

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

21 – 22 October 2009

Question: sbt 45

Topic: Concessional Cap Limit

Hansard Page: E48 (22/10/09)

Senator BUSHBY asked:

Senator BUSHBY—Have any adverse consequences been detected from cutting the concessional cap limits, particularly in terms of public servants who receive higher levels of super than other professions or other people in similar categories?

Mr Thomas—In relation to the reduction in contribution caps that was announced in the budget, there have been a number of representations made to the government in relation to how that has impacted in particular circumstances. Examples that have been drawn to the government's attention relate to situations where, for example, an individual is a director of a number of public companies and consequently they receive superannuation guarantee contributions from a number of sources. The total of that remuneration or the SG relating to it brings them above the cap. That is an example of where it has impacted on particular circumstances. Another example that has been drawn to our attention is where somebody in that situation might have already contributed the maximum that is permitted under the non-concessional cap. The way the caps work is that if you exceed the concessional cap—and SG contributions count towards the concessional cap—that excess counts towards the non-concessional cap. The non-concessional cap was not reduced in the budget. It remained at \$450,000 over three years or \$150,000 per annum. There are exceptions to that where the individual is already 65 years or over. To take an example of somebody who is under 65 years of age, there may have been circumstances where, for example, somebody had already contributed \$450,000 in nonconcessional contributions, so they then had an excess of concessional contributions. That leftover goes into non-concessional and then puts them over the non-concessional limit. Those are the sorts of situations, but in that case of course somebody has already contributed \$500,000 to superannuation.

Senator BUSHBY—You started your comments by saying that there had been a number of representations made to Treasury. You used a couple of examples where you indicated there probably were some adverse consequences for some people or certainly consequences that were not necessarily anticipated.

Mr Thomas—The way the contribution caps work or are intended to work is that where the caps are exceeded then the consequences of the flow from that are meant to flow. More people would have been caught as a result of the caps being halved. If they were in that first situation that would have been the case in the absence of the caps being halved.

Senator BUSHBY—I am not quite sure that is the case. In terms of the representations that were made to you about consequences, the fact that you have quoted some examples suggests—and please correct me if I am wrong—that Treasury, to some extent, acknowledges that some, if not all, of those representations are raising issues that may well flow into the intended outcomes; nonetheless, they are not inconsistent with your

Mr Thomas—Yes, certainly. That is the consequence of what has happened.

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Senator BUSHBY—This question is probably more to the minister. Has the government looked at any of those issues raised through those representations with a view to adjusting any of the policy settings to avert some of those consequences for the people involved?

Senator Sherry—Again, that would go to advice to the minister. I am not aware.

Senator BUSHBY—I was asking the government's position.

Senator Sherry—I am not aware. I will take it on notice for the minister.

Answer:

The Government has considered representations from a number of individuals and organisations in relation to the concessional contribution caps. The Government has not made any decisions to further change the cap arrangements or provide exemptions from the caps. The caps are designed to apply as a uniform community standard that limits an individual's access to the significant superannuation tax concessions.