CORPORATE SUPER ASSOCIATION

ABN 97 799 893 065

PO Box 508
Collins Street West VIC 8007
Tel: 03 8319 4075
Email: corpsuper@netspace.net.au
Website: www.corsuper.com.au

6 May 2013

The Manager
Contributions and Accumulation Unit
Personal Retirement and Income Division
The Treasury
Langton Crescent
PARKES ACT 2600

By e-mail to superannuation 2013bill @ treasury.gov.au

Dear Sir

SUSTAINING THE SUPERANNUATION CONTRIBUTION CONCESSION

We refer to the Exposure Draft legislation issued on 2 May 2013 regarding the above.

Background to the Corporate Superannuation Association

Established in 1997, the Association is the representative body for large corporate not-for-profit superannuation funds and their employer-sponsors. The Association represents a total of 28 funds controlling $37 billion in member funds. In general, these funds are sponsored by corporate employer sponsors with membership restricted to employees from the same holding company group, but we also include in our membership a few multi-employer funds with similar employer involvement and focus.

Comment on the draft legislation

We have concerns regarding the application of the legislation to members of defined benefit funds as follows:

- The inclusion in Low Tax Contributions of the full amount of notional taxed contributions for individuals whose contributions are "grandfathered" in relation to excess contributions tax.
- Detail of the application of the tax to defined benefit members.
    - How would it be proposed to maintain records of the accumulating Division 293 tax burden for a defined benefit member prior to the member's withdrawal of benefit?
    - How would the tax be paid by a defined benefit pensioner?

Notional taxed contributions and grandfathering

The imposition of an additional 15% tax on defined benefit contributions will be a significant burden for members with defined benefit support. These individuals have little option to change their contribution arrangements; and frequently any defined benefit retirement arrangements combine with their existing salaries to provide an adequate aggregate level of compensation which, if the defined benefits were eroded, would produce a significant reduction in overall compensation. These were persuasive reasons for the limitation of the impact of the excess contributions tax burden, and the same arguments should apply in respect of the Division 293 tax. We note that the additional tax could impact individuals with a 14% contribution rate at a salary, excluding fringe benefits and investment income, of around $265,000.

Keeping track of the accumulating tax

It will be necessary to communicate to the affected defined benefit members that they have an accumulating debt to the government. We would propose that individual assessments to the Division 293 tax should be provided to the affected members and that they should be made aware that this amount will be collected on their withdrawal of their benefits.

Impact on defined benefit pensioners

We have concerns about the practical aspects of collection of the tax from those defined benefit members who will receive their benefits in pension form. We presume that it would be proposed to collect the tax by instalments once the pensions are in payment, perhaps by a system similar to that applied to HELP debts.

Yours faithfully

Mark N Cerché
Chairman
Corporate Superannuation Association