Rich hit by tough new rules on super

WEALTHY Australians are shifting billions of dollars out of their tax-free superannuation pensions ahead of tougher new rules – but in most cases the money is going straight into another super fund.

A new limit of $1.6 million on how much people can hold in tax-free super begins on July 1, a move expected to return $550 million to taxpayers next financial year – and $1.5 billion the following two years – by removing a huge tax shelter that the rich have enjoyed for a decade.

Australian Taxation Office data shows that there are almost 2900 self-managed super funds holding more than $10 million and almost 80,000 with between $2 million and $10 million.

Retirement experts say most of the money being kicked out of tax-free pensions is switching to regular super funds where 15 per cent taxes apply.

Some say the new rules replace a "ridiculously generous" 2007 law that has allowed wealthy retirees to hold an infinite amount of money in a super pension and pay zero tax on its income and profits. Average retirees have less than $300,000 in super.

Tax Commissioner Chris Jordan told a recent SMSF Association conference that most of the largest balances had been locked up in super long ago.

"They tend to be people in their 80s and late 70s," he said.

Marinis Financial Group managing director Theo Marinis said some wealthy people were pumping extra money into their regular super now, because they would not be allowed to make after-tax contributions after July 1 if their fund already held $1.6 million.

"It's not as generous as it had been, but it's been ridiculously generous until now," he said.

Some spouses have been withdrawing super and reinjecting the money in their partner's name, because the new $1.6 million cap applies to each person.

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