

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 2012

15 – 17 February 2012

Question: AET 1268

Topic: Impact of the increase in the Superannuation Guarantee and the effective refund of the contributions tax

Hansard Page: 78

Senator Sherry asked:

I am not going to tax you too much. I am going to turn to the ATO soon on my favourite subject—lost superannuation. Could you give me a couple of examples?

Mr Gallagher: Yes. When the package was released, two standard cameos were used. One was of a person who is 30 years old now on average full-time earnings who, by the time they retired at age pension age, would get a benefit of \$108,000 real from the increase in the superannuation guarantee. The other cameo that was used at the time was for a woman with a broken work pattern, who turned 30 in 2010. Because she is having children, she does not go back to work until she is 36 in 2016. She works part time between age 36 and 44, full time from 44 to 59 and part time from 60 to 66. In that case, the real benefit was a benefit of \$78,000. In the *Treasurer's economic note* No. 45 of 27 November last year, a number of other cameos were released. There was a 22-year-old hairdresser who would get a real benefit of \$99,500. There was a 25-year-old receptionist who, on a receptionist's salary, would be seeing a benefit of \$94,500. A 35-year-old plumber would be getting a benefit of \$75,000 by the time they retired. So there are a range of cameos in that publication as well.

Senator Sherry: Knowing your thorough approach, I assume you have included, where it was relevant, the low-income refund of the contributions tax.

Mr Gallagher: Yes. The low-income super contribution is included, so that refund stacks up to effectively \$500.

Senator Sherry: Could you just take on notice—I wouldn't expect you to have it here and now—those cameos that you have produced? Disaggregate what the impact of the increase in the SG is and the effective refund of the contributions tax. I am just interested to see what the impact of either of those measures is.

Mr Gallagher: Yes.

Answer:

The Low Income Superannuation Contribution (LISC) applies from 1 July 2012. It is designed to pay an amount equivalent to the tax paid on superannuation concessional contributions up to a maximum of \$500 per annum. To be eligible for this contribution, an individual's adjusted taxable income must not exceed \$37,000 per annum (not indexed).

The table below lists the starting salaries of the quoted cameos, including those used in the Treasurer's Economic Note No.45 of 27 November 2011. Only one cameo has salary below the \$37,000 cut-off threshold for the LISC. Therefore, the results of the other cameos are not affected by the LISC and the benefit increases are solely due to the superannuation guarantee (SG) rate increase.

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 2012

15 – 17 February 2012

Quoted Cameos	Starting Year	Age	Starting Salary	Receive LISC?	Increase in Super
Broken Work Pattern	2016	36	\$41,821.00	No	\$78,000
Full-Time Average Wage Earner	2010	30	\$66,672.00	No	\$108,000
Plumbers	2010	35	\$60,215.00	No	\$75,000
Construction Worker	2010	40	\$79,643.00	No	\$70,000
Receptionists	2010	25	\$42,184.00	No	\$94,500
Hairdressers	2010	22	\$37,882.00	No	\$99,500
Shop Assistant	2010	18	\$30,000.00	Yes	\$113,500

*All results are discounted to 2011-12 dollars.

The details of the shop assistant cameo, including the disaggregation of the effects of the increase in the SG and the LISC, are provided in the next table. The combined effect of the SG increase and the LISC is an increase in super benefits of \$113,500, out of which \$106,000 is contributed by the increase in the SG and the other \$7,500 is due to the LISC.

Cameo	Starting Age (Year)	Retirement Age (Year)	Final Accumulated Benefit		
			12% SG & LISC	12% SG	9% SG
Shop Assistant	18 (2010)	67 (2059)	\$488,000	\$480,500	\$374,500

*All results are discounted to 2011-12 dollars.