

Stop 'Stealing' Retirement Savings

"The Australian government stole retirement savings of more than \$100,000,000 from hard working self employed and small business owners in 2007-08*" noted Adelaide based Financial Strategist, Theo Marinis.

"This figure is the tax take (which can as much as 93 %) resulting from penalties imposed on superannuation savings inadvertently contributed above the allowable limits or 'contribution caps'."

"If those same people were 'crooks' who had decided to deliberately undertake Part IV (A) Tax Avoidance schemes to defraud the government of tax – the penalty on this amount would have been about \$50,000,000 – or approximately half!"

"Under current rules, a person who is under age 50 can make concessional (tax deductible) contributions of up to \$25,000 per annum to their superannuation – or \$50,000 per annum if aged over 50. Any dollar contributed above these limits is taxed at the top marginal rate of 46.5%, and has the potential to attract a further 46.5% penalty 'gouge' for what is generally an all too common mistake."

"This is clearly, just wrong."

"Furthermore, Australian taxpayers should be under no illusion that the ATO will allow mistakes to be reversed – Commissioner D'Ascenzo has recently stated that 98% of Excess Contribution assessments had been maintained!"

"I believe that Minister Shorten should act in the upcoming budget to repeal this ridiculous legislation – and to refund the money which has been unfairly confiscated."

"Australia's super system is generally very sound – but the Excess Contributions Tax is one of three Big Convuluted Dumb Ideas inflicted on the population – along with Super Surcharge and Reasonable Benefit Limits. Fortunately the last two have now been consigned to history."

"To my mind all Australians should be encouraged to save as much for their retirement as they can afford – when they can afford it."

The government would do well to revisit Dr Ken Henry's idea of creating a superannuation tax offset of a fixed amount per year, so that someone putting \$25,000 into super receives the same offset as someone who puts in \$50,000 – effectively costing the government the same, but increasing the pool of retirement savings (and reducing burden on the public purse) when people retire. Simple really!

** "A Very Narrow Concession" 15 March 2011 – article by Robin Bowerman, Head of Retail, Vanguard. Reporting on the Senate Economics Legislation Committee meeting in February 2011.*

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