From: A Ozaydin [redacted]
Sent: Wednesday, 4 October 2023 4:15 PM
To: Superannuation
Subject: Have my Say on "The Bill reduces the tax concessions for individuals with a total superannuation balance (TSB) above $3 million by imposing an additional 15 per cent tax on certain earnings under a new Division 296 of the Income Tax Assessment Act 1997"

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Dear Sir/madam

Limiting the tax effective superannuation balances to $3million (or reducing the tax concessions for individuals with a total superannuation balance (TSB) above $3 million by imposing an additional 15 per cent tax on certain earnings), may jeopardise a retirees financial future, for the following reasons;

a) Longevity risk; When divided over 35 years of retirement, TSB of $3m amounts to about $85,000-pa in today's dollars which may appear high but will be inadequate as inflation bites into this sum in future years. What if we entered in a high inflation environment (and I strongly believe that we have). Wouldn't such a lower balance prove to be inadequate and risk a self funded retiree seek Centrelink assistance? Indexation should be introduced when future inflation path is uncertain as is now regardless of TSB is considered.

b) The retirees cohort needs expensive medical treatment and they rely on superannuation to cover one-off, lump sum costs (I am a retiree and personally don't have medical insurance). $3m may prove to be inadequate for serious health issues when such a risk is combined with the living costs mentioned above.

c) Average value of a house in Sydney/Melbourne/Brisbane is well over $1.5m. In some regional towns it's over $2-3m (such as Byron Bay). Treasury's $3m TSB may appear high by today's standards but barely buys a decent residence if a homeless retiree decides to purchase a residence with lump sum payout from his/her superannuation. Please note; not every retiree owns a house outright.

d) Funds deployed in Super have already been taxed once (during the accumulation stage) or twice (taxed on the returns gained during accumulation stage). It's unfair to tax TSB over $3m a third time (15% on such earnings). This amounts to penalizing successful investors and rewarding the unsuccessful ones, a perverse incentive whichever way one looks at it.

e) We report the "Unrealized gains" in our annual tax returns to the ATO and to our auditors for member-account-fairness purposes (say if one member leaves the fund, he/she should benefit from the unrealized gains when his/her transfers are made to another fund for instance). Taxing unrealized gains at the end of FY will distort unrealized gains accounting (say profits over $3m mid year hence 15% tax imposed on member who leaves but such profits over TSB over $3m account vanishes at the end of FY or by the time unrealized gains are reported). It also requires gains and losses to be carried into future years, liquidating non-liquid assets which will be complex in many instances, difficult to audit and introduce new accounting problems such as keeping up to date the unrealized gains and losses schedules well into future, until accrued losses can be offset against unrealized gains.

If Treasury is determined to limit the concessionally taxed TSB over a certain sum, then the $3m should be increased to $5m-per account, so as to cover the uncertainties inherent in a high inflation environment that we have entered and to address the issues I have raised above.

Very Kind Regards

Ahmet Ozaydin
Trustee of [redacted] (a SMSF)