



Policy costing

Boosting women's superannuation	
Party:	Australian Labor Party
Summary of proposal: This proposal has two ongoing components. <ul style="list-style-type: none">• Component 1 would pay superannuation guarantee contributions on Parental Leave Pay (PLP) payments and Dad and Partner Pay (DaPP) payments based on the currently legislated superannuation guarantee rate of 9.5 per cent and rising to 12 per cent in 2025-26 in line with the superannuation guarantee baseline.• Component 2 would reduce the superannuation guarantee earnings threshold in increments of \$100 per year, with the final increment being from \$50 to zero in the fifth year of the proposal. This proposal would have effect from 1 July 2020.	

Costing overview

This proposal would be expected to decrease the fiscal balance by \$681.7 million and decrease the underlying cash balance by \$655.7 million over the 2019-20 Budget forward estimates period. The impact on the fiscal balance reflects an increase in administered expenses of \$736.0 million and an increase in departmental expenses of \$25.7 million, partially offset by an increase in revenue of \$80 million over this period. A breakdown of the financial implications over this period is included at [Attachment A](#).

The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

The fiscal balance impact of the proposal differs from the underlying cash balance impact due to the timing lag between the payment of the low income superannuation tax offset into superannuation accounts and when it is accrued.

This costing is sensitive to changes in income and population growth, the number of people eligible for the superannuation guarantee and the low income superannuation tax offset, the future PLP and DaPP expenses claimed, and variations in earnings realised by superannuation funds. This proposal is particularly sensitive to changes in the annual distribution of earnings below the superannuation guarantee threshold and the current level of superannuation payments to employees who are earning below the threshold.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-	-178.5	-237.5	-265.7	-681.7
Underlying cash balance	-	-171.5	-227.5	-256.7	-655.7

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

Component 1: Superannuation guarantee contribution on PLP and DaPP

- Superannuation contributions and contributions tax would be made and collected at the same time as PLP and DaPP payments.
- The payment of superannuation in relation to PLP and DaPP payments would have no impact on the amount of PLP and DaPP claimed.

Component 2: Superannuation guarantee threshold reduction

- Earnings below the superannuation guarantee threshold are equal to earnings as stated on annual payment summaries provided to the Australian Taxation Office.
 - Actual data on monthly earnings subject to the threshold are not available.
- Earnings of affected individuals are constant over the period covered by payment summaries.
- Employers of around 40 per cent of affected low-income employees are already making superannuation guarantee payments to these employees (even though these are not compulsory).
 - This assumption was informed by an analysis of the employer superannuation contributions for individuals with a single job.
- Employers would bear the incidence of the additional superannuation guarantee payments.
 - There would be limited scope to reduce wages to offset higher superannuation payments as a significant proportion of the affected employees would be receiving minimum or award wages.
 - This would lead to a decrease in employer taxable income (via increased deductions), and therefore decrease company tax receipts.
 - Eighty per cent of affected employers have sufficient taxable income to use the increased tax deductions.
- Individuals would not reduce their personal or salary sacrificed contributions to superannuation as a result of this proposal.
- Any contributions tax paid by individuals who become eligible for the superannuation guarantee would be refunded through low income superannuation tax offset payments.
- Any additional compliance costs on employers and superannuation funds as a result of the proposal are not included.

Methodology

For Component 1, the financial implications of providing superannuation contributions on PLP and DaPP payments were estimated by applying the superannuation guarantee contributions rate to the estimated PLP and DaPP expenditure.

- Tax on superannuation contributions was estimated by applying the contributions tax rate to the estimated amount of additional superannuation contributions. Superannuation earnings tax was calculated based on the aggregate earnings rate for superannuation funds.
- Departmental expenses have been estimated by scaling programs with similar complexity.

For Component 2, the financial implications were estimated by calculating the expected change in the amount of income tax paid by affected businesses as a result of higher deductions for superannuation payments (after accounting for the assumed proportion who would be unable to use the increased deductions). This impact was partially offset by increased superannuation earnings tax.

- The total salary and wages affected by the extension of the superannuation guarantee were estimated using pay-as-you-go payment summary data.

Revenue and certain superannuation expense estimates have been rounded to the nearest \$10 million. Estimates of the low income superannuation tax offset have been rounded to the nearest \$1 million. Departmental expenses have been rounded to the nearest \$100,000.

Data sources

The Australian Taxation Office provided pay-as-you-go payment summaries for 2015-16.

The Treasury provided population projections and economic parameters as at the 2019 Pre-election Economic and Fiscal Outlook.

Department of Social Services, 2019. *Portfolio Budget Statements 2019-20 Social Services Portfolio*, Canberra: Department of Social Services.

Attachment A – Boosting women’s superannuation – financial implications

Table A1: Boosting women’s superannuation – Fiscal balance (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue					
<i>Superannuation tax (PLP and DaPP)</i>	-	30.0	40.0	40.0	110.0
<i>Superannuation tax (superannuation guarantee threshold)</i>	-	10.0	20.0	20.0	50.0
<i>Company tax</i>	-	-10.0	-30.0	-40.0	-80.0
Total – revenue	-	30.0	30.0	20.0	80.0
Expenses					
<i>Administered</i>					
<i>PLP superannuation contributions</i>	-	-180.0	-230.0	-250.0	-660.0
<i>DaPP superannuation contributions</i>	-	-10.0	-10.0	-10.0	-30.0
<i>Low income superannuation tax offset</i>	-	-7.0	-16.0	-23.0	-46.0
Total – administered	-	-197.0	-256.0	-283.0	-736.0
<i>Departmental</i>					
<i>Departmental – Department of Human Services</i>	-	-8.8	-8.8	-	-17.6
<i>Departmental – Australian Taxation Office</i>	-	-2.7	-2.7	-2.7	-8.1
Total – departmental	-	-11.5	-11.5	-2.7	-25.7
Total – expenses	-	-208.5	-267.5	-285.7	-761.7
Total	-	-178.5	-237.5	-265.7	-681.7

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.

Table A2: Boosting women's superannuation – Underlying cash balance (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Receipts					
<i>Superannuation tax (PLP and DaPP)</i>	-	30.0	40.0	40.0	110.0
<i>Superannuation tax (superannuation guarantee threshold)</i>	-	10.0	20.0	20.0	50.0
<i>Company tax</i>	-	-10.0	-30.0	-40.0	-80.0
Total – receipts	-	30.0	30.0	20.0	80.0
Payments					
<i>Administered</i>					
<i>PLP superannuation contributions</i>	-	-180.0	-230.0	-250.0	-660.0
<i>DaPP superannuation contributions</i>	-	-10.0	-10.0	-10.0	-30.0
<i>Low income superannuation tax offset</i>	-	-	-6.0	-14.0	-20.0
Total – administered	-	-190.0	-246.0	-274.0	-710.0
<i>Departmental</i>					
<i>Departmental – Department of Human Services</i>	-	-8.8	-8.8	-	-17.6
<i>Departmental – Australian Taxation Office</i>	-	-2.7	-2.7	-2.7	-8.1
Total – departmental	-	-11.5	-11.5	-2.7	-25.7
Total – payments	-	-201.5	-257.5	-276.7	-735.7
Total	-	-171.5	-227.5	-256.7	-655.7

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.