Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 358

Topic: Superannuation

Hansard Page: Written

Senator EGGLESTON asked:

1. What was the justification for backflipping on the cut to the concessional cap? How many people were caught out in a higher tax bracket?
2. What is the impact on revenue for ignoring the Henry Tax review's recommendation on superannuation? Can you release the modelling for all the recommendations relating to superannuation? If not, why not?
3. What is the current level of unfunded superannuation across Government?

Answer:

1. The total value of taxation concessions for superannuation savings is estimated to be in the order of $24.4 billion in 2010-11. Given the generosity of these concessions, it is important that they are appropriately targeted.

   On 2 May 2010, the Government announced, as part of its Tax Plan for the Future, that from 1 July 2012, the Government will allow individuals aged 50 and over with total superannuation balances of less than $500,000 to make up to $50,000 per year in concessional superannuation contributions. This doubles the cap of $25,000 which is scheduled to apply from 1 July 2012.

   This measure:

   - will improve the equity of the retirement income system by expanding contribution caps for those with modest superannuation savings and at the point in their lives when they are most able to save,
   - will enable individuals with lower superannuation savings, for example, women with broken work patterns, to made additional ‘catch-up’ contributions close to retirement,
   - is expected to benefit 275,000 people.

   The $500,000 threshold strikes a balance between responsible fiscal policy and maximising opportunities for those with the greatest need to build the adequacy of their retirement savings.

2. There is no impact on revenue from not proceeding with the superannuation recommendations contained in the Australia's Future Tax System — Report to the Treasurer, December 2009.

   Yes, the Treasury can release its modelling of the superannuation recommendations. Our response to Budget Estimates Question 401 includes an analysis in relation to Recommendations 18 and 19. Costings were not undertaken for Recommendations 20 to 24.

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 2012 (an assumption only), were considered — please refer to Table 1 for further information.

Table 1: Income Year Estimates of Recommendations 18 and 19[1]

	2009-10 $m	2010-11 $m	2011-12 $m	2012-13 $m	2013-14 $m	Total $m
Recommendation 18	-	-	-	-3,155.0	-3,350.0	-6,505.0
Recommendation 19	-	-	-	-4,400.0	-4,700.0	-9,100.0
Total	**-**	**-**	**-**	**-7,555.0**	**-8,050.0**	**-15,605.0**

[1] 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.

3. [Finance]