

## **Billion-Dollar-a-Year Headache for ATO With Thousands of Taxpayers Liable for More Tax**

"The government has vigorously promoted its Household Assistance Package but not its new tax trap, and the windfall the Government can expect from financial year 2012/13 is enormous" says Adelaide based financial strategist Theo Marinis.

"From 1 July 2012 many tens of thousands of Australians will find they are hit by up to 93% in Excess Contribution Tax. This is because they did not change their direct debit or payroll arrangements for their superannuation to reflect the precise timing that the reduced contribution limits (a reduction from \$50,000pa to \$25,000pa for people over 50) came into law."

"In the majority of such cases the failure to ensure that their contributions are reduced will relate to centralised payroll arrangements, the inability (including time) for the employee to control the exact timing of the required changes, or simply because employers and/or employees are generally unaware of the disproportionate tax penalties which apply to superannuation contributions paid above the new limits after 1 July 2012."

"Unfortunately, people should not make the mistake of thinking 'I'll just fix it all up next year' as they can with their income tax. According to budget figures only four per cent of applications to overturn this inequitable Excess Contributions Tax are approved due to the murky 'special circumstances' rule."

"Over the last six months I have written to the ATO on behalf of more than 100 of my clients to ensure they are not in breach of the superannuation contribution caps. Based on the information the ATO has provided in response, this action has the potential to save my clients tens of thousands of dollars in Excess Contribution Tax, which in my view, is the most greedy and mean spirited tax in the land."

**"Furthermore, I urge every financial planner in the country to take similar action even if it means a \$1,000,000,000\* headache for the Government (via the ATO) to reply.**

"And they should do it quickly".

"If financial advisers and individual super fund members do not take this approach, the penalty tax collected by the federal government will result in considerable hardship to many hardworking people (including families) who seek simply to fund their own retirement, rather than to be a cost to future generations."

"In my view, a far fairer approach to the treatment of excess contributions would mirror the personal income tax system. If an unwitting mistake is made, the ATO will allow three years to fix it. If a penalty applies, it should be applied as a 'general interest' charge as normally imposed by the ATO. Any Excess Contribution should simply be forcibly withdrawn from the fund to ensure there is no benefit to contribute more than the prescribed limits".

"Senator Shorten says he has fixed the problem by allowing people a one-off fix for amounts of less than \$10,000, but in my view this is political window dressing. It is time to stop playing politics with Australia's superannuation system, one of the key pillars of our economic prosperity and acknowledged as the second best retirement system in the world."

"This issue cuts to the heart of the superannuation system. Government should be doing everything it can to encourage people to put extra funds into the system, not to introduce draconian penalties," Theo said.

*\*As a former ATO employee, and as someone who has run a business for more than a decade, I estimate that every letter received, logged and responded to will cost authorities at least \$175. Therefore, if even half of all super-fund members (5.69 million people) write annually to get official confirmation of the exact timing and the amounts of their superannuation contribution payments, the ATO will need to outlay around a billion dollars annually. The Commissioner would also need to recruit significant staff to manage these enquires, at a time when government agencies and departments are seeing substantial budget cuts!*

**# Based on Deputy Commissioner Olessen's recent statistic that is in excess of 50,000 people were impacted by ECT in the 2010/2011 financial year prior to the reduction in the Concessional Contribution Cap from 1<sup>st</sup> July 2012. Source: Money Management 21<sup>st</sup> June 2012.**

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