



**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](http://www.assistant.treasurer.gov.au)

11 FEB 2011

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

Dear Mr Marinis

Thank you for your letter of 9 December 2010 concerning excess contributions tax (ECT).

The Government believes that it is important for Australia's retirement income system to remain sustainable in the future. As a result, the Government levies ECT on superannuation contributions which exceed the caps. The high tax rate applying to ECT is a deliberate design of the legislation to encourage compliance with the contribution caps. This ensures that individuals save gradually over the course of their working life and that substantive sums of money are not transferred into the concessional-tax superannuation system. Without an upper limit on the value of funds which could be contributed to superannuation, the value of the tax concessions provided to superannuation would become unsustainable.

There are existing safeguards in place to reduce the risk that fund members will exceed the contributions caps. Superannuation funds must not accept a single non-concessional contribution which exceeds the cap (as adjusted for the member's age). A person can apply to the Commissioner of Taxation to have all or part of their contributions disregarded or allocated to another financial year for the purposes of ECT where the contributions caps are exceeded due to special circumstances, such as events which are outside a person's control.

There are arrangements in place to minimise the burden of paying ECT. When a superannuation fund member is required to pay ECT, the Commissioner of Taxation provides the fund member with a release authority. The fund member can provide the release authority to their superannuation fund (excluding defined benefit funds) to pay their ECT liability.

The contributions caps and ECT are important measures which ensure Australia's retirement income system will remain sustainable and equitable in the future.

I trust this information will be of assistance to you.

Yours sincerely

BILL SHORTEN