

# Senate Standing Committee on Economics

## ANSWERS TO QUESTIONS ON NOTICE

### Treasury Portfolio

#### Budget Estimates

1 June – 3 June 2010

#### Question: BET 11

**Topic:** Australia's Future Tax System -  
Taxation of Superannuation Contributions & Earnings  
**Hansard Page: E74 (01/06/2010)**

#### Senator BUSHBY asked:

**Senator BUSHBY**—The Henry review's recommendations Nos 18 and 19 relate to the taxation of superannuation contributions and earnings. These measures would presumably have revenue and cost implications for the government budget if they were implemented. What is the separate cost or revenue of implementing each of these recommendations over the forward estimates? Has that been looked at?

**Mr Gallagher**—There are costings of the Henry recommendations. I do not have those with me because I thought we would be discussing the budget estimates. I will take that on notice.

**Senator Sherry**—I think it is reasonable expectation, on past performance of this committee going back many, many years, as you know, Mr Gallagher, that there are all manner of questions on research, outcomes and costings.

**Senator BUSHBY**—I imagine the minister has probably been guilty of a few of those himself.

**Senator Sherry**—I plead guilty.

**Senator BUSHBY**—If you could take that on notice it would be much appreciated. In doing so, would you also take on notice how much these two measures, if they were implemented, would increase national savings.

Mr Gallagher—Yes.

#### Answer:

- The income year impacts of adopting the Australia's Future Tax System final recommendations 18 and 19 (page 100 and 106 of the final report, respectively), from 1 July 2011 (an assumption only), were considered — please refer to Table 1 for further information.
- The impacts on national savings and superannuation assets of adopting recommendations 18 and 19, from 1 July 2010 (an assumption only), were also considered and published – please refer to Chart 1 and 2 for further information. Tables 2 and 3 provide the plotting points for Chart 1 and 2, respectively.

**Table 1: Income Year Estimates of Recommendations 18 and 19<sup>1</sup>**

	2009-10	2010-11	2011-12	2012-13	2013-14	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Recommendation 18	-	-	-755.0	-2,135.0	-2,035.0	-4,925.0
Recommendation 19	-	-	-4,000.0	-4,400.0	-4,700.0	-13,100.0
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-4,755.0</b>	<b>-6,535.0</b>	<b>-6,735.0</b>	<b>-18,025.0</b>

<sup>1</sup> The income year estimates are generally not the impact on the underlying cash balance or the impact on the fiscal balance. Differences would be due to the timing of collections and payments.

**Source:** Unpublished Treasury estimates and projections.

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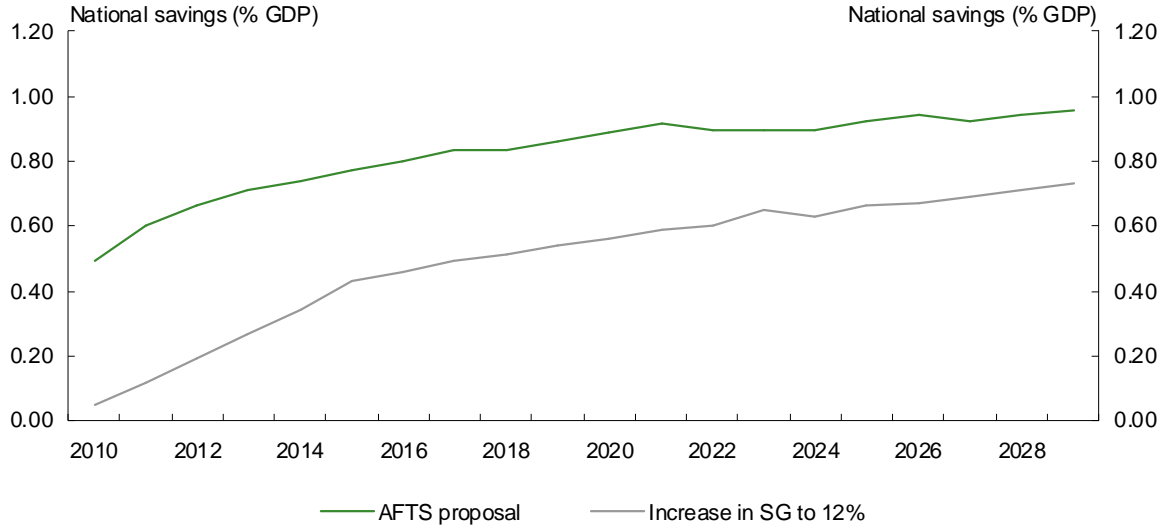
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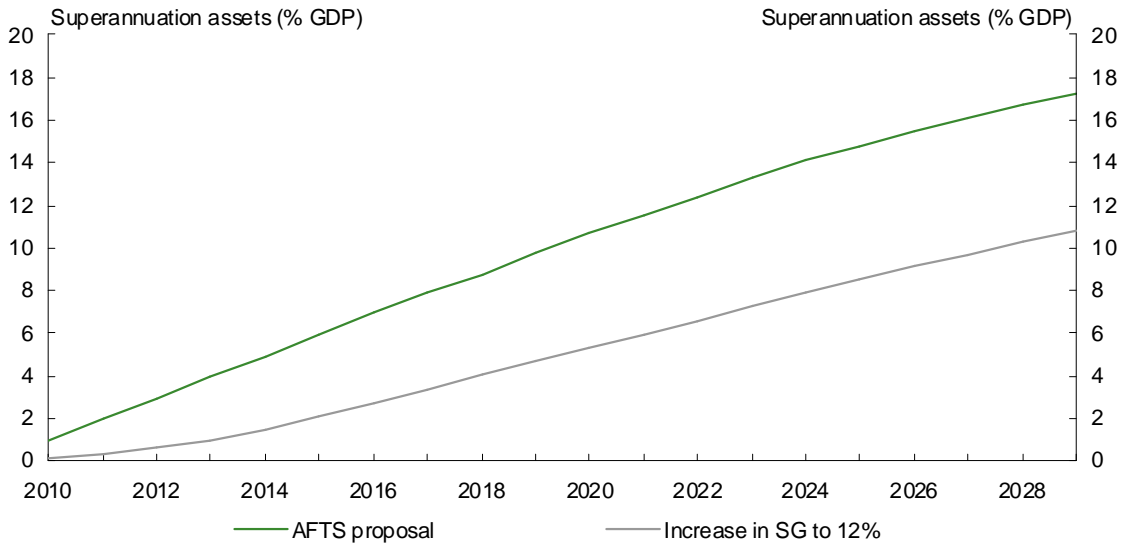
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Chart 1: Projected increase in national saving



Source: Australia's Future Tax System — Report to the Treasurer, December 2009, Part Two, Detailed Analysis (Volume 1 of 2), page 115.

Chart 2: Projected increase in superannuation assets



Source: Australia's Future Tax System — Report to the Treasurer, December 2009, Part Two, Detailed Analysis (Volume 1 of 2), page 114.

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**Table 2: Projected increase in national saving (data from Chart 1)**

	<b>AFTS proposal</b>	<b>Increase in SG to 12%</b>
2010	0.49	0.05
2011	0.61	0.12
2012	0.67	0.19
2013	0.71	0.27
2014	0.74	0.34
2015	0.77	0.43
2016	0.80	0.46
2017	0.83	0.49
2018	0.83	0.51
2019	0.86	0.54
2020	0.89	0.56
2021	0.92	0.59
2022	0.89	0.60
2023	0.90	0.65
2024	0.89	0.63
2025	0.92	0.66
2026	0.94	0.67
2027	0.92	0.69
2028	0.95	0.71
2029	0.96	0.73

**Source:** Treasury estimates and projections.

**Table 3: Projected increase in superannuation assets (data from Chart 2)**

	<b>AFTS proposal</b>	<b>Increase in SG to 12%</b>
<b>2010</b>	0.92	0.10
<b>2011</b>	1.95	0.29
<b>2012</b>	2.92	0.59
<b>2013</b>	3.92	1.00
<b>2014</b>	4.93	1.46
<b>2015</b>	5.94	2.09
<b>2016</b>	6.92	2.73
<b>2017</b>	7.86	3.37
<b>2018</b>	8.77	4.02
<b>2019</b>	9.82	4.67
<b>2020</b>	10.67	5.32
<b>2021</b>	11.53	5.95
<b>2022</b>	12.32	6.60
<b>2023</b>	13.35	7.27
<b>2024</b>	14.08	7.86
<b>2025</b>	14.78	8.49
<b>2026</b>	15.46	9.10
<b>2027</b>	16.12	9.71
<b>2028</b>	16.69	10.27
<b>2029</b>	17.25	10.80

**Source:** Treasury estimates and projections.