



**THE TAX INSTITUTE**  
THE MARK OF EXPERTISE

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16 December 2016

Mr Mark Fitt  
Committee Secretary  
Senate Economics Legislation Committee  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

By email: [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)

Dear Mr Fitt,

**Inquiry into the Superannuation (Objective) Bill 2016 [*Provisions*]**

The Tax Institute thanks the Senate Economics Legislation Committee (**Committee**) for the invitation to make a submission to the Committee in relation to the inquiry into the *Superannuation (Objective) Bill 2016 [*Provisions*]* (**Bill**).

**Recommendation**

The Tax Institute recommends to the Committee that the primary objective of superannuation should be to provide income in retirement and that the primary objective should endorse all three long-held pillars of income in retirement - the Age Pension, compulsory superannuation savings, and voluntary superannuation savings. Should the primary objective remain as it currently stands linked solely to the Age Pension, the Bill should not pass.

**Discussion**

**1. The Objective of Superannuation**

The Tax Institute has previously made submissions to Treasury in relation to the objective of superannuation. We reiterate our view for the Committee's consideration.

The Tax Institute broadly agrees with the primary objective that superannuation should be to provide income in retirement, however:

- a) linking the primary objective solely to the Age Pension is undesirable because it allows for future policy development that could significantly diminish the Australian superannuation system;

- b) the primary objective of superannuation should endorse all three long-held pillars of income in retirement - the Age Pension, compulsory superannuation savings, and voluntary superannuation savings. In particular, the legislature should be encouraging the principle of self-provision in retirement to provide a comfortable lifestyle, especially now there are proposed to be strict contribution limits and also restrictions on the tax-free level of assets that can be maintained in the superannuation system from mid-2017; and
- c) all announcements of superannuation tax change should provide ample time for systems changes to be made and be accompanied by a detailed explanation of how the change advances the objectives of superannuation, including economic analysis.

The language used to define the primary objective is similar to the language first used by former Treasurer, John Dawkins, when the Superannuation Guarantee bills were introduced in 1992<sup>1</sup>. The Superannuation Guarantee was introduced to ensure retirees were not solely reliant on the Age Pension. However, defining the primary objective of superannuation as to 'provide income in retirement to substitute or supplement the age pension' (section 5(1)) links the primary objective only to the compulsory tier of the system and does not adequately take into account the importance of continuing incentives for voluntary superannuation savings that have also been an important aspect of the superannuation system since 1992.

Further, The Tax Institute is concerned that, without all major industry stakeholders being in general agreement on the scope of the enshrined objective, the objective will fail to deliver on one of its key purposes, being to ensure that superannuation policy does not undermine long-term confidence in the system.<sup>2</sup>

The Tax Institute strongly recommends the definition of 'primary objective of the superannuation system' encapsulate the points made in (a) to (c) above.

## **2. The Subsidiary Objectives**

Some of the Tax Institute's previous concerns, such as inclusion of the 'subsidiary objectives' in the principal legislation and the requirement for those subsidiary objectives to form part of the Statement of Compatibility are addressed by the subsidiary objectives being included in the relevant regulations and by Item 6(3) of the Bill dealing with the assessment of those objectives as part of the relevant Statement of Capability.

A particular issue of concern for The Tax Institute is that the Bill not be passed in a form that would provide a mechanism for future policy development to diminish the

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<sup>1</sup> [http://www.treasury.gov.au/Policy-](http://www.treasury.gov.au/Policy-Topics/SuperannuationAndRetirement/supercharter/Report/Chapter-1)

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<sup>2</sup> See Chapter 2 of the Final Report of the *Financial System Inquiry*, 7 December 2014.

offering of life insurance through superannuation. The Tax Institute recommends that the subsidiary objectives make express reference to the facilitation of life insurance via superannuation.

In addition, The Tax Institute considers it is important that the subsidiary objectives have express regard to the *Superannuation (Industry) Supervision Act 1993* (Cth), including the 'Sole Purpose Test' as raised in previous submissions.

As the relevant draft regulations containing the subsidiary regulations have not yet been released for public consultation, The Tax Institute is unable to comment further on the subsidiary objectives at this time. Should the Committee require further details in relation to concerns regarding the subsidiary objectives, please refer to The Tax Institute's earlier submission to Treasury on the exposure draft<sup>3</sup>.

If you would like to discuss any of the above, please contact either me or Tax Counsel, Stephanie Caredes, on 02 8223 0059.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Arthur Athanasiou', with a horizontal line extending to the right.

**Arthur Athanasiou**  
President

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<sup>3</sup> <http://www.taxinstitute.com.au/tisubmission/superannuation-reform-package> at pp3-4

## **APPENDIX**

### **About The Tax Institute**

*Our members lead the way in tax.*

The Tax Institute is Australia's leading professional association and educator in tax providing the best resources, professional development and networks. With over 12,000 members, our mission is to educate and build expertise in tax and to raise the status of the tax profession.

Our growing membership base includes tax professionals from commerce and industry, academia, government and public practice throughout Australia. Our reach extends to over 40,000 Australian business leaders, tax professionals, government employees and students through the provision of specialist, practical and accurate tax content.

We are committed to propelling members onto the global stage with over 7000 of our members holding the Chartered Tax Adviser designation which represents the internationally recognised mark of expertise.

The Tax Institute was established in 1943 with the aim of improving the position of tax agents, tax law and administration. The Tax Institute has evolved and become increasingly respected, dynamic and responsive, having contributed to shaping the changes that benefit our members and the taxpayer today.

More than seven decades later, our values, friendships and the unselfish desire to learn from each other are central to our success. The Tax Institute is known for its committed volunteers and the altruistic sharing of knowledge. Members are actively involved ensuring that the technical products and services on offer meet the varied needs of Australia's tax professionals.