

Women in Super

Wāhine Whakamoamoā

15 March 2006

SSCWT and Salary Sacrifice Project

C/- Deputy Commissioner, Policy

Policy Advice Division

Inland Revenue

PO Box 2198

WELLINGTON

Dear Sir/Madam

COUNTERING EXTREME SALARY SACRIFICE

Women in Super wish to submit on the following matters in respect of the Officials' issues paper titled "Countering Extreme Salary Sacrifice - ensuring that employer superannuation contributions are taxed fairly" (referred to in this submission as "the Paper").

Women in Super welcome any changes that prevent tax avoidance via **extreme** salary sacrifice. However, Women in Super submit that the proposed changes may negatively impact on women returning to the workforce who wish to save material amounts for their retirement; this negative impact will occur when such investors end up paying more tax. Further, Women in Super submit that very few individuals as a proportion of the population who have specified superannuation contributions as part of their remuneration package are in the position to or the inclination to exploit the SSCWT rules via extreme salary sacrifice and therefore question whether the propose change is warranted in any event.

The intention of the original changes to the SSCWT regime was to encourage savings. The proposed changes may however result in over taxation. In general terms women are not able undertake savings for retirement across the entirety of their working life, due to family commitments which may see women leave the workforce for a substantial period of time. That is women may commence savings for retirement at a later period in their working life, whether it be due to returning to the workforce after family commitments, a change in living circumstances (such as divorce), overseas travel, or even the realisation that the potential for women to outlive their male partner. There is no constant savings model.

As an example a women returning to the workforce on a \$50,000 per annum salary package may choose to have \$20,000 of that income contributed to a superannuation fund. Under the proposed rules the \$30,000 wages and salary will be taxed at the marginal PAYE rules; the **superannuation contribution however will however be taxed at 33% resulting in over taxation**. That is, of the \$20,000 superannuation contribution \$13,000 should be taxed at only 21% and not 33%.

Women in Super believe that this may not be an uncommon situation, especially for women returning to the work force, and strongly recommend that this over taxation should not occur; such over taxation is clearly unwarranted.

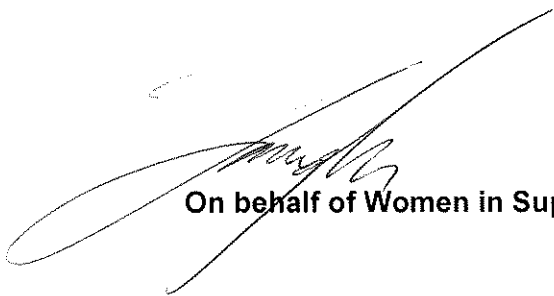
Women in Super also submit that the cost to employers of implementing and monitoring the changes to the SSCWT rates is unduly harsh and may result in a disincentive for employers to offer salary sacrifice / employer contributions to superannuation as part of employees' remuneration packages. Further, in light of the overall changes proposed to the taxation of investment income (as outlined in the Government's discussion document, Taxation of Investment Income, released in June 2005) the latest proposed changes will simply add more complexity.

We consider that the proposed rules add a burden to employers that is excessive relative to countering abuse of the current rules.

We thank you for the opportunity to comment on the paper.

Women in Super would like to be consulted on any developments that arise in the above areas. If you would like any further information on the comments made in this letter, please contact the writer.

Yours sincerely

A handwritten signature in black ink, appearing to be 'M. Smith', written over the typed name 'On behalf of Women in Super'.

On behalf of Women in Super