

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON TAX AND REVENUE:

QUESTION FROM MS BUTLER TO MR CARLING ON 11 NOVEMBER 2015, TAKEN ON NOTICE

The question from Ms Butler asked me whether I agreed that there is a special application of the comprehensive income benchmark to superannuation, noting the unique nature of superannuation, as described on page 134 of the 2014 Tax Expenditures Statement.

Having reviewed the description of the superannuation benchmark on page 134, I believe that the authors are elaborating on how the comprehensive income benchmark is applied in the case of superannuation. Such elaboration is necessary because superannuation may be taxed at three stages, but even under a comprehensive income approach it would not be taxed fully at all three stages, which would give rise to double taxation. It is therefore necessary to specify which stages are assumed to be fully taxed in order to establish the benchmark, and accordingly the TES specifies the first two stages (contributions and earnings).

This specification does not mean that the benchmark is in any sense concessional, and in no way alters the fact that superannuation tax expenditures are measured against a Schanz-Haig-Simons comprehensive definition of income, as indeed the opening sentence of the passage on page 134 states.

Robert Carling

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