

# Superannuation Schemes - Post Fringe Benefit Tax

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# FBT Provisions in Brief

- Leviable on Employer.
- Leviable on Fringe benefits provided or deemed to have been provided to employees @ 30% on value of fringe benefits.
- Fringe Benefits divided in two categories
  - Fringe Benefits *directly* provided to employees consisting of benefit, amenity, facility, free/concessional tickets & contribution to approved superannuation fund section 115WB(1).
  - *Deemed* fringe benefits to employees on certain *expenditure* incurred by employer as specified in section 115WB(2).



# Deemed Fringe Benefits Section 115WB(2)

## Nature of Fringe Benefit

## Value of fringe benefit

Free/concessional ticket to employees

Contribution to Superannuation Fund

Entertainment Expenditure

Provision of Hospitality of every kind to any person

Conference Expenditure

Sales promotion expenditure

Employees' Welfare expenditure

Conveyance, Tour & Travel (incl. Foreign Travel)

Hotel, Boarding, Lodging facilities

Motor Car expenses (including depreciation)

Telephone (including mobile phone)

Guest House expenses

Festival celebrations

Health club & similar facilities

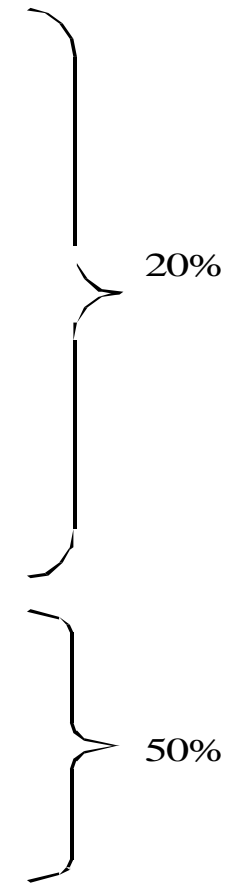
Any other Club facilities

Gifts

Scholarships

Actual cost less amount recovered

*100% actual contribution*



# Superannuation Schemes – Importance

- Superannuation represents long term benefits that contribute to the domestic savings of the country.
- Provides old age security in the absence of a efficient pension system for masses.
- Valuable tool for companies to attract and retain talent.



# What may happen

- Wage packages will be realigned
- Some benefits may be shifted to a lower value regime
- Some shift from base package to lower value FBT package may happen



# Superannuation Schemes – Why FBT?

- Why FBT on Superannuation?
- Then again why at 100% value alongside 'free concession tickets. when others enjoy 20% and 50% value?
- Is the problem significant?
- Will this solve the problem?
- What pitfalls it will get into?



# Superannuation Schemes – Post FBT ... From EET to TET

- Imposition of FBT on superannuation contributions imply a move to a TET regime of taxation from the earlier EET.
- This is not in keeping with Government policy of moving to EET regime for all saving instruments.



# Superannuation Schemes Vs NPS

- Giving conflicting signals –
  - trying to develop NPS on the one hand and
    - discouraging existing superannuation schemes
- Highest FBT rate on superannuation schemes will strike a death blow; corporate employees under group super will be out of it thus adding to those without any old age protection.

# Superannation Schemes Vs NPS

## A) Superannuation Schemes

- AUM for super schemes is – Rs.12000 crore (approx)
- Only 30% of corporates have Group super; large need exists
- When opening up ins sector this was seen as a key area of development.
- Would supplement NPS well

## B) New Pensions System (NPS)

- PFRDA Bill yet to be passed.
- Will take a long time to develop & reach the masses.

# Superannuation Schemes Vs NPS

While introduction of NPS is welcome, why choke an existing and well-developed superannuation system helping employees at low cost, track record and sound accountability?

Since opening up it has been growing fast.

Allow them to supplement each other.



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# Taxation of Superannuation Schemes in Other Countries

## A) Australia(TTT)

- Contribution to Superannuation schemes is mandatory – 9% under Superannuation Guarantee Act 1992.
- 15% Tax (Superannuation Concessional Rate) on employer and taxable contribution by employee.
- Tax on withdrawal is determined by reference to age of member, type of benefit & Reasonable Benefit Limit



# Taxation of Superannuation Schemes in Other Countries

## B) New Zealand(TEE)

- Progressive Specified Superannuation Contribution Withholding Tax (SSCWT) varies with income of employee

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15% if employee income less than \$9500

21% if employee income is between \$9500 & \$ 38,000

33% if employee income is above \$38,000



# Taxation of Superannuation Schemes in Other OECD Countries

Austria	EET
Belgium	EET
Canada	EET
Denmark	ETT
Finland	EET
France	TET
Germany	EET
Ireland	EET
Japan	TET

Netherlands	EET
Norway	EET
Portugal	EET
Spain	EET
Sweden	EET
Switzerland	EET
UK	EET
United States	EET



# FBT on Superannuation - Council's Views

- Group Superannuation schemes retirement security to employed category
- Need to differentiate btw short term & long term benefits provided by employer. It is not a fringe benefit
- FBT on superannuation schemes is retrograde



# Superannuation Schemes – Post FBT Council - Recommendation

Contributions made by an employer to an approved superannuation scheme should be exempt from Fringe Benefit Tax up to a limit of 15 percent of the employees' current year salary only. The FBT may be applied to any portion of the employer's contribution that exceeds 15 percent of employees' salary.



# Thank You



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