

The Treasury

Dear Sirs

If you want to find out the objective of superannuation, start with history and half pay for the Royal Navy. There was an excellent book on superannuation mentioning some early history by a fellow called Richards in the AMP, I recall. Treasury Library has probably thrown it out.

The objective, as deduced from Adam Smith, Pitt's 1798 Bill, J S Mill and William Vickrey (to name a few sources) is to provide a forward income averaging mechanism for income from personal exertion, so that terminable incomes are not overtaxed relative to permanent incomes and so that the spouse and dependants necessary to replace the labourer are also provided with a replacement for his (add "or her" if you don't like pre-PC orthodox English inclusive usage) income.

On that logic, the 1980s IDC on Retirement Incomes proposed, if I recall rightly –

1. No taxation of contributions;
2. No tax on fund earnings;
3. Unlimited deductibility up to income from personal exertion;
4. No preservation requirement;
5. Ability to stop/start pensions/annuities

BUT

6. Benefits only to be payable as life pensions or account or fixed annuities, based on life expectancy on drawing (orphan children's pensions to age 25 as was customary to cover education);
7. Benefits taxable as ordinary income;
8. No lump sums except return of non-deducted contributions
9. A \$1 for \$1 income test against all Commonwealth income benefits (whether age pension, supporting parent's, AUSTUDY, unemployment benefit etc.)

Alas, my dear old Treasury alma mater stuffed it all by grabbing for the 15% "bring-forward" upfront tax on superannuation and the IDC was disbanded.

Treasury could have replaced half or more of the Commonwealth's social welfare spending by now, I suspect, if it had bothered to be (a) fair (b) logical and (c) patient.

As it is, I fear Treasury has a credibility gap with taxpayers thanks it to its relentless pursuit of the idea of never giving a sucker an even break.

So please be careful and try not to bugger things up. The previous bugging up was one reason I left the Crown's service. What was the point if people couldn't be bothered to try to look ahead 30 or 50 years?

Best of British luck with it all. It would be nice to see sensible policy.

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