**Senate Standing Committee on Economics**

ANSWERS TO QUESTIONS ON NOTICE

**Treasury Portfolio**

Budget Estimates, 2 June – 4 June 2009

**Question: bet 20**

**Topic: ‘Parliamentarians’ Superannuation Schemes**

**Hansard Page: Written**

**Senator Xenophon asked:**

1. During the preparation of the 2009-2010 Federal Budget, was a direction given to Treasury that the parliamentarians’ superannuation scheme for parliamentarians elected prior to the 2004 Election was "out of scope" and in effect there was to be "no change” as part of the broad changes to superannuation arrangements?
2. What directions, if any, were given in relation to parliamentarians’ superannuation schemes, both for members elected before the 2004 Election and subsequently?
3. If so, at what time in the drafting process was a “grandfathering” clause inserted to preclude the old parliamentarians’ superannuation scheme form the broader changes?
4. What would the additional revenue to the taxpayer be if both parliamentarians’ superannuation scheme were to be included?

**Answer:**

1. No.
2. No directions were given.
3. Parliamentarians elected before 9 October 2004 are members of the Parliamentary Contributory Superannuation Scheme (PCSS). In this scheme there are no regular contributions made into a fund each year; rather, benefits are funded when paid. As there are no regular contributions made into the scheme, the annual ‘concessional contributions caps’ cannot be practically applied and thus do not apply to the scheme. This will continue to be the case. Reflecting the nature of how the scheme is funded, benefits paid from the scheme are instead subject to taxation when paid (which contrasts with the common private sector accumulation scheme where contributions are subject to taxation and caps annually, but benefits are paid tax free from age 60).

Members of this scheme are not able to make salary sacrifice contributions in any event (into any fund) and thus have not been able to gain tax advantages from salary sacrifice contributions. This will continue to be the case.

4. As noted in the response to question 3, the scheme design of the PCSS means it is subject to separate arrangements whereby benefits rather than contributions

are taxed. Reflecting the nature of the funding of that scheme, it is thus not feasible to 'include' this scheme in the annual contribution cap regime.