From: Nicholas Heath [redacted]
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To: Superannuation
Subject: Submission re: Treasury Laws Amendment (Better Targeted Superannuation Concessions) Bill 2023

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I am a retired worker (retired 2006) who has participated in the Australian superannuation system. While working, I tried to maximise my future retirement income by directing savings into superannuation rather than near term discretionary spending. I now manage my own SMSF. My wife and I wish to remain independent and not rely on government in our retirement.

I wish to make the following submission regarding the Treasury Laws Amendment (Better Targeted Superannuation Concessions) Bill 2023

1 The imposition of even more tax on Australians who have looked ahead and saved to provide for superannuation income in their retirement is unjust and unfair.

The Commonwealth government set up the rules for Australian workers to build a meaningful pool of savings for retirement. The stated long term aim was to see reduced demand on the public purse which would otherwise have to pay for older Australians to live on government pensions. We were encouraged to provide for ourselves via a system of attractive superannuation provisions. Those provisions included making capped contributions into a superannuation account more attractive than a normal savings account, although the superannuation account would have severe restrictions on when withdrawals could be made. The level of taxation on the earnings in a superannuation account would be at rates lower than normal rates of taxation. These provisions encouraged thousands of thinking Australian workers to plan ahead and set aside income for use in their retirement. They trusted government to keep these superannuation provisions in place up to and beyond their retirement date. The expectation of many workers was that these special provisions would ensure that the government would not need to provide them with any pension. In turn, workers felt that they would be able to retire with an income stream greater than what a government pension would provide. That dream is being smashed.

Year by year, the government has broken its bond with the workers who complied with the superannuation system rules. Time and time again, short term measures have been introduced which have had a retrospective impact on Australian workers and reduced the value of their retirement savings. Thus, governments have broken their word with workers who have planned, skimped on near term pleasures and saved for the future.

Workers have been drawn into superannuation plans which they expect to run for 40 years and longer. Therefore, any changes should not impact on those already in the superannuation system, but only on those yet to begin a superannuation savings journey. To take superannuation money away from those who have given up immediate consumption to provide for a secure living post retirement is to break a promise. It is unjust and unfair.

If any changes are to be made to superannuation, they should apply to future superannuation savings, not with retrospective effect on savings which have been accumulated over past decades.

2 The imposition of tax on unrealised gains is bad taxation.

In what other jurisdictions do governments levy tax on income or capital gains which have not materialised? Why does the Australian government think they should take the lead on this fanciful taxation concept? There is no sound basis provided for this apparently irrational tax on unrealised gains. Until a worker has actually received the benefit of either income or capital gain, it is quite unreasonable to demand a share of any such a potential benefit via taxation. Will the next step be to tax unrealised income on our term deposits that have not yet matured?

One assumes that the Treasury has conceived this tax on the assumption that asset prices will continue to rise and as a consequence this new taxation concept will bring forward taxes than would otherwise be collected when assets are sold. However, the economy works in cycles. Many today would caution that given the state of global and national debt, there could well be a period of asset deflation, in which case the Treasury assumption of increased tax revenues could turn out to be completely wrong, thereby putting the commonwealth budget under further strain.

The taxation of gains which have not been realised by the taxpayer is a foolish way to structure a new tax.

Conclusion

As set out above, there are some fundamental faults with this Bill. The great vision for our superannuation system was first described by leaders like Bill Kelty, Bob Hawke, Paul Keating and Peter Costello. The current government seems to have forgotten the older workers who made this country what it is today. Their savings are at risk. Why would anyone continue to vote for such a government?

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