thirdly, the current system is skewed strongly towards investments in the share market, making it easier to own shares and the like and not other asset classes like property, art, jewellery, bullion, motor vehicles, collections of all sorts, etc. Not everyone is a stock broker and with billions of dollars being wiped off people's superannuation wealth as a result of the share market collapse, who wants to place their hard-earned resources in industry and commercial superannuation funds where, because of their share market bias, the potential currently seems only to be for further losses? The excessive focus of the existing superannuation system on the share market has highlighted the need for a more flexible and wider spread approach to what should constitute superannuation assets.

More Flexibility Needed. Fourthly, rather than more red-tape and penalties, which seems to be the direction favoured by the Tax Commissioner, why can't consideration be given to providing more flexibility in the system so as to encourage people to make adequate provision for their retirements? Considerations such as:

- elimination of the "work-test", which comes into force after you turn 65 years of age (why should you be penalized if you are suffering an illness or disability that prevents you from satisfying the work-test, yet have resources available to invest in superannuation?);
- allowing people to contribute to superannuation before they commence work and after they exceed 75 years, when people demonstrably have assets available at an earlier age than their forebears and aged people are now living longer;
- freer movement of assets into and out of superannuation, like dispensing with the unrealistic restriction on transferring investment properties bought at arm’s length outside the superannuation system into a self-managed fund's assets, when shares and artworks can be readily transferred; and
- allowing people who take lump sum payouts for accumulated long-service leave to contribute these to superannuation at a low or zero tax rate, rather than encumbering them with the large penalty that the Tax Commissioner imposes under existing arrangements (adding them to your existing income in the year they were received and charging the marginal rate of tax)?

Discrimination. Fifthly, the current system is quite discriminatory. Statistics demonstrate clearly that indigenous Australians have shorter lives than non-indigenous Australians. Why, therefore, should they be required to contribute and gain access to their superannuation in the same pattern as other Australians? Similarly, the 75 year old age restriction on contributions makes no allowance for contributions from people in families that are statistically long-lived. Why should people who live until their mid 90s and more in a family which has a history of long life expectancy, not have access to superannuation contributions beyond 75? Indeed, in long-lived families, intergenerational transfers of assets, which should be addable to existing superannuation assets, often occur well beyond the 75 year contribution cut-off that is currently in force. People in this situation are denied the opportunity to take advantage of superannuation just because of their family genetics and the system’s inflexibility in recognizing this. Surely the current system is not going to collapse if it moves away from the existing in-built rigidities that discriminate against indigenous and long-lived people?

Superannuation Belongs to the People. Finally, superannuation assets belong to individuals, not government or industry. The Federal Government should be encouraging people to make adequate provision for their retirement, rather than seeking to put a brake upon it. A wider process of consultation and the adoption of more flexible and facilitative approaches to encourage people into the superannuation system (commercial, industry-driven and self-managed funds) would make it easier for them to operate and to take more responsibility for their own financial futures.

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