

Tax Review Submission: The Retirement Income System

Re: Incentives for voluntary contributions to a superannuation fund by persons for whom no (or very little) contribution is made by an employer.

The Income Tax Assessment Act, in section 82AAS clearly allows a tax deduction for superannuation contributions by persons who do not have contributions made on their behalf by an employer. Furthermore, in order not to disadvantage people who have had a negligible contribution made, the "10% rule" (that is, when no more than 10% of the taxable income attracted superannuation contributions by employers) still allows the tax deduction for voluntary superannuation contributions.

YET the Australian Taxation Office disallowed the tax deduction on superannuation contributions, by claiming that a lump sum payment in lieu of long-service leave should be included in the income that has to be less than 10% of taxable income, DESPITE the fact that the employer did not, and apparently was not required to, make superannuation contributions on the lump sum.

This is clearly not the intention of the Income Tax Assessment Act, and no reasonable reading of the act would alert a person that the tax deduction would be disallowed by the ATO.

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