

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates

1 June – 3 June 2010

**Question: BET 68**

**Topic: Superannuation Concessional Contributions Caps**

**Hansard Page: E80 (01/06/2010)**

**Senator BUSHBY asked:**

**Senator BUSHBY**—I thought I would ask the ATO some questions about superannuation. Since coming to office the Rudd government has lowered the concessional contribution caps and now in the latest budget it proposes to increase them again. To date, how many Australians have been caught out and pushed into a higher tax bracket by the government measure in the 2009-10 budget to cut the cap to \$50,000 for those over 50 and \$25,000 for those under 50?

**Mr Olesen**—We have not raised any assessments in respect of the new caps yet. It is too early for us to have the information in relation to that period. For us to detect whether an individual has contributed more than the caps that they are allowed to, we need to get reporting from funds of the contributions that are made. They come in in October, after the close of the year. So, as you can see, it is too early for us to have identified for that period. We are currently focusing on the transitional year, which was 2007, and the first ongoing year of the caps, which was 2007-08. We are in the process of raising assessments primarily for the 2007-08 year at the moment.

**Senator BUSHBY**—So you are yet to be able to see how the reduction in the caps goes. But if what the government is trying to do gets passed, they will be increased again and there may well be a group of people who are subject to the lower cap for one year and fall foul of that. There may be people who may well be breaking the law who 12 months later would not be if they undertake the same activity.

**Mr Olesen**—Treasury may wish to respond, but the measure that was recently announced was in relation to maintaining the transitional cap for over 50s at \$50,000. So that transitional reduction, that \$50,000 cap that is available for people over 50 for concessional contributions, will continue after 1 July 2012. So there will not be a reduction for one year.

**Senator BUSHBY**—Do you have any current estimates of how much additional revenue will be raised, or do you have further information from when the measure was first announced as to how much additional revenue will be raised in this and coming financial years from the change that has been implemented?

**Mr Olesen**—In relation to the most recent reductions in the cap?

**Senator BUSHBY**—Yes.

**Mr Olesen**—No, because, as I said before, we do not have the information.

**Senator BUSHBY**—You do not have any additional information that points to that?

**Mr Olesen**—It is too early for us to have that yet.

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**Senator BUSHBY**—If you or Treasury could confirm what the predictions are for that year currently then I would appreciate that.

**Mr Gallagher**—Which year was that?

**Senator BUSHBY**—This current financial year and then next year as well.

#### Answer:

- As noted by the ATO, at this stage, no excess contributions tax assessments for 2009-10 have been raised, as fund reporting will not be received until October 2010 and later for most funds.
- The current estimates of the cost of the policy announced in the 2009-10 Budget to reduce the concessional contributions caps is shown in Table 1.

Factors which Treasury consider affect the reliability and the scale of the estimate:

- The number of contributors pre- and post-Better Super (the most significant factor);
- The level and growth in concessional superannuation contributions (pre- and post-GFC);
- Growth in average weekly ordinary time earnings (as the cap is indexed by this series); and
- Judgements regarding the timing of cash impacts.

**Table 1: Net revenue impact in 2009-10 and 2010-11 for the 2009-10 Budget measure, ‘Superannuation – contributing to sustainable retirement income reform by reducing the concessional contributions caps’<sup>^</sup>**

	2009-10	2010-11
	\$m	\$m
<b>Net Revenue Impact<sup>1</sup></b>	811.0	1,284.0

<sup>^</sup> Does not include departmental impacts.

<sup>1</sup> Impact includes the costing of the original 2009-10 Budget measure and its recosting.

**Source:** Current estimates.