



9 August 2006

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Dear Mr Lonsdale

A Plan to Simplify and Streamline Superannuation - AMA Submission

The AMA supports the overall package of superannuation changes contained in the Treasury document *A Plan to Simplify and Streamline Superannuation*. While some details remain to be worked out, overall the package is a good one. The AMA seeks the addition of one change which may have been considered in the detail, but is not contained in the published documents. The change is sought on equity and practical grounds.

The change concerns the 10% rule, under which a person who receives more than 10% of their assessable income from an employer who provides any form of superannuation support is not substantially self-employed and thus is not entitled to a tax deduction for their superannuation contributions. This affects many medical specialists who are engaged in private practice, are indisputably self-employed, but provide services to patients in public hospitals under contract arrangements with health jurisdictions which put them on the wrong side of the 10% rule.

These doctors are usually known as Visiting Medical Officers (VMOs). They provide the majority of specialist patient services in many public hospitals and a substantial part of those services in virtually all hospitals. Arrangements vary between States, but a common feature is that they are eligible for superannuation support from their health service employers. In many cases the VMO work in public hospitals is a relatively small part of their total practice and the income derived from it tends to be a smaller proportion again. But if the income exceeds 10% of gross income, they cannot claim a tax deduction for their private superannuation contributions.

The problem has been specifically identified in regard to Anaesthetist VMOs in NSW and has been raised by the Australian Society of Anaesthetists and the AMA with NSW Health. The AMA's work on the matter has identified a much wider problem which affects a number of medical specialties in other States. The Treasury plan to reform superannuation represents a good opportunity to fix the problem, especially since other parts of the Government's reform proposals increase the limits on deductible contributions for self-employed people under 50 years of age and preserve, as a transitional provision for five years, a \$100,000 limit for those aged 50 or more.

On the face of it, affected VMOs could solve the problem simply by reducing their VMO work for public hospitals or by dropping out of the public hospital system altogether. However, it would be extremely disappointing, and damaging to public hospital services which are already under serious strain, if VMOs found that that was the only way to protect

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their financial interests and retirement funding. As well as the provision of specialist medical services to public hospital patients, many VMOs are committed to the mentoring and training of junior doctors in their respective specialties. This is accepted as part of their role as senior practitioners and medical College fellows and is a vital part of specialist training, nearly all of which currently occurs in public hospitals.

The 10% rule is inequitable in relation to VMOs, and no doubt other people as well. Since there is to be a universal limit on deductible contributions, whether they are employer sponsored or by salary sacrifice or by self-employed persons, surely the 10% rule should disappear. Total deductible contributions, from any combination of sources, should simply be subject to the universal limits, including the transitional provisions for people aged 50 and over.

The AMA recommends accordingly.

Yours sincerely

Dr E Robyn Mason
Secretary General