

# Changes to superannuation underline ill-advised policy and waste

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I received an email from the Treasury the other day. It was dated October 14. I was being invited to make a submission on the third tranche of the superannuation changes being put forward by the government — the proposed new cap on non-concessional contributions.

Here's the kicker: I had to have my submission in by October 21. That's right — I (and everyone else invited to make a submission) was given one week to prepare and submit a submission. Let's face it, this is a Clayton's consultation. It is consultation when you don't care what anyone says. It's a joke.

I then looked back on previous emails from the Treasury. For the second tranche of the super package, I was given nine business days to make a submission on 220 pages of exposure drafts and explanatory memos. There are 260 paragraphs explaining the Treasury Laws Amendment (Fair and Sustainable Superannuation) 2016, though I particularly like the - acknowledgment in the material that there are several areas that are actually not settled. This is sham consultation on steroids.

And don't even get me started about the faux invitation to hear different views on the legislated definition of the purpose of super. Notwithstanding its glaring faults, the responsible minister, Kelly O'Dwyer, is not for turning, which in this case is a bad thing.

Indeed, given her parliamentary performance, it is a fair question whether she is up to the job. It was one thing to vote in favour of an amendment of the opposition criticising the government, it is another thing altogether to fail to explain the purpose of a piece of legislation she is sponsoring. The fact she couldn't describe the impact of the change to the taxation of effective dividends really makes you wonder whether she's in the right job. It was cringe-worthy stuff.

For purely political reasons, the government has decided it must get the super changes into law by the end of the year, with the new arrangements in place from July 1, 2017. It won't matter how many people point out the difficulties and cost of the changes. The decision has been made.

It's the Gillard government all over again. A policy decision is made for political reasons. No thought is given to the problems of implementation, of unintended consequences, of the disproportionate costs. Think the Gonski package and the underlying legislation. Think the

National Disability Insurance Scheme and the underlying legislation. And now think superannuation and the underlying legislation.

Don't believe the misleading information reaffirmed by the Treasurer that only 4 per cent of superannuation savers and retirees will be affected by the changes. This figure is just wrong; over time the proportion rises dramatically; and the compliance costs will apply to all super members. Every fund will be required to invest heavily to accommodate the changes and all members will bear the costs — not just those directly affected. To be sure, the government doesn't care but the Treasurer should not be misleading the public on this matter.

There are some very serious technical problems with the draft legislation, including the curious introduction of accounting terms rather than sticking with the convention of using the language of taxation law. There are 23 new definitions introduced into just one tranche of the legislation. There are also errors in the draft legislation and the explanatory memos, of which the latter have no legal effect but are required to understand the law.

Some of the complications include the fact many superannuation investments are in life companies that are subject to different tax rules; the treatment of death benefits/reversionary pensions and whether they will be required to be cashed out; the handling of multiple accounts when one or more is a defined benefit account; and the treatment of deferred superannuation investment streams and their applicability to self-managed funds. There is also the egregious suggestion that superannuants face a 30 per cent tax penalty if they violate the transfer balance cap more than once. This is notwithstanding the fact the arrangements are so complex that advisers are very likely to make mistakes and unwittingly give their clients the wrong advice — for a high price, of course.

The process is a shambles and there is no way the government's imposed deadline can be met. Putting the bills to the parliament this year would be highly irresponsible. But my guess is that, at a minimum, the Senate will refer all the bills to be scrutinised by committees. There is no way that the start date of the changes can remain July 1, 2017, which will mean all the make-believe budget savings will have to be recalculated.

Apart from the ill-conceived — nay, harebrained — nature of the government's proposals, the responsible staff in the bureaucracy are far too inexperienced and lacking in knowledge to put the scheme into workable legislative effect. The fact there have been many confidential discussions going on behind closed doors (so much for transparency on the part of this government) underlines the fact the public servants are desperate to pick the brains of people who might actually know about these things — and that doesn't include them.

There is no doubt the government needs to get on with repairing the budget. But attempting to fix the budget by implementing bad policy won't lead to an improvement in the bottom line.

Breaking promises might all be in a day's work for the Treasurer but he needs to be aware these costly and complex changes will fail to raise the sums of money forecast, particularly because undermining the trust in the system will inevitably lead to a higher dependence on the age pension.

The fact the government is happy to hand out more than \$1 billion a year to support the parents of migrants, to spend \$3bn more on childcare, to write off billions in bad VET FEE-HELP debts, to waste billions on regional boondoggles and to commit tens of billions too much to construct warships and submarines — and the list of wasteful spending goes on and

on — explains why many in the community continue to fume about the super changes (and high taxes more generally).

There is really no difference between the Gillard and Turnbull governments when it comes to implementing hasty and ill-judged policies and wasting money.

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