Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 2012

15 – 17 February 2012

Question: AET 154 - 158

Topic: Tax Concessional Super Contributions

Hansard Page: Written

Senator BUSHBY asked:

154. What has been the impact of changes to limits for tax concessional super contributions under the salary sacrifice of working Australians year by year?

155. What is Treasury's projection when the next round of cuts come in on 1 July 2012?

156. What regimes in this regard are in place in USA, UK and Canada and what caps do these countries have on their retirement savings contributions?

157. How many ETP recipients will be impacted by the new tax regime?

158. What will be the impact on women under the new regime?

Answer:

154. The ATO has not undertaken an analysis of the impact of the changes in the concessional contributions caps on salary sacrificed superannuation contributions and there are limitations on the available data.

155. The response to Q154 will reflect the impact of the 2009-10 Budget measure to reduce the general concessional contributions cap to $25,000 per annum (indexed) from the 2009-10 financial year, and to reduce the transitional contributions cap to $50,000 per annum for the 2009-10, 2010-11 and 2011-12 financial years (after which affected persons will revert to the general cap).

Estimates of the number of people aged 50 and above who would revert from the transitional cap to the general cap in 2012-13 are unpublished.

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156. The retirement income system of the countries listed below is different to the Australian system, for example there is different emphasis on the taxation of contributions and benefits hence they are generally not directly comparable. The following information is sourced from the OECD publication 'Pensions at a Glance 2011: Retirement-Income Systems in OECD and G20 Countries', a survey from the websites of tax offices of the respective countries, and internal briefings. The table is as up to date as the materials the information is sourced from. All below information should be checked for any changes before being used as reference.

Country	System	Contribution limits / Tax	Benefit limits / Tax
Australia	• Means-tested age pension. • Compulsory, privately run superannuation system. • Voluntary savings encouraged by tax incentives, both inside and outside the superannuation system.	Limits: The limit for pre-tax contributions is $25,000 per year indexed. The limit for people aged 50 or over with total superannuation balances under $500,000 will be $25,000 above the general limit from 1 July 2014. The limit for post-tax contributions is $150,000 per year indexed (individuals aged under 65 may bring forward two years' worth of contributions). Tax: Pre-tax contributions and earnings are taxed at 15%.	Limits: Unlimited withdrawals after preservation age. Tax: Benefits withdrawn before age 60 are taxed. Benefits withdrawn after age 60 (from a taxed source) are tax-free.
Canada	• Universal flat-rate benefit called old age security (OAS) that depends on length of residence. • Topped up with an income-tested benefit called guaranteed income supplement (GIS) that depends on the level of income. • Earning-related public schemes are provided by the Canada Pension Plan (CPP) and the Quebec Pension Plan (QPP). Benefits depend on contributions over	Limits: Maximum Registered Retirement Savings Plan (RRSP) deduction limit for 2012 is $CAN 22,970. Tax: Contributions are deductible up to the limits set out above. Earnings accrue tax free.	Limits: The maximum benefit amount is capped for OAS, GIS, CPP and QPP. There are unlimited withdrawals for RRSP savings. Tax: Benefits are fully taxable as income.

	individuals' working life. • Private saving through the Registered Retirement Savings Plan (RRSP).		
US	• Publicly provided pension benefit, known as social security, which has a progressive benefit formula. • A means-tested top-up payment available for low income pensioners. • Supplemented by voluntary private pensions, which may be occupational or personal.	Limits: Different retirement savings plans have different limits. However, in a 401(k) plan (employer sponsored, defined contribution plan), employee and employer contributions and earnings are limited to the lesser of 100% of salary or $US 49,000 in 2010. The amount employees can contribute pre-tax is limited to $US 16,500 in 2012. (Over 50s can make catch up contributions of $US 5,500). In an individual retirement account (IRA) (private savings), the limits are the lesser of $US 5,000 ($US 6,000 if you are aged 50 or older), or an individual's taxable income for the year. Tax: Contributions are deductible up to the limits set out above. Earnings accrue tax free.	Limits: No limits. Tax: Benefits from employer retirement plans are fully taxable or partially taxable dependent on whether made with pre-tax or post-tax money. Additional tax may apply if benefits taken before 59.5 years of age. Social security benefits are untaxed unless individual receives other income above a prescribed level.
UK	• State Pension and private pensions including occupational pensions and personal pensions. • From 2012, for the first time, a contribution of 8% must be paid (on a band of earnings). All qualifying employers will be required to contribute a minimum of 3% to an employee's workplace pension scheme. This will supplement the 4%	Limits: A maximum "annual allowance" applies to all contributions made by an individual or on their behalf (including by an employer). It is £50,000 in 2011-12. There is an overall "lifetime allowance" on the total amount of money that can be saved in the retirement income system. This is set at £1.8 million for 2011-12, reducing to £1.5 million for 2012-13. Tax: A tax deduction applies to all contributions. It is capped at the greater of 100% of a person's UK earnings	Limits: Up to 25% of a benefit can be taken as a tax-free lump sum. Tax: Marginal tax rates apply to the income received from an annuity.

	contribution from the employee and around 1% from the Government in the form of tax relief. • An income-related benefit (pension credit) targets extra spending on the poorest pensioners.	or £3,600 (for non-taxpayers).	

157. The number of ETP recipients who will be impacted by the new regime is unquantifiable. Treasury have not projected the retirement benefit choices (i.e. choosing a lump sum or ETP benefit, an allocated pension, or a mix of the two) of those impacted by the changes to limits for concessional superannuation contributions.

158. Individuals aged 50 or over who have total superannuation balances of less than $500,000 will be entitled to a concessional contributions cap which is $25,000 above the general concessional contributions cap from 1 July 2014.

This will provide women with the opportunity to ‘catch up’ on their superannuation contributions, including those who have had periods outside of the workforce or who work part-time.