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From: Daniel Traylen [redacted]
Sent: Monday, 23 October 2023 12:26 PM
To: Superannuation
Subject: Better targeted super concessions

Director
Superannuation tax unit
Retirement advice and investment unit.

Dear Sir/ Madam,

In providing feedback on changes to the super system, I wish to be brief and avoid restating existing arguments.

Who am I?
I'm no-one and I represent no-one.

Common ground
Regardless of people's opinion of Keating, his work as the architect of super is universally applauded.

Aim
A bigger priority than the proposed changes is the integrity of the system. As the current custodian, please take a step back and consider this to be the priority.

Integrity, in the public's eye, is the ability to trust government. Given the last 20+ rule changes have not been in the interest of members, the public sees the integrity of the system as being sorely tested.

People don't like change. They don't like complications. Above all they don't see retrospective changes to the rules as being fair- even if it doesn't impact them, it undermines their confidence and thus the integrity of superannuation.

Solution
Govt acknowledges that those impacted by proposed changes have acted perfectly within the law and that it was the short sightedness of successive governments all those decades ago, that leads to todays reforms. It costs nothing to acknowledge/apologise/ appease.

When you announce you're taking more away from those who have acted rationally by saving for their future, give something in return.

Give the system a gift that could well be revenue neutral, but creates simplicity, which leads to greater understanding and therefore greater confidence/ integrity.

Strategy:
This starts by focusing long term. Don't be too focused on the populist action of attacking a few hundred people who have (legally) abused the system. They'll be dead in a decade and the problem goes away- thanks to restrictions/limits put in place over the last 20yrs.

1) keep the tax free pension capped/ indexed.

2) increase the $3m cap to double the tax free pension cap.

3) Amounts in excess of the (proposed) $3.4m cap treated identically as a company. I don't mean just the same tax rate, but inextricably linked. So that when the corporate tax rate changes so too does the tax rate on big super balances- ensuring the equality is never lost.

All withdrawals from this component are treated as personal income, subject to personal MTR and accompanied by a 30% non refundable tax credit.

Implications;
Only realised gains taxed.
Indexation is granted.
CGT discount lost.
Tax free withdrawals no longer applicable (for this third tier of account balances).

Ramifications:
The existing de facto death tax can be scrapped.
Upon death, individual beneficiaries will effectively pay 15% top up tax on their franked distribution (higher than the existing death tax and no complicated component calculations).
Large withdrawals will have an effective 15% lump sum tax.

Benefit:
Simplification
Fairness and equality across tax structures.
Funds stay within the super industry.
No need for asset realisation to transfer to a more favourable tax structure.
No longer encourages super as an estate planning device.
Eliminates the current inconsistency (taxable on death, tax free the day before).
Discourages large lump sum withdrawals.
Encourages (but doesn't mandate) regular smaller withdrawals (income payments).

Regards,
Daniel Traylen

Ph: [redacted]