Theo Marinis CFP®
Financial Strategist, Marinis Financial Group
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The Federal Government's May Budget did little more than add insult to injury with the announcement that it will unwind one (only) excess concessional superannuation contribution of no more than $10,000. What impact the refund of excess contributions will have on the non-concessional contribution caps (NCCs) or the associated penalty tax for NCCs is not yet known.

To highlight just what is wrong with the excess contributions tax, in 2007/08 alone, the Federal Government's tax take from this source was $100 million. Given that most excess contributions are the result of reporting or other errors, this has been tantamount to stealing retirement savings.

Under the current anomalous system, the scope for error for ordinary Australian taxpayers remains high, as does the penalty tax, which can be up to 93 per cent. This penalty is an impost which is ridiculously at odds with the general interest charge

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applied to tax returns containing errors or omissions (and which can be amended within three years of lodgement), or at worst, illegal tax avoidance schemes under Part IV (a), for which the maximum tax penalty is a mere 46.5 per cent.

If we need to look for further irony, take the example of a highly paid professional on the top marginal tax rate of 46.5 per cent who directs $200,000 to super. The first $50,000 will attract tax at 15 per cent, with the excess contributions tax of 46.5 per cent on the next $150,000 becoming the penalty you have when you're not having a penalty.

Fund earnings on the entire net amount will attract tax at just 15 per cent within super, plus tax-free status at pension phase, despite the member's personal marginal tax rate of 46.5 per cent. That's a real penalty for large contributions to super, isn't it?

It's hard to see how such a prospect discourages high net worth investors (around whom the current contribution caps and the excess contributions tax were supposedly designed) from directing large amounts to super.

Perhaps it's time to revisit a lifetime superannuation benefit limit – say $1.5 million starting in 2013 and increasing annually by CPI. It could even have an equitable refund mechanism for excess contributions once the target limit is reached (not just for the first $10,000 ever).

You could call that a reasonable benefits system! Simple super, really?