



Peter Costello

Treasurer

11 March 1996 - 3 December 2007

NO.093

SIMPLIFIED SUPERANNUATION - FINAL DECISIONS

The Treasurer and Assistant Treasurer today announced the outcome of the Government's consideration of the proposals outlined in *A Plan to Simplify and Streamline Superannuation* which was released as part of the 2006-07 Budget.

The Government undertook an extensive consultation process on the proposals in the plan. The Government received more than 1,500 written submissions and more than 3,500 phone calls from across the community. The Government thanks all individuals, businesses and organisations who participated in the consultation process.

The main proposal of the plan was to remove benefits tax from 1 July 2007 for Australians aged 60 and over who have already paid tax on their superannuation contributions and earnings. Other key changes proposed in the plan were:

- the abolition of reasonable benefit limits and age-based contribution limits;
- greater flexibility for individuals as to how and when they wish to draw on their superannuation in retirement;
- allowing the self-employed to claim a full deduction for their superannuation contributions and be eligible for the Government co-contribution for their personal post-tax contributions; and
- halving the current pension taper rate to \$1.50 from 20 September 2007.

The Treasurer confirmed that the Government will proceed with these proposals which represent the most significant reform of the taxation of Australia's superannuation system in decades. The changes will sweep away the current raft of complex tax arrangements, improve retirement incomes and increase incentives to work and save.

As a result of the consultation process transition arrangements will be put in place to make the transition to the new superannuation system easier, improve administration and improve the integrity of the superannuation system. Those arrangements are as follows:

- subject to any applicable work test people will be able to make up to \$1 million of post-tax contributions between 10 May 2006 and 30 June 2007 which will allow people who were planning a large contribution under the existing rules to do so;
 - The \$150,000 annual limit on post-tax contributions will commence from 1 July 2007. People aged less than 65 will be able to bring forward two years of contributions, enabling \$450,000 to be contributed in one year, with no further contributions in the next two years.
- in addition to the annual cap, people can contribute:
 - a lifetime limit of \$1 million from the sale of small business assets which have been held for 15 years; and
 - settlements for injuries resulting in permanent disablement;
- indexation of the contribution caps to Average Weekly Ordinary Time Earnings in increments of \$5,000 to make it easier for people to understand how much they can contribute to superannuation;
- the arrangements to administer the contribution caps will be streamlined;
- there will be transitional arrangements for employer eligible termination payments which were specified in existing employment contracts as at 9 May 2006 and are paid before 1 July 2012;
- the concessional tax treatment of the employee invalidity benefits will be extended to the self-employed;
- new arrangements to encourage people to quote their tax file number to their superannuation fund including: a Government funded education campaign; allowing people up until 30 June 2008 to quote their TFN before the withholding tax need apply; a refund of any tax withheld for a period of up to four years; allowing quotation of a TFN for employment purposes to be treated as being for superannuation purposes; removal of the \$1,000 threshold for accounts commenced from 1 July 2007; and the ATO using their systems to improve the quotation of TFNs;

- the concessional amount of lump sum benefits from an untaxed source will be increased from \$700,000 to \$1 million; and
- the regulation of self-managed superannuation funds (SMSFs) will be improved by increasing funding to the ATO for compliance activities, streamlining reporting requirements and other measures. The supervisory levy will be increased to \$150 which will place SMSFs on a similar cost recovery basis as other superannuation funds.

Full details of the Government's superannuation changes can be found at www.simplersuper.treasury.gov.au .

A number of other issues were raised in the submissions. They were considered by the Government, however many were not proceeded with as they would have imposed a significantly higher cost to revenue, risked the sustainability of the plan, added additional complexity or not been consistent with the objective of encouraging participation in the workforce.

These changes and the inclusion of administrative costs will add \$1 billion over the forward estimates bringing the total cost to \$7.2 billion. The Government's intention is for the legislation implementing these measures to be introduced into Parliament before the end of the year.

	2006-07	2007-08	2008-09	2009-10	Total*
Cost at 2006-07 Budget (excludes admin)		-1.6	-2.3	-2.3	-6.2
Parameter changes since Budget		-0.3	0.3	0.0	-0.1
Policy changes since Budget	-0.1	-0.1	-0.1	-0.1	-0.4
Administration costs	-0.1	-0.2	-0.1	-0.1	-0.5
Total cost of superannuation changes	-0.1	-2.2	-2.3	-2.6	-7.2
Less Provision made in 2006-07 Budget		-1.6	-2.3	-2.3	-6.2
Net budgetary impact of changes	-0.1	-0.6	0.0	-0.3	-1.0

* Figures may not sum to the total due to the effects of rounding

CANBERRA

5 September 2006

Contact: Renae Stoikos (Treasurer's Office) 02 6277 7340
Brad Emery (Minister Dutton's Office) 02 6277 7360