**Taxation of Superannuation**

Currently Superannuation Funds paying pensions are not taxed either internally or in the hands of the pensioner (for pensioners aged over 60). As the number of superannuated pensioners increases, their costs to government will increase but they are not contributing to that cost. This is not sustainable. The question then is how to tax Superannuation in the pension phase.

All of the discussion to date assumes that superannuation pensioners will continue with their current level of mental capability as they age. Anyone who has worked in aged care or had aged parents will know this is not true. As people age beyond, say 70, their ability to understand issues and take appropriate decisions and actions decreases. The present method, where the pension is tax free in the hands of the pensioner (and hence the pensioner does not have to grapple with the complexities of keeping tax records and lodging tax returns) has much to commend it and this should be retained.

This then means that the fund should be taxed. Funds already have the administration to readily meet the requirements for lodging returns and paying assessments. Funds in the accumulation stage are already taxed and have the infrastructure to meet taxation requirements. Indeed the fact that funds ceased to be taxed once they pay pensions has and does cause difficulties for the superannuation funds and having a single rate of tax for both accumulation and pension phases would significantly simplify the administration of superannuation funds..

At present there are proposals that earnings over a certain level be taxed. It would be better if all earnings both in the accumulation phase and the pension phase were taxed at the same amount and hopefully, seeing that the taxing load is spread over a wider tax base, the rate would be less than the current 15%, I note some commentators would have proposed a rate of 7.5 %.