Dear sir/madam,

Submission

This submission refers to access to superannuation taxation concessions, and appropriateness of the current arrangements – as noted by the Federal Treasurer to the Chair of the Review Panel, Dr Ken Henry on 4 November, 2008.

We believe that the form and value of the current taxation concessions are appropriate and serve as fair compensation for the constraints in respect to access to savings and earnings before retirement – in most cases.

This serves as an attractive incentive for voluntary savings – which represents an important component of our retirement incomes policy.

The success of the voluntary savings component of this policy is contingent on a high level of investor confidence in the integrity of the system with regard to future adverse changes to the rules of investment. In this context investors are aware that the impact of the Global Financial Crisis with the resultant accumulation of short term debt, presents a temptation for government to raise additional revenue from our $1 trillion pool of national savings in an environment where most investors cannot move their savings out of the system.

It can equally be argued that the compulsory savings element of our mature retirement incomes policy presents the government with an opportunity to provide some relief from the estimated $26 billion subsidy expenses – with a limited impact on the future growth in retirement income savings.

Older investors will recall the superannuation taxation changes that occurred with a change of government in March, 1983.

Superannuation investors today have good reason to be cautious – in considering a commitment to voluntary savings.

Recommendation

Voluntary superannuation savings should be valued.

To better protect investor confidence we propose that the rules of superannuation taxation reform of a significant revenue raising nature be subjected to a forward notice period that extends to a subsequent term of office.

This practice will allow an alternative government to respond to the proposed changes at the time of a General Election.

With this proposal superannuation investors will have an opportunity to consider the proposed reforms at the time of voting for the next government.

Your faithfully,
John Loveridge