

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 20-21 February 2008

Question: aet 19

Topic: First Home Saver Accounts – Government Contribution for Low Income Earners

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Senator PAYNE asked:

Senator PAYNE—When you look at the table that accompanies the Treasurer's statement it indicates those on, for example, an income which is receiving a 15 per cent tax rate are getting a co-contribution of 15 per cent, but if you go up to an income of \$180,000 you are getting a co-contribution of 30 per cent. Given the nature of the account, what is the justification for families on \$180,000 getting a contribution of 30 per cent when low-income earners are getting 15 per cent. What is the basis of that policy decision?

Mr Lonsdale—That is a policy issue.

Senator PAYNE—Minister, could you help me with that?

Senator Conroy—I would happily take that on notice and seek the views of the Treasurer for you.

Senator PAYNE—It is interesting that it is a First Home Saver Account to help families, as the Treasurer's statement says, yet if you are earning \$180,000 your co-contribution that you receive is 30 per cent, but if you are earning \$80,000 your co-contribution is 15 per cent. There seems a bit of a disparity there.

Mr Lonsdale—I think I can help in that area.

Senator PAYNE—I look forward to the minister's answer on notice as well.

Mr Lonsdale—The initial policy that was announced as part of the election campaign indicated that people could salary sacrifice contributions in. In the event that people on a 15 per cent or lower marginal tax rate contributed in, their tax benefit would be a lot lower than it is under the announced policy now. Part of the government's initiative under the consultation paper is to provide a contribution which would be greater than if those people salary sacrificed in for low and middle-income earners.

Senator PAYNE—I appreciate that enormously for low-income earners. But the point I was trying to make—and I am sure the minister will be able to assist me with this—is that those income earners on \$180,000 are receiving double the co-contribution of those on lower incomes.....

Answer:

The First Home Saver Account discussion paper released on 8 February 2008 noted that the Government contributions schedule will be based on an individual's marginal income tax rate less 15 per cent contributions tax, which will deliver similar benefits to salary sacrifice. Individuals on low incomes will receive a minimum 15 per cent Government contribution to provide them with enhanced incentives to save.