

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

20-21 November 2013

Question: SBT 1065-1076

Topic: Low income Superannuation Contribution (LISC)

Written: 28 November 2013

Senator WONG asked:

1065. On the MRRT bills:
1066. What consultations have taken place with stakeholders in regards to the changes to the low income super contribution (LISC)?
1067. Has Treasury undertaken any analysis on the impact of the superannuation measures in this bill on aggregate savings and individual retirement outcomes? Has the Government requested such information? If the analysis has been undertaken why isn't it in the public domain?
1068. Has Treasury examined the long run impact of these changes on revenue (lost superannuation earnings taxes) and expenses (age pension outlays)?
1069. Can Treasury confirm over the medium to long term that there will be lower superannuation revenues and increased age pension outlays as a consequence of the superannuation measures in the Bill? All things being equal wouldn't they lead to deterioration in the budget position?
1070. Will low income earners obtain any tax concession on their SG contributions if the LISC is abolished?
1071. What income earners would most acutely feel the deferral of consumption through the Super Guarantee?
1072. If the LISC is abolished, what tax concessions would be available for low income earners as compared to high income earners who have the capacity to make additional contributions towards their superannuation accounts?
1073. What did the Henry Tax Review say about the structure of superannuation concessions prior to the introduction of the LISC? Would abolishing the LISC be contrary to the general thrust of Henry Review's recommendations?
1074. Has Treasury examined any alternative to replace the LISC?
1075. Are there interactions between the LISC and the Government's proposed Parental Leave Scheme? Isn't it the case that for many the removal of the LISC will significantly erode the superannuation benefits from the Government's proposed Parental Leave Scheme? If that is the case in how can the PPL improve superannuation adequacy for women compared to the status quo?
1076. What will happen to the LISC paid to low income earners for the current financial year if this legislation doesn't pass this financial year? If the legislation does not pass until after 1 July next year, will the LISC for the 2013-14 financial year be held onto by the ATO? How would that work administratively? If some of these LISCs are paid after 1 July for this financial year,

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and the legislation then passes, will the Commonwealth look to make deductions from people's accounts or issue a tax liability to low income earners to recoup the LISC?

Answer:

1065-1076:

The repeal of the low income superannuation contribution (LISC) is part of the Minerals Resource Rent Tax Repeal and Other Measures Bill 2013 (MRRT Bill) which was introduced into Parliament on 13 November 2013. Consultation on an exposure draft of the MRRT Bill occurred on the 24 October 2013 and closed on the 31 October 2013. Treasury received 46 submissions on the MRRT Bill, 12 of which made submissions on the LISC. These submissions are available on the Treasury website.

The proposed paid parental leave (PPL) scheme has different objectives to the LISC. The intent of the PPL policy is to provide support to working mothers who have children. The current PPL scheme introduced by the former Government does not provide superannuation to women who take time off to care for their child. By contrast, the current Government's PPL policy will boost the superannuation balances of all women who receive this payment as superannuation will be paid as part of the PPL scheme.

The Government has made a clear commitment to repeal the LISC on eligible contributions from 2013-14 and remains committed to this objective.