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The question that the proposed changes in Superannuation tax is addressing is "What is a reasonable maximum amount in Superannuation".

The government has imposed limits on contributions which means that very high Superannuation balances cannot occur in the future. So the question has already been answered by existing limits to contributions.

This tax is about retrospective changes to Superannuation. If nothing is done to increase taxes, then the problem (if high balances are a problem) will resolve itself - sooner or later everyone with a high balance will die and all the high balances will disappear. One perspective of this tax strategy is for the government to get in early to collect extra tax before these people die. It should not be forgotten that the government has already had a share of these funds via the 15 % contribution tax and the 15 % earnings tax. So other than a short term blip in tax intake, there is no particular reason to rush into this tax. It will solve itself with time.

Inflation is a second consideration. We could be in for 5 years of high inflation - say 30 % over the period, perhaps more - so the self-funded people with large Superannuation will, particularly in their later years, lose more due to inflation. On the high hand, the people supported by pensions will automatically have a 30 % increase in their income. The government benefits from inflation - it is a few groups of the community that suffer. I suggest it would be appropriate to defer the new tax until inflation is under control. Otherwise people with Superannuation will be paying extra due to inflation (when there is no "Real" increase in the purchasing power of their savings.

Many people, including me, have property as a component of their Super Fund. Property values vary from year to year and over cycles. The arrangement of this tax is to charge for theoretical unrealised increases in property values, which are very hard to manage - it is seldom possible to see 10 % of a property. Tax on un-realised increases is unreasonable and will cause financial problems, or force people to avoid having property in their Super Fund. There are the same cycles in the market value of shares -. The tax proposed will force people to reduce their share and property holdings to avoid unfair taxation. This is not a reasonable policy direction.

At a time when inflation is high, I cannot see a reasonable or logical basis for not indexing the limit. All it does is to steadily reduce the amount that can be held in Superannuation. Not a big issue for the rich or the poor, but an unreasonable limit on those of us in the middle.

In summary, I recommend that:
1. The tax be deferred for existing fund owners until inflation is under control (and not retrospective),
2. A limit could be introduced for the future, which allows people to plan for it.
3. The limit must be indexed (starting at two times the $1.8 million limit would be OK)
4. The tax must be based on actual income, not on a theoretical income from false assumptions (all shares and property is sold on 30 June each year)(.

Yours faithfully
Ian Wallis