Industry welcomes draft super reforms

8 September 2016 by Jassmyn Goh (http://www.superreview.com.au/authors/jassmyn-goh) | Comments (/news/womens-wealth/industry-welcomes-draft-super-reforms/#comments)

The financial services industry has largely welcomed the first superannuation exposure drafts, and in particular the introduction of the Low Income Superannuation Tax Offset (LISTO), but were divided on the objective of super.

The first tranche of draft legislation was announced by Minister for Revenue and Financial Services, Kelly O'Dwyer, and Federal Treasurer, Scott Morrison.

Industry Super Australia's (ISA's) chief executive, David Whiteley, said introducing LISTO was critical to restoring the fairness and integrity of super tax concessions.

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"It starts the process of closing the superannuation gender gap, and making the super tax system more contemporary and in keeping with modern society," Whiteley said.

ISA encouraged the Government to move as quickly as practicable to release the full package and for all parliamentarians to reach consensus on a super tax package that better targets tax concessions and improves the fiscal sustainability of the system.

While also welcoming LISTO, the Association of Superannuation Funds of Australia (ASFA) said it was important to get the details of all the measures right.

ASFA interim CEO, Jim Minto, said: "We welcome the opportunity to work with the Government to ensure the superannuation tax legislation is fit for purpose".

"The legislated objective for the superannuation system is enormously important and we need to ensure it will lead to adequate retirement outcomes for all Australians," Minto said.

The Australian Institute of Superannuation Trustees (AIST) chief executive, Tom Garcia, said the move to legislate the objective of superannuation was vitally important and would be a key focus of its submission and upcoming consultations with industry stakeholders.

While the SMSF Association welcomed the measures that would help women and those who had broken work patterns or variable incomes, CEO and managing director, Andrea Slattery, said the association was concerned that the objective for super did not encompass the notion of adequacy.

"We support the idea of superannuation being to supplement or substitute the Age pension, but believe it should also aim to provide people a secure and dignified retirement through an adequate level of retirement savings," she said.

The Financial Planning Association (FPA) also disagreed with the objective of super as they believe the definition should be "to provide income and capital in retirement to provide a comfortable standard of living".

However, KPMG's partner and head of wealth advisory, Paul Howes, said the Government's wording of the objective of super was a satisfactory compromise.

"It clarifies that superannuation is meant to help fund a person's retirement — it is not for unlimited wealth accumulation," he said.

"The real issue for the industry is the fundamental change of emphasis that is needed from the accumulation phase to retirement incomes."

KPMG's super tax partner, Damian Ryan, said the draft legislation were welcome from both a tax equity and super coverage perspective.

"Although the LISTO is referred to as a "tax offset", this is not the case from an income tax perspective," Ryan said.

"... making the payment directly to the individual (or by their direction to their superannuation fund) ‘offsets' the tax detriment of the tax paid in the fund for concessional contributions for low income earners, without causing a significant compliance burden to the fund. Treasury should be congratulated for listening to the industry feedback."

IOOF senior technical services manager, Pam Roberts, said while the extension of personal super tax deductions was welcome, the legislation did not include any significant changes to the complex system of tax deduction notices.

"If there is to be a significant increase in the use of this measure, surely a simpler, more flexible and less prescriptive process could be put in place," Roberts said.

She also noted that the important issue was what was not released in the first tranche of legislation as these reforms were less controversial.

"The second tranche (expected later this year) would cover more complex changes such as the $500,000 lifetime non-concessional contributions cap, the $1.6 million transfer to pension phase cap and the changes to transition to retirement pensions. A third tranche is also possible, covering longevity income stream rules," Roberts said.