Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 10

Topic: Increase in the Superannuation Guarantee

Hansard Page: E73-74 (01/06/2010)

Senator BUSHBY asked:

Senator BUSHBY—The Henry review claims that savings will be 20 per cent higher consistently were its recommendations applied. How much higher would national savings be in the long run if the superannuation guarantee is increased in the manner the government proposes?

Mr Gallagher—The national savings effects, which are reported in the budget papers, are 0.7 of one per cent of GDP for private saving and 0.4 per cent of GDP for public saving. The reason that the public saving is lower is a number of the measures in the package, particularly the contribution caps measure, have a cost to public revenue and lead to public dissaving, which is accounted for in the national savings analysis.

Senator BUSHBY—That is the percentage of GDP, but the Henry review actually talks about a 20 per cent increase in savings.

Senator Sherry—But the independent tax review's recommendations on superannuation are not the same in some areas as the ultimate policy announcement of the government.

Senator BUSHBY—Absolutely, which is why I am asking the question. The recommendation of the independent review was that it would result in a 20 per cent increase in savings. I am interested in doing a direct comparison with what the government chose.

Mr Gallagher—In the tax review report, there is a presentation of the national savings analysis which compares a superannuation guarantee increase with the panel's recommendation for superannuation to be taxed in personal tax at marginal rates and a flat 20 per cent concession. That analysis will talk about the increase in national savings. On page 115, chart A2-10 it does a comparison. The reason that the AFTS proposal was more significant is that involved a considerable increase in concessions for low-income workers because of the flat 20 per cent concession that would be given to everyone. In part, the increased tax revenue from high-income earners was moved into the superannuation accounts of low-income workers by virtue of the fact that contributions tax was abolished. In the government's current proposals, contributions tax is not abolished and so you do not get the same effect.

Senator BUSHBY—Can you draw a comparison at all?

Mr Gallagher—I think the closest comparison we have is that chart on page 115 of the Henry report.

Senator BUSHBY—Which part?

Mr Gallagher—That is part 2, detailed analysis. The difference here is it is only an increase in the SG to 12 per cent. It does not include the government's superannuation contributions rebate for low-income earners. That rebate is worth 15 per cent. So it is not a direct comparison of the two things. We could do it.

Senator BUSHBY—I am interested. If you can do it and it is not an overly onerous task.

Mr Gallagher—I will take that on notice.

Answer:

Any comparison would require a range of further policy settings to be specified, including phase in periods and whether elements such as the AFTS changes in superannuation earnings and the Government's low income earner contribution would be included. Such decisions would affect the results and would need to be specified for any analysis to be undertaken.