



**ASSISTANT TREASURER
MINISTER FOR FINANCIAL SERVICES AND SUPERANNUATION**

PO BOX 6022
PARLIAMENT HOUSE
CANBERRA ACT 2600
Telephone: 02 6277 7360
Facsimile: 02 6273 4125

www.assistant.treasurer.gov.au

Mr Theo Marinis
Financial Strategist
Marinis Financial Group
67 Kinsington Road
NORWOOD SA 5067

12 JUL 2011

Dear Mr Marinis

Thank you for your letter of 11 April 2011 concerning excess contributions tax.

The Government is committed to helping people to save for their retirement, and offers significant tax incentives to encourage them to put money into superannuation. As mentioned in my previous response the Government considers that to ensure the tax concessions remain sustainable, it must cap the size of contributions into superannuation. The high rate of the excess contributions tax was a deliberate design of the legislation, introduced by the Opposition when in Government, to encourage compliance with the contribution caps. I note that in your letter you have suggested a refund-style alternative for excess contributions tax together with an age-based design for the limits.

In the 2011-12 Budget, the Government has taken action to help reduce the impact of less significant and inadvertent concessional contribution breaches. The Government has announced that for contributions made on or after 1 July 2011, eligible individuals will be able to take excess concessional contributions out of their superannuation fund, and to have them assessed instead as income at their marginal rate of tax. This reform will make the superannuation system fairer.

The measure will apply where an individual has made excess concessional contributions of up to \$10,000 (not indexed) in a particular year. It will only be available for breaches in respect of 2011-12 or later years, and only for the first year in which a breach occurs. The measure applies to concessional contributions (that is, generally contributions where you or your employer claim a tax deduction). The Government does not consider that it is appropriate to make the measure retrospective.

It does complement the Government's other reforms to make the superannuation system fairer, including the gradual increase in the Superannuation Guarantee rate to 12 per cent, the new superannuation government contribution of up to \$500 for low income earners and the increase in the concessional caps for the over 50s (with balances under \$500,000) from 1 July 2012.

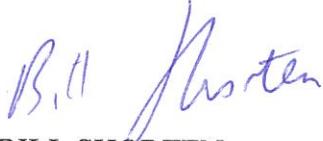
The over 50s measure was announced in the 2010-11 Budget because the Government recognised that many workers with low superannuation savings wanted to make larger catch-up superannuation contributions as they approach retirement. The Government will facilitate this by allowing workers aged 50 and over with balances below \$500,000 to make up to \$50,000 in concessional superannuation contributions each year from 1 July 2012. This is \$25,000 above the general concessional contribution cap, which was scheduled to apply to these workers from 1 July 2012.

This measure will improve the adequacy and equity of the retirement income system by expanding contribution caps for those with modest superannuation savings, at the point in their lives when they are most able to save.

The \$500,000 threshold strikes a balance between responsible fiscal policy and maximising opportunities for those with the greatest need to build the adequacy of their retirement savings. This measure will target concessions towards those with the greatest need to build the adequacy of their superannuation savings.

I trust this information will be of assistance to you.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Bill Shorten', is written over the typed name.

BILL SHORTEN