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Media release

Proposed super tax far from 'equitable' policy

The Federal government's newly released draft legislation on the extra 15% tax on superannuation balances above \$3 million is far from being equitable policy, says Head of Superannuation and Financial Services Natasha Panagis.

Despite industry requests, the draft legislation confirms that the government's position remains unchanged from its original announcement meaning that the same key issues remain unresolved.

"One of the most unfair aspects of this proposed tax is taxing unrealised gains. Measuring earnings by calculating the difference in movements in a member's total superannuation balance (TSB) is not the right solution. This is a major flaw of the proposed model and is an unprecedented change to the current Australian tax regime."

Panagis says although the association does not support the tax, it put forward a number of alternative options that are simpler, far more equitable and fair for the government to consider as part of its submission made to Treasury in April 2023.

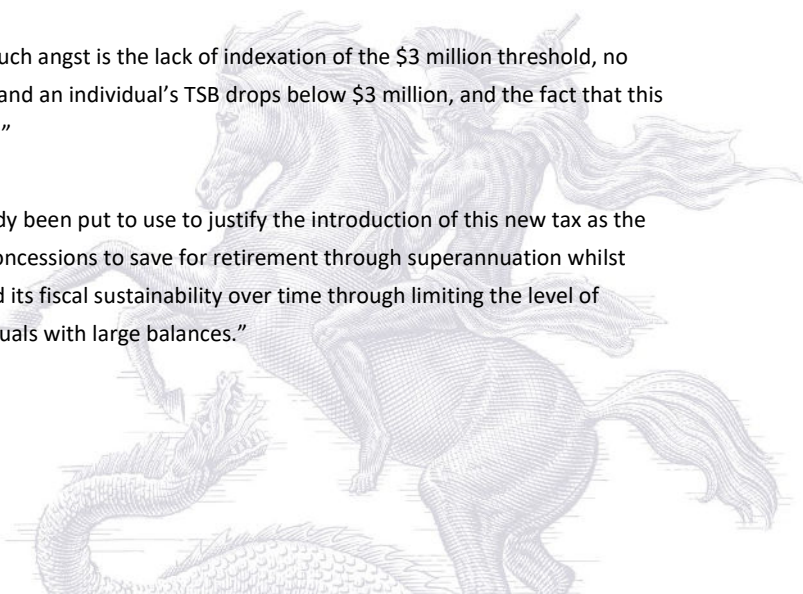
"The obvious approach is for the extra 15% tax to be applied to actual taxable income. This would avoid taxing unrealised gains, rule out the need to calculate an individual's modified TSB by adding back withdrawals and reducing it by contributions received by the fund and also eliminate the need to track carried forward negative earnings."

Panagis says although the government recognises that some individuals may not have liquidity within or outside of superannuation to meet the tax liability and has granted additional payment flexibility by allowing the payment of the new tax to be paid within 84 days and applying a reduced general interest charge on unpaid amounts, this does not make the payment of the tax any fairer.

"In particular, farmers and small business owners who have legitimately contributed their farms or business properties to their SMSF may struggle to meet this new tax impost if their fund has cashflow issues or if members have little to no wealth outside of superannuation to pay the tax. It's one thing to pay tax on assets actually sold but paying tax on assets that are yet to be realised is unjust."

"Other key issues that remain and continue to cause much angst is the lack of indexation of the \$3 million threshold, no refund of tax paid in years when earnings are negative and an individual's TSB drops below \$3 million, and the fact that this new tax is a form of double taxation on the same asset."

Panagis says the objective of superannuation has already been put to use to justify the introduction of this new tax as the draft legislation states the extra tax will "still provide concessions to save for retirement through superannuation whilst improving the equity of the superannuation system and its fiscal sustainability over time through limiting the level of taxpayer support available to a small number of individuals with large balances."



“This is the one of the main reasons why we don’t support the objective of superannuation. In our view, the key words ‘equitable’ and ‘sustainable’ in the definition will allow the government to continue making changes from a taxation perspective as the wording strongly implies that the sustainability of the superannuation system will be subject to the broader budgetary and fiscal position of the Commonwealth at any given time.”

“We will continue to work with the government by raising the key issues that remain unaddressed in the short 16-day consultation period the industry has been given to respond to the draft legislation.”

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About Institute of Financial Professionals Australia

The Institute of Financial Professionals Australia (originally known as Taxpayers Australia, and more recently Tax & Super Australia) has been serving members for over 100 years and is a leading financial professionals association dedicated to fostering excellence and professional development in the tax, accounting, superannuation, financial planning, and advisor fields. With a membership and subscriber base of over 15,000 practitioners and a strong commitment to advancing knowledge, promoting ethical practices, and providing valuable resources, the Institute of Financial Professionals Australia empowers professionals to excel in their careers and make a significant impact in the financial industry.

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