

SUPERANNUATION BUDGET MEASURES BILL 2004

SUPERANNUATION LAWS AMENDMENT (2004 MEASURES NO 1) BILL

AND

SUPERANNUATION LAWS AMENDMENT (2004 MEASURES No 2) BILLS

Additional Comments by Labor Senators

Superannuation Budget Measures Bill 2004

Labor believes that the proposed reduction of the superannuation surcharge tax, which applies to high income earners with an annual income in the year commencing 1 July 2004 of more \$99,700, is an exclusive tax cut for less than 5% of the population.

Labor notes that there is no government proposal for a reduction in the contributions tax which would benefit low and middle income earners. Labor will not support this exclusive tax cut.

The extension of the low income earners co-contributions scheme is claimed to be of benefit to low and middle income earners. Labor asks how many genuine low income earners can find up to \$1000 after tax from their disposable income to allow them to contribute to this scheme.

Unfortunately Treasury could not provide any details on either the additional take-up rate or the likely income background of those who will participate, in the scheme. Labor believes that there may be a significant number of higher income earning spouses making contributions for their low to middle income partners and children.

The measure is poorly targeted and unfair particularly given the majority of low and middle income earners do not have the discretionary income to significantly contribute.

Superannuation Laws Amendments (2004 Measures No 1) Bill 2004

This Bill extends the low-income earners co-contribution scheme by removing the current test for participation in the scheme, that an employee must earn more than \$450 per month, and replaces it with a test that requires only 10% of income to be earned as an employee. The test effectively extends the ability to participate in the contribution scheme to those earning less than \$450 per month.

Treasury were unable to provide any estimates of likely take-up rates or predictions of the likely income background of the individuals who are most likely to make contributions when the new test is operative.

The obvious question that Labor asks is how many low income earners earning less than \$450 a months can afford to contribute up to \$1000 from after tax income to superannuation.

It is highly likely that the new test will allow high income earners to make contributions on behalf of their spouses and children who do a minimal amount of work in order to qualify for this scheme.

As Labor has repeatedly pointed out, this measure is poorly targeted and unfair given the majority of low and middle income earners do not have the discretionary income available to participate in the scheme.

Superannuation Laws Amendment (2004 Measures No 2) Bill

The Superannuation guarantee notional earnings base is to be standardised by phasing out certain exemptions that have been in place since 1991. These exemptions have allowed some employers to effectively pay less than the compulsory 9% superannuation (SG) unfairly discriminating against those employees affected by these exemptions.

At the same time that the employees subject to these exemptions have been disadvantaged, their employers have in fact enjoyed a cost advantage compared to other employers who do not benefit from the exemption.

The Government proposal to phase out the exemption over six years with the exemption completely removed in 2010 is inadequate. The employees affected have already been disadvantaged for 13 years.

Labor believes the exemption should end on 1 July 2005 with provision for individual employees to argue an "incapacity to pay" case before the relevant Federal or State Industrial Commission.

SENATOR URSULA STEPHENS
Deputy Chair

