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**Tax and Superannuation Laws Amendment (2013 Measures No.3) Bill 2013:
Superannuation concessional contributions cap – Exposure Draft and Draft
Explanatory Memorandum**

The SMSF Owners' Alliance (SMSFOA) has been established to represent trustees and beneficiaries of self-managed superannuation funds.

In our pre-Budget submission, SMSFOA argued that current voluntary contributions caps are too low to allow the majority of Australians to save enough during their working lives to be financially independent throughout their retirement. We also argued for flexibility in contributions to allow for changes in circumstance during an individual's working life.

Therefore SMSFOA supports any meaningful measures to increase the opportunity for Australians to increase their superannuation savings, particularly in the latter stages of their working lives.

The draft legislation to increase the contribution cap to \$35,000 for individuals 59 years or over from 1 July 2013 and for individuals 49 years or over from 1 July 2014 is welcome - so far as it goes.

However, we note that the new cap is not indexed and is intended as only a temporary measure until the contribution cap for all other superannuation savers reaches \$35,000 through indexation. This is estimated to be in 2018.

On our analysis, a cap of \$35,000, even if indexed, will be insufficient to enable most Australians to save enough to support themselves at a reasonable replacement rate for the remainder of their lives and will inevitably have to be adjusted upwards.

Concurrent with the announcement of this increased cap, the Government announced its plan to establish a Council of Superannuation Custodians to ensure that any future changes are consistent with an agreed Charter of Superannuation Adequacy and Sustainability. The Exposure Draft on concessional contributions cap does not appear to us to be consistent with the spirit of this concurrent announcement and an ambition to implement sustainable changes.

For the draft to provide for a sustainable change it should allow for increase in the \$35,000 cap and changes in its currently “unindexed” nature if the Council subsequently agrees that an indexed and higher cap is necessary for the superannuation system to be effective in meeting its objectives.

In this regard, we propose adding after ‘\$35,000’ words to the effect

“or such greater contributions cap as the Treasurer/Minister may decide from time to time, which cap shall be indexed in a manner determined by the Treasurer/Minister from time to time”

and the Note at the end of section (1) be amended to read words to the effect:

“Note: At the time of this legislation, the Treasurer/Minister had determined that this amount is unindexed.”

Otherwise, the draft Bill gives practical effect to the Government’s current policy decision and we have no further comment on the wording.

We note that the draft legislation and explanatory memorandum were released by Treasury on 6 May with a closing date for submissions of 13 May. While the draft Bill is relatively simple, such a short consultation period does not appear to be consistent with good consultation practice in allowing sufficient time for associations to consult in turn with their members, determine their position and prepare submissions.

Yours sincerely,



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