

## Government changes to Super - don't stress..... yet

No doubt you have read or heard over the past few weeks all sorts of things about proposed changes to superannuation, and in particular some comments that SMSFs would have some special rules applied to them. My simple message to SMSF trustees is this.

Relax. Stay calm, and don't get caught up in it just yet. It's just not necessary.

Long time readers of The SMSF Review will already know how we feel about endless commentary around "possible" super changes. I see first hand how destructive it is to the confidence SMSF trustees have in the system, and how it can cause otherwise rational people to try and pre-empt outcomes and make poor decisions.

Now to be fair, this time it is a little different in that we know that at least something is coming. In other words, it's not just a rumour this time. The Government have confirmed that they have a serious problem with the federal budget, and good old Super is the low hanging fruit that is likely to get plucked. So they will definitely be proposing some changes to raise more taxes from Superannuation.

The question of course is what, and will you be affected? And this is where it starts to get crazy. The articles and commentary on this range from the fairly logical to the ridiculous.

Here's what we know - the Government have confirmed that they will not tax lump sum withdrawals for over 60's. OK, great.

Here's what we think we know - that the over-riding theme will be one of higher income earners (or even those with higher super fund balances) paying more tax somewhere in the super system.

Here's what we don't know - pretty much everything else. In other words, almost everything else is still on the table in terms of raising more tax from super.

I could now write a ton of stuff (almost a book) on what could "possibly" change. My question to you is this - how exactly is that going to help you?

The answer is it doesn't! It will just be incredibly confusing and unproductive.

The reality is that the people in Treasury will have a brief to raise more tax and to look at all the ways they can do it, and then model the numbers. The Government will then look at them and see which ones are political suicide, and which ones they might be able to get away with and put a positive (ugh!) spin on. Then we'll have some answers. That's a lot of water to go under the bridge yet, and plenty of lobbying.

Oh, and consider this. The budget isn't until May. The election is in September. With the Parliamentary schedule and the limited time in which they will actually be able to do anything, it is also highly likely that much of it will never even see the light of day anyway if we get a change of Government (which the polls say is highly likely). Also factor in the heat of the election campaign and the propensity to say almost anything to get re-elected and you could see some unpopular policies dropped like a hot potato.

Do you see where I'm coming from here? Can we all just get a grip.

Lets first see what exactly is being proposed. Then we have something to deal with and respond to. You can be assured that the industry associations (including SISFA) will be in there fighting against any negative changes. However this time I just don't think lobbying

is going to make a big difference here. They need the tax revenue badly. I think only deeply unpopular moves affecting large numbers of voters will be off the table.

Finally, for those of you that just won't be satisfied unless I do some crystal balling and make a token guess as to what I think is coming (and to those who now don't care, I salute you!). Given the likely "take from the rich and give to the poor" theme, I reckon the main things in the firing line are the transition to retirement strategy for higher income earners, higher contribution taxes (and maybe super fund income taxes) for higher income earners, and taxing of capital gains on assets going from accumulation to pension phase (possibly only for SMSFs). They may even stretch further with a small tax on pension earnings within the fund if they are feeling brave. But hey.....it's just a guess so take it with a grain of salt for now.

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