Wealthy in Fear of Super Tax Hit

ANTHONY KEANE

FIRST they flagged increasing the GST and now the Federal Government is looking at tougher tax treatment of Australians' retirement savings.

As reports surfaced this week of Canberra Treasury officials examining new superannuation tax proposals, many people are worried their nest eggs are about to be squeezed by more rule changes.

However, superannuation specialists say people have nothing to fear from the latest proposals, which revolve around taxing everyone's super contributions at their marginal tax rate minus a flat- rate tax offset, perhaps 15 or 20 per cent.

Currently, most workers get 15 per cent tax deducted from their employer and salary sacrifice super contributions, which mean people on higher tax rates get bigger benefits than lower-income earners.

CEO of the Association of Superannuation Funds of Australia, Pauline Vamos, said governments managed tax change by first trying to assess the potential political fallout.

"There's nothing concrete here – it's all about what kind of appetite does the community have for change," she said.

QUESTIONS AND ANSWERS

HOW DO SUPERANNUATION TAXES WORK NOW?

For most Australians, compulsory employer super payments and personal salary sacrifice contributions are taxed at 15 per cent. There are also low tax rates on the funds' investment earnings.

WHAT HAS BEEN PROPOSED?

A flat-tax offset for all Australians, set at perhaps 15 or 20 per cent below their marginal tax rate, would mean middle and higher-income earners may get taxed more on super contributions while low-income earners would effectively pay zero tax.

"People get scared because they're worried about it being retrospective… worried about not having time to plan.

"We have a long way to go – the community will have their chance to vote on this as part of the next election."

Marinis Financial Group managing director Theo Marinis said he had received phone calls from clients wondering how they should react to the latest proposals.

"They shouldn't be worried. Quite often governments float balloons to see what will happen," he said.

Mr Marinis said a flat-rate tax offset for all workers' super appeared fairer than the current system.

"It's simpler and more transparent – the top end of town is getting hit the same as the bottom end," he said. Plus there's a potential revenue boost for the unbalanced federal budget.

"They reckon doing it will save them over $6 billion a year," Mr Marinis said, adding there would not be draconian rule changes to super. "That just won't get through the Senate."

Ms Vamos said while the proposed changes would benefit low income earners, middle income earners needed help too and the new approach would affect people's take-home pay.

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