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To whom it may concern.

There are three relevant issues that should be addressed.

1. The cap

I would have thought the level would have been twice the transfer balance cap.

2. Indexation

Not indexing the benefit is unreasonable. It is an obvious attempt to be able to say it impacts on less people, where in truth over time, many more will be impacted.

Obviously the level should be indexed or the cap is meaningless. Every other threshold in the super system is indexed, so this makes treasury and the government look sneaky and untrustworthy.

3. Calculation method

This is most unreasonable, as it has no benefits and many costs.

There is already a method which has been used when funds have some funds in pension phase and some in accumulation.

This can be extended with the addition of an extra tier where tax at 30% is applicable.

To tax unrealised gains, when every self managed super fund has no difficulty just adding a third tier of tax rates is extremely unreasonable and achieves nothing.

It is just going to mean that people pull funds out of their super and use some other structure such as a trust and company.

You will massively increase compliance costs for people as they will pull money from super and set up new entities, create additional work for the ATO, much more accounting fees as it is more complex and you will see new entities set up and end up losing revenue as there will be no death benefit taxes and there will be big deductions relating to extra entities and accounting costs.

To tax people on gains that may never be achieved is against all tax policy and is grossly unfair, costly and inefficient. In some cases it may even force the sale of illiquid assets.

To suggest that it is too hard for the public offer funds to use the tiered method is not a reasonable reason to implement this policy.

The government should want to encourage people to invest in super to reduce the strain on the government finances in the future.

If you believe that these tax benefits should be capped, that is a reasonable position.

However, to use a clearly absurd method that causes a whole range of distortions and problems, when a simple and proven method is available is unfair and counter productive.

Most people do not understand the taxation system or super and if they start to hear about being taxed on unrealised gains they will just avoid super.

Regards,

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