



ACPSRO

Australian Council of Public Sector
Retiree Organisations

DIVISION 296 TAXATION REFORMS WILL DISADVANTAGE THOSE ON DEFINED BENEFIT PENSIONS !

AN OPEN LETTER TO THE FEDERAL GOVERNMENT

3 June 2024

Dear Senators

Please find attached correspondence from The Australian Council for Public Sector Retiree Organisations regarding the above proposed reforms to the taxation of superannuation. ACPSRO seeks that unfunded defined benefit superannuation be exempted from these arrangements. Analysis by ASCPRO has found:

- 1) Unfunded superannuation pensions do not receive the generous and open-ended taxation concessions available under the Superannuation Guarantee arrangements which are the target of this reform;
- 2) Unfunded superannuation pensions are already subject to normal income tax and individuals who may be impacted by the proposed Division 296 tax assessment are already paying a marginal rate of tax of 45% on that income that will be ascribed to be from a superannuation interest in excess of \$3 million. The imposition of the Division 296 tax will likely take their marginal rate of tax to 60%;
- 3) The draft legislation and regulations will impact adversely on women and they will incur a significantly higher Division 296 tax assessment for any given level of unfunded superannuation than a man of the same age; and
- 4) Determining the ascribed asset valuation of a super fund using the gross income received from unfunded superannuation will result in any Division 296 tax assessment being significantly greater than that applying to a person in receipt of the same after tax income from a fund accumulated under the superannuation guarantee arrangements.

The stated objective of these superannuation tax reforms is to ensure the better targeting of those tax concessions which apply to superannuation assets accumulated under the Superannuation Guarantee arrangements.

Our findings demonstrate that the inclusion of unfunded superannuation in Division 296 tax proposals is neither equitable, or just, and should be excluded from this proposed legislation.

Yours sincerely

John Pauley
President