FOI 3549
Document 1

s 22

From:	John Pauley s 47F com.au>
Sent:	Monday, 19 February 2024 11:53 AM
To:	Superannuation
Cc:	s 47F
Subject:	Re: Better Targeted Superannuation Concessions [SEC=OFFICIAL]

ACPSR
Australian Council

Good morning,

I refer to my email below regarding the Division 296 Regulations pertaining to the assessment of Defined Benefit Pensions under the Better Targeted Superannuation Concessions reforms.

It has now been 3 months since out last correspondence on this issue and I am wondering when an exposure draft of the above regulations may become available. I also trust that the exposure draft of those regulations will address the issues we have raised in relation to defined benefit superannuation pensions.

I look forward to a prompt reply to this correspondence and timely release of the draft regulations.

Thank you

John Pauley
President
ACPSRO

m: s 47F
e: s 47F .com.au

From: Superannuation
Sent: Monday, 13 November 2023 3:49 PM
To: John Pauley
Cc: Superannuation
Subject: RE: Better Targeted Superannuation Concessions [SEC=OFFICIAL]

OFFICIAL

Hi John,

Thank you for your further email.

On the matters raised in your email it is important to be clear that the intention of the Government is to reduce the tax concessions for individuals with a total superannuation balance above $3 million by imposing a new 15 per cent tax on certain earnings. This would bring the maximum effective rate of taxation to 30 per cent for certain earnings in the superannuation environment. Importantly, the new tax will only apply to the proportion of earnings on assets that are above the $3 million threshold.

Even at a 30 per cent rate this still represents a considerable concession compared to the top personal marginal tax rate. The effective rate on these earnings may also be lower than 30 per cent because there are assets where capital gains are not fully included in the assessable income of a superannuation fund, and there are superannuation assets for which earnings are currently completely exempt from any taxation. For these latter assets (e.g., assets that are attributable to a superannuation account in the retirement pension phase) this full exemption will remain unchanged so long as the total superannuation balance of the individual does not exceed $3 million.

For clarity it should also be noted that for defined benefit interests the existence of earnings that are already taxed is not a pre-condition for applying the new 15 per cent tax under this measure. The Government intends for broadly commensurate treatment to apply to defined benefit interests relative to non-defined benefit interests subject to any necessary constitutional protections. The special rules for modified treatment of defined benefit and some retirement phase interests, including the valuation of such interests, will be addressed through specific provisions in subsequent regulations.

As mentioned previously, an exposure draft of these regulations will be released as soon as practicable. Finally, it is worth noting if you wish to receive timely email notifications when a new press release, consultation, review, or publication is published about these issues, and any other Treasury matters, please subscribe at: Subscribe | Treasury...~https://treasury.gov.au/department-contact-us/subscribe

Thank you again for taking the time to write.

Kind regards,

Retirement, Advice and Investment Division
The Treasury

OFFICIAL

From: John Pauley s 47F com.au>
Sent: Monday, 6 November 2023 5:24 PM
To: Superannuation <Superannuation@TREASURY.GOV.AU>
Subject: Re: Better Targeted Superannuation Concessions [SEC=OFFICIAL]

Thank you for your email reply as shown below.

I look forward to receiving notice as to when the exposure draft of the regulations pertaining to Defined Benefit pensioners are available for comment.

I have also been delving further into the exposure draft of the arrangements proposed to address, what I understand to be the policy position of the Australian government, that the marginal earnings of superannuation funds for the balance in excess of $3 million be taxed at a concessional marginal rate of 30% as opposed to the concessional marginal current 15%.

From reading the information provided on the Treasury website it would appear that where a fund is in retirement mode, that is a proportion of the funds are held in an account based pension fund, and the balance held in an accumulation fund. Given this distribution of the total superannuation funds held the calculations provided are essentially assuming that the portion of the earnings of the funds held in the account based pension fund are tax exempt and the earnings from monies held in an accumulation fund are already taxed at the rate of 15%.

I also note that in determining earnings you take account of additions toad withdrawals from the total funds held.

As a result, it seems that in undertaking your calculations to determine the amount of tax due on the marginal earnings (the Division 296 tax liability), from that portion of the total funds held above $3 million, are then taxed at 15%. This 15% plus the 15% which is already being paid on the earnings from these funds, by dint of them being in accumulation mode, then delivers the 30% rate as defined by the government's policy position.

Can you please confirm that my understanding is correct and that in making a determination of the Division 296 tax liability there is an implicit assumption in the calculation that 15% tax has already been paid on the earnings of the total superannuation fund balance in excess of $3 million.

Thank you

John Pauley
President
ACPSRO

m: s 47F
e: s 47F com.au

On 1 Nov 2023, at 4:08 pm, Superannuation <Superannuation@TREASURY.GOV.AU> wrote:

OFFICIAL

Hi John,

Thank you for your email. Further details regarding defined benefit and annuities valuations will be included in subsequent regulations.

The Government will release an exposure draft of those regulations as soon as practicable.

Once released, you will have the opportunity to provide feedback on the proposed treatment of defined benefits under the proposal.

Thank you again for taking the time to write.

Kind regards,

Retirement, Advice and Investment Division
The Treasury

OFFICIAL

From: John Pauley s 47F com.au>
Sent: Tuesday, 31 October 2023 5:35 PM
To: Superannuation <Superannuation@TREASURY.GOV.AU>
Cc: s 47F @gmail.com>; s 47F @bigpond.net.au>
Subject: Better Targeted Superannuation Concessions

<image001.png>

Good afternoon,

I am President of the Australian Council of Public Sector Retiree Organisations (ACPSRO). We are the peak body representing the interests of retired civilian and military public sector workers who are in receipt of defined benefit income streams.

I note from your website that the Treasury Laws Amendment (Better Targeted Superannuation Concessions) Bill 2023 exposure draft was released for comment on 3 October 2023. While I understand the brief period for consultation has finished, I would still like to better understand how you perceive this Bill working for defined benefit income streams which have no specific asset value. Having read the key documents I remain somewhat uncertain how this legislation may apply to retirees in receipt of defined benefit income streams.

Page 19 of the Explanatory Materials seeks to explain how Division 296 tax will be calculated for defined benefit interest. However, despite reading this section, and from what I can determine the relevant related parts, I remain uncertain exactly how Division 296 tax will be determined. The section on page 19 makes reference to a person's total superannuation balance (TSB) but I remain unclear how this amount is determined. Even after reading the examples on pages 23 and 24 I still remain unclear how the TSB has been determined. The examples do not appear to include the step taken in converting a defined benefit income stream into a TSB. They simply start with the assumption that a retiree has a given TSB.

For example Tara in example 1.10 has been assumed to initially have $1.1 million in a constitutionally protected fund, which I assume to be a defined benefit scheme. A year later she is assumed to have $1.2 million. But no information is given which relates to the assumptions underlying these amounts and how the defined benefit income stream has been translated into the TSB.

I would be pleased if someone from your office could contact me to clarify how the TSB has been determined and what actuarial considerations have been included in that assessment. I have provided below my email address and also my mobile number. We could also meet with your office using Teams/Zoom should that option be more suitable.

I look forward to your office contacting me to clarify the assumptions underlying the three examples provided on pages 23 and 24. Once such information has been clarified I will be in a better position to circulate information on the proposed changes to members of ACPSRO.

Thank you

John Pauley
President
ACPSRO

e: s 47F com.au
m: s 47F

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FOI 3549
Document 2

independence matters

Association of Independent Retirees

Submission to

Treasury Consultation on

Better Targeted Superannuation Concessions

April 2023

Further Information:

For further information, please contact Wayne Strandquist, National President on 0412 434 467, email president@independentretirees.com.au

Introduction

Who is the Association of Independent Retirees (AIR)?

The Association of Independent Retirees (AIR) Limited is a national advocacy organisation representing current and future fully and partly self-funded retirees. AIR works to advance and protect the interests and independent lifestyle of Australians in or approaching retirement.

AIR seeks to secure recognition and equity for Australians who, through their diligence and careful management, fully or partly self-fund their own retirement needs.

Overview of Proposed Policy

On 28 February 2023, the Government announced it would reduce the superannuation tax concessions available to individuals whose total superannuation balances exceed $3 million. The changes will apply from 1 July 2025.

This reform is intended to bring the headline tax rate to 30 per cent, up from 15 per cent, for earnings corresponding to the proportion of an individual's superannuation balance that is greater than $3 million.

This policy will apply to individuals with a total superannuation balance (TSB) of more than $3 million. An individual's TSB is the combined value of all their superannuation accounts. Where an individual holds more than one account, for example an account in a SMSF and an account in an APRA-regulated fund, the TSB is the combined value of both accounts.

The policy will commence on 1 July 2025 and apply from the 2025-26 financial year onwards. This means individuals with a TSB more than $3 million on 30 June 2026 will be subject to the new arrangements.

Earnings on the part of an individual's TSB over $3 million will attract an additional 15 per cent tax. Earnings for this purpose will be calculated using a formula. Where an individual has multiple superannuation accounts, a combined earnings amount will be calculated. If an individual has negative earnings, these can be carried forward indefinitely and offset against future earnings. Tax will be applied to part of the calculated earnings on a proportional basis. The proportion will be equal to the proportion of an individual's TSB that is more than $3 million.

The additional tax will be applied directly to the individual. There will be no change to the tax arrangements within superannuation funds. Earnings on superannuation balances less than $3 million will continue to be taxed at the concessional rate of 15 per cent. For example, where an SMSF is shared between four members and only one member has a TSB more than $3 million, this will not impact the other three members of the fund. It also means members of the same fund, or spouses, cannot combine their thresholds.

Consultation Questions

1. **Do you consider any further modifications are required to the TSB calculation for the purposes of estimating earnings?** Yes.

   If so, what modifications should be applied?

   Issue: Without indexing the $3 million TSB threshold, current employees in the workforce will exceed the threshold with contributions (within current caps) and investment growth in their fund/s.

   Recommendation: That the **TSB threshold of $3 million be indexed.** This aligns with other superannuation thresholds including the Transfer Balance Cap, Annual concessional and non-concessional contributions.

   Without indexation, the TSB threshold should be $5 million as per the Association of Independent Retirees 22-23 and 23-24 Pre-Budget submissions.

2. **What types of outflows (withdrawals) should be adjusted for and how?**

   Comment: If the year-on-year difference in the capital value of their TSB over $3 million is **not** used to calculate earnings and earnings is calculated using **actual income received by the individual superannuation account/s,** then capital outflows like **pension payments** can be ignored.

3. **What types of inflows (net contributions) should be adjusted for and how?**

   Comment: If the year-on-year difference in the capital value of their TSB over $3 million is **not** used to calculate earnings and earnings is calculated using **actual income received by the individual superannuation account,** then capital inflows like **member contributions** can be ignored.

4. **(a) Do you have an alternative to the proposed method of calculating earnings on balances above $3 million?**

   Yes. Annual earnings should **not** be calculated by the year-on-year difference in the capital value of their TSB over $3 million (adjusted for withdrawals and contributions).

   Noted: The consultation paper notes "that some modifications to these inputs (ie.TSB, Withdrawals, New Contributions) may be required for purposes of calculating earnings where reliance on the TSB is specific circumstances generates **unintended outcomes**".

   Issue: Unrealised Capital gains are not actual earnings received and should not be used in calculating earnings for individuals with a TSB greater than $3 million.

   Issue: The taxation of unrealised capital gains would be bad for our taxation system, because the actual gain cannot be determined until the asset is disposed of. In the meantime, the notional gains would need to be recorded, because when the real gains or losses happen they will almost certainly differ from the assumed gains. A second set of accounts would have to be maintained to keep track of them.

   Recommendation: Earnings should only be calculated on **actual income received** from interest, dividends, rents, actual net realised capital gains,

investment scheme distributions and dividend franking credits, etc. and **should not include unrealised capital gains.**

(b) What are the benefits and disadvantages of any alternatives proposed including a consideration of compliance costs, complexity and sector neutrality?

Issue: The consultation paper states the overview "that system and reporting changes that would support calculating taxable income for APRA regulated funds at the member level presents significant challenges**"**.

Comment: This apparent difficulty in reporting superannuation earnings (at a member level) appears to be driving the use of the TSB balance difference method.

Yet, APRA regulated funds would already be reporting to their members both account balance growth and actual income earned by their superannuation savings in their annual statements to members.

5. What changes to reporting requirements by superannuation funds would be required to support the proposed calculation or any alternative calculation methods?

Comment: SMSF's provide fund earnings and capital gain information to the ATO via their tax returns. If APRA regulated funds can report earnings and growth information to their members, they can report these details to the ATO. This is similar individual level reporting to that done by banks and deposit-taking institutions for reporting of interest earned.

Noted: Some level of change in the reporting requirements is flagged in the consultation paper with the observation that "existing reporting arrangements may need to expand for APRA-regulated funds."

6. Do you consider any modifications are required to the proposed proportioning method?

No. The determination of the proportion of the TSB exceeding $3 million is appropriate irrespective of method by way earnings are determined.

Earnings that are Taxed. This would be calculated by **multiplying the proportion of the TSB exceeding $3 million by the actual income received.** (rather than use the year-on-year difference in the capital value of their TSB)

7. Do you have an alternative to the proposed proportioning method? What are the benefits and disadvantages to any alternatives, including a consideration of compliance costs, complexity and sector neutrality? **No**.

Defined benefit interests

Consultation questions

8. Do the existing valuation methods for defined benefit interests in the pre-pension phase (under the existing TSB definition) work appropriately for the purpose of calculating superannuation balances over $3 million?

Fully funded defined benefit arrangements – Pre-pension

Comment: In pre-pension phase, to have a TSB greater than $3 million (using the Transfer balance cap factor of 16) the combined value of the eventual defined benefits payable would have to exceed $187,500.

Assuming the earnings from the accumulation funds are taxed at 15%, then the earnings from those accounts with an eventual defined benefit of over $187,000, should be taxed an additional 15% on the proportion that exceeds the eventual defined benefit of $187,000.

However, given the transfer balance cap rules are designed to be used at the time of entering pension phase, it may be more appropriate to adopt actuarial calculations based on the age of pre-pension employee.

9. Do the existing valuation methods for defined benefit interests in the pension phase provide the appropriate value for calculating earnings under the proposed reforms?

Unfunded defined benefit arrangements – Pension Phase

Comment: Since the unfunded defined benefits are taxed in pension phase at the personal marginal tax rates with a 10% tax offset for the first $106,250 (as of 2023) the earning tax collected from recipients of benefits over to $187,000 would be considerable.

In addition, any other taxable income that defined benefit pension recipients receive (such as bank interest) is also taxed at their marginal tax rate. This is different to account based superannuation pensions recipients who are subject to less tax via a tax-free threshold.

10. Are there any alternative valuation methods that should be considered for either pre-pension or pension phase defined benefit interests?

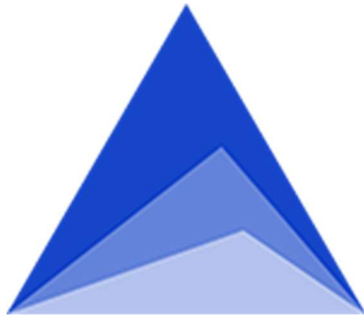
Comment: The most appropriate approach for valuation of pre-pension and pension phase define benefit recipients would be to use an actuarial methodology in determining the likelihood of them exceeding the equivalent of $3 million TSB.

Reporting process for funds

Consultation questions

11. What would be the most effective method for collecting the required information? What are the benefits and disadvantages for the method identified, including a consideration of compliance costs, complexity and sector neutrality?

Comment: See responses to Questions 4 and 5.



Better targeting superannuation concessions

Submission from the

Australian Council of Public Sector Retiree Organisations

April 2023

Background

The Commonwealth Government has requested comment from interested stakeholders on the issues raised in its discussion paper on Better targeting of superannuation concessions which was released on 31 March 2023.

The Australian Council of Public Sector Retiree Organisations (ACPSRO) has a strong interest in this topic and provides the following submission in relation to the commentary provided in the discussion paper relating to Defined Benefit (DB) superannuation pensions.

About ACPSRO

ACPSRO, formed in 1997, provides a united voice on retirement issues relevant to Commonwealth, State and Territory public servants and Defence retirees who receive Defined Benefit Superannuation Pensions to which they had to compulsorily contribute from their after tax income. These issues impact upon the well-being of more than one million Australian households. The majority of these retirees provided front line services to the community including teaching, nursing, emergency services, transport services, energy, the provision of infrastructure, the needed administrative services to support these essential functions and the defence and security of our country.

ACPSRO seeks to ensure that any changes proposed to how DB pensions are taxed do not have any unintended consequences for members of these schemes. In this regard we have restricted our comments to the section of the consultation paper relating to Defined Benefit superannuation schemes on pages 14 and 15 of the Consultation paper.

Response to Consultation Paper

Before commenting on the specific questions raised in the consultation paper, ACPSRO would like to make the following observations in relation to those who are members of Defined Benefit schemes, particularly those who are members of unfunded schemes.

1. During the accumulation phase there is no fund from which to draw tax, nor is their any clear way to determine the value of a person's interest in such a scheme, beyond the after tax payments which may have been required as a member of the scheme and any contributions which may have been made on a concessional basis by the employer. As there is no fund any determination of the value held will be largely artificial and seeking to arrive at a return, which may then be subject to tax, for such an artificial value will add further complications.
2. Given that part of any accumulations held by a member of a Defined Benefit scheme may include after tax contributions it is considered critical that any calculations made specifically exclude the value of such contributions as there has been no concessional tax arrangements associated with that portion of a members fund balance, however that balance may be determined.
3. Apart from the Future Fund, there are few other accumulations held by governments in relation to their Defined Benefit schemes. As such, is it the intention of these proposed tax changes to tax some proportion of the returns from that fund as they may relate to amounts held within the Future Fund to meet future Defined Benefit pension payments to a selected group of high income public servants?
4. Once a member of a Defined Benefit scheme enters the pension phase of that scheme it is highly likely that any high income recipient will already being paying a marginal rate of income tax which exceeds the proposed 30 cents in the dollar marginal rate for the

earnings of funds with in excess of $3 million. The fact that marginal rates of tax, which are already higher than the proposed 30% tax rate, are already being applied to these members of a Defined Benefit scheme must be recognised in any determination of the tax liability under the proposed changes. To further tax incomes by the proposed 30 per cent tax rate would be imposing double taxation upon these Defined Benefit pension recipients.

5. High income Defined Benefit recipients do not receive the benefit of $1.7 million of their determined fund balance being tax exempt. The tax is paid on this proportion of their determined fund balance must also be considered when assessing any tax liability under the proposed changes.
6. ACPSRO has previously raised problems with the issue of a fixed multiplier being applied to all fund members which takes no account of the actuarial reality for those fund members. In this regard we have included a copy of our previous submission on this concern which leads to an incorrect determination of the value of a Defined Benefit pension, particularly as a member ages. Again this aspect of existing arrangements needs to be fixed before being used within the process of determining a person's TSB under the proposed changes.
7. There is also the issue of the effective death taxes applying to Defined Benefit pensions. As a minimum there is a 33% reduction of the "capital" within a member's fund on death of the member, and then there is a 100% reduction in the remaining "capital" upon the spouse's death. Defined Benefit schemes therefore provide no residual bequest for future generations. These effective death taxes must also be considered when determining the TSB applying to a member of a Defined Benefit scheme and the tax liability which may be applied. This issue is particularly pertinent to the proposals presented in the Consultation paper if it is concluded by the Government to maintain a fixed multiplier when determining the value of a fund, as opposed to a multiplier that reflects the actuarial reality for a fund member.
8. Finally, members in receipt of a Defined Benefit pension are unable to change their situation when changes, such as those being proposed, are introduced which impact on their pensions. As such ACPSRO considers that existing Defined Benefit pensioners be grand fathered as part of any changes.

ACPSRO considers the above points are critical when assessing how the proposed changes are applied to the members of Defined Benefit schemes. They introduce significant complications into the operation of the proposals, and our experience has been that such complexity leads to significant unintended consequences.

Consultation questions

10. Do the existing valuation methods for defined benefit interests in the pre-pension phase (under the existing TSB definition) work appropriately for the purpose of calculating superannuation balances over $3 million?

As identified above, the existing valuation methods are not appropriate for determining the TSB. These valuation methods take no account of the actuarial reality of a Defined Benefit pension, nor do those valuation methods reflect the existing tax arrangements applying to Defined Benefit pensions.

11. Do the existing valuation methods for defined benefit interests in the pension phase provide the appropriate value for calculating earnings under the proposed reforms?

As stated above the current valuation methods will not deliver fair and equitable outcomes for recipients of Defined Benefit pension under the proposed changes. While the consultation paper discusses the means of valuing the TSB of a DB pension, it makes no comment on how earnings from the scheme may be determined. Is it proposed to add an additional tax to the already inadequate CPI indexation which is applied to these pensions as this is the only measure of "earnings" which could be determined?

This issue is of particular relevance when comparing the position of a retiree receiving a DB pension which is already subject to income tax as compared to a retiree who has converted up to $1.7 million into a tax exempt lifetime income stream which has been actuarial determined.

12. Are there any alternative valuation methods that should be considered for either pre-pension or pension phase defined benefit interests?

As indicated in our previous submission on determining the transfer balance cap for a Defined Benefit pension, the current valuation methods should reflect actuarial realities and also the existing taxation arrangements applying to such pensions. This is particularly relevant where some kind of assessment is made of the "earnings" related to a DB pension.

13. Are there any preferred options in providing commensurate treatment for defined benefit interests?

Given the complexities of determining the actuarial value of a fund and then the proposed earnings from that fund, and the current taxation arrangements applying to Defined Benefit pensions, we consider that the approach proposed in the Consultation paper are totally inappropriate and need to be deleted from the proposed changes.

14. What are the benefits and disadvantages to any alternatives?

We have no comment on this question, other than to say there is considerable risk of perverse outcomes from the proposals as they apply to those who are members of Defined Benefit schemes during both the accumulation and pension phase.

FOI 3549
Document 4

From: Superannuation
To: Superannuation
Bcc: s 47F
Subject: Consultation open - Exposure Draft Regulations - Better Targeted Superannuation Concessions [SEC=OFFICIAL]
Date: Friday, 15 March 2024 10:48:09 AM
Attachments: image001.png

OFFICIAL

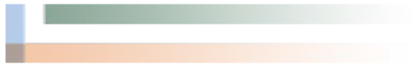
Good Morning,

We are pleased to advise that Exposure Draft Regulations for the Better Targeted Superannuation Concessions measure have now been published on the Treasury website. You can find more information here.

We thank you for your earlier engagement on the development of this measure, and look forward to your further feedback. Submissions will be open until close of business **26 April 2024.**

Kind Regards,

Retirement, Advice and Investment Division



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OFFICIAL

FOI 3547
Document 5

s 22

OFFICIALOFFICIAL

Dear Mr Pauley,

On behalf of the Assistant Treasurer and Minister for Financial Services, please refer to the attached correspondence.

Please note, a hard copy of this correspondence will not follow.

Kind Regards,

Ministerial Correspondence Team
Department of the Treasury
Langton Crescent PARKES ACT 2600
(02) 6263 2111

Australian Government
The Treasury

FOI 3547
Document 5a

THE HON STEPHEN JONES MP
ASSISTANT TREASURER AND MINISTER FOR FINANCIAL SERVICES

Ref: MC23-005002

Mr John Pauley
President
Australian Council of Public Sector Retiree Organisations
s 47F

07 JUN 2023

Dear Mr Pauley

Thank you for your correspondence to the Treasurer concerning the Australian Government's recently announced measure, 'Better targeted superannuation concessions'. Your correspondence has been referred to me as the matter falls within my portfolio responsibilities.

I appreciate the time you have taken to engage in this policy discussion and for sharing the views of the Australian Council of Public Sector Retiree Organisations.

The Government is committed to improving the equity and sustainability of the superannuation system, to ensure Australians can enjoy a dignified retirement. This is why the Government has announced changes to the superannuation earnings tax concessions for individuals whose total superannuation balance exceeds $3 million.

As outlined in your letter, there is a considerable amount of complexity when it comes to defined benefit schemes, particularly in regard to the valuation and taxation of benefits. Given this complexity, the Government is undertaking targeted consultation with the superannuation industry and relevant stakeholders on key components of the policy. The intent is to ensure that defined benefit schemes receive commensurate tax treatment.

Treasury has a dedicated workstream to consider the application of this policy for defined benefit superannuation interests and are engaging with representatives from state and territory superannuation schemes across the country.

The Government undertook public consultation on this measure and further details can be found on the Treasury website: treasury.gov.au/consultation/c2023-373973.

Thank you again for your letter.

Yours sincerely

The Hon Stephen Jones MP

Parliament House Canberra ACT 2600 Australia
Telephone: (02) 6277 7230

FOI 3547
Document 6

Australian Government
The Treasury

Ref: MC23-013255

Mr John Pauley
President
Australian Council of Public Sector Retiree Organisations

s 47F

Dear Mr Pauley

Thank you for your correspondence of 5 July 2023 to the Assistant Treasurer and Minister for Financial Services, concerning the taxation of defined benefit pensions deemed to have an underlying asset value in excess of $3 million.

We appreciate your engagement on behalf of the Australian Council of Public Sector Retiree Organisations (ACPSRO) on the development of the *Better Targeted Superannuation Concessions* measure.

As the Assistant Treasurer outlined in his correspondence of 7 June 2023, Treasury has a dedicated workstream to consider the application of this policy for defined benefit superannuation interests. The Australian Government is committed to improving the equity and sustainability of the superannuation system, to ensure Australians can enjoy a dignified retirement.

It is the Government's intent that the tax on excess balance earnings will provide a broadly commensurate treatment for defined benefit schemes. Interests in defined benefit schemes will be appropriately valued and will have earnings taxed under this measure in a similar way to other interests.

The Government intends to undertake further detailed consultation on draft legislation in the second half of 2023. I encourage ACPSRO to participate in this consultation process for which details will be provided by the Treasury, particularly regarding the views of defined benefit scheme members.

Once again, thank you for taking the time to write.

Yours sincerely

Adam Hawkins
Assistant Secretary
Retirement, Advice and Investment Division
25/08/2023