



MARINIS
FINANCIAL GROUP

11th April 2011

The Hon. Bill Shorten MP
Minister for Superannuation
Parliament House
Canberra ACT 2600

Dear *Mr Shorten,*

Excess Contributions Tax

Thank you for your letter of 11th February 2011 responding to my 9th December 2010 letter regarding Excess Contributions Tax (ECT).

In your letter you make the comment "There are arrangements in place to minimise the burden of paying ECT" and your recognition of this problem is appreciated.

I would suggest however, that this comment is not reflective of the government's intention, given Taxation Commissioner D'Ascenzo's advice to the February 2011 Senate Economics Committee to the effect that in 2007/08, 98% of requests for unwinding ECT were rejected.*

The Taxation Commissioner's approach has raised \$100,000,000 for consolidated revenue which otherwise would, and should have gone to retirement savings.

It is my experience that in general, people (and their advisers) do not deliberately set out to contribute excessive amounts to superannuation, but rather, these amounts are all too often the result of reporting errors in the identification of concessional and non concessional contributions, or misinterpretation of the application of the respective contribution caps.

Under the ATO's current approach, excess superannuation contributions can result in tax at the rate of 93.0%. However, if these same people had decided to deliberately undertake Part IV (a) Tax Avoidance schemes, the tax rate would be 46.5%.

I believe that a much fairer treatment of excess contributions would be to require superannuation fund trustees to make a refund to the member, with any investment earnings forfeited to the government.

It is also my belief that an age based tax offset for the first \$25,000/\$50,000 of superannuation contributions would be consistent with the government 'capping' the cost to tax revenue from this source, whilst at the same time, maintaining the pool of retirement savings (and reducing burden on the public purse). It would also allow superannuation to be perceived as a positive, rather than punitive, way to save for retirement.

The Australian government seeks to encourage superannuation investment and savings generally, and I would ask that you consider the foregoing comments in this light.

I look forward to receiving your response.

Yours sincerely,

Theo Marinis B.A., B.Ec., CPA., CFP®
Financial Strategist
Authorised Representative

* "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.

Encl.

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