
Select Committee on Superannuation

Provisions of the Superannuation (Government
Co-contribution for Low Income Earners)
Bill 2002

Provisions of the Superannuation Legislation
Amendment Bill 2002

September 2002

Commonwealth of Australia

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Terms of Reference

On 21 August 2002 the provisions of the following bills were referred to the Select Committee on Superannuation for inquiry and report on 26 September 2002:

- Superannuation (Government Co-contribution for Low Income Earners) Bill 2000
- Superannuation Legislation Amendment Bill
- Superannuation Legislation Amendment (Choice of Superannuation Funds) Bill 2002

On 19 September 2002 the Committee sought and was granted an extension of time to present its report on the Choice of Superannuation Funds Bill to 16 October 2002.

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Chapter 1

Introduction

Referral of bills to the Committee

1.1 The Superannuation (Government Co-contribution for Low Income Earners) Bill 2002 and the Superannuation Legislation Amendment Bill 2002 are designed to establish the arrangements for the Government to pay superannuation co-contributions to low income earners, as well as to lower the surcharge rates over the next three years. Both bills were introduced into the House of Representatives on 27 June 2002.

1.2 The provisions of the two bills were referred to the Committee by the Selection of Bills Committee on 21 August 2002, for inquiry and report by 26 September 2002.

1.3 In referring the bills to the Committee, the Selection of Bills Committee identified that the Committee should examine the provisions in the bills as:

- ‘these bills involve a significant revenue expense;’ and
- ‘there has been some public criticism of the measures so it is important that the Senate has (the) opportunity to take evidence on the measures.’

Purpose of the bills

Superannuation (Government Co-Contribution for Low Income Earners) Bill 2002

1.4 In the Explanatory Memorandum to the Bill, the Government indicated that the main purpose of the Superannuation (Government Co-Contribution for Low Income Earners) Bill 2002 [Government Co-contribution Bill] is to provide for contributions to be made by the Government towards the superannuation of low income earners. A maximum Government co-contribution of \$1,000 will be available for a \$1,000 contribution. The Bill outlines:

- how the Government will determine the persons in respect of whom a Government co-contribution is payable and the amount of the Government co-contribution;
- the method of payment of the Government co-contribution and where adjustments may be necessary for underpayments and overpayments;
- information gathering by the Commissioner and between superannuation providers and members; and
- powers of the Commissioner and other general administrative arrangements, including the review of decisions.

1.5 The Bill aims to enable the co-contribution regime to be effective for the financial year 2002-2003, and the measures it provides for will apply in relation to contributions made to complying superannuation funds and Retirement Savings Accounts (RSAs) on or after 1 July 2002.

1.6 The measures in the Bill were foreshadowed in the Government's policy statement *A Better Superannuation System* on 5 November 2001, and clarified in the Minister for Revenue and Assistant Treasurer's Press Release No.43 of 14 May 2002.

Superannuation Legislation Amendment Bill 2002

1.7 The main purpose of the Superannuation Legislation Amendment Bill 2002 [SLA Bill] is to implement consequential amendments to support the Government Co-contribution Bill, including provisions pertaining to the:

- eligibility for Government co-contributions;
- taxation treatment of Government co-contributions;
- Government co-contribution arrangements for certain Defence personnel and Commonwealth employees;
- review of certain decisions about Government co-contributions administration;
- use of the SHAR for Government co-contribution in some circumstances; and
- interest that may be levied on late repayments of Government co-contribution overpayments.

1.8 The SLA Bill also proposes to repeal taxation laws which currently provide a rebate for eligible personal superannuation contributions by eligible low income earners. Those on low incomes are currently entitled to a maximum rebate of \$100 (10 per cent of contributions up to \$1,000) for undeducted personal superannuation contributions.

1.9 In addition, the SLA Bill 2002 includes amendments to reduce the superannuation surcharge by one-tenth of their current level over the next 3 years. The Bill proposes that the maximum surcharge rates will be reduced to 13.5 per cent for 2002-2003, 12 per cent for 2003-2004, and 10.5 per cent for 2004-2005. As with the Government Co-contribution Bill, the measures are to take effect for the 2002-2003 financial year.

1.10 The proposal to reduce the surcharge was also foreshadowed in the Government's election policy statement, *A Better Superannuation System*, released on 5 November 2001. It was originally contained in the Taxation Laws Amendment (Superannuation) Bill (No 2) 2002, which the Committee considered in June 2002. During the Committee's inquiry, the Government announced its intention to re-locate the amendments reducing the surcharge into the Bills implementing the co-contribution; further that the Government Co-contribution Bill and the SLA Bill 'will

introduce the co-contribution measure and the reduction in the surcharge as a package'.¹

Conduct of the inquiry

1.11 The inquiry was advertised in *The Australian* on 28 August inviting interested persons to make submissions. Although it was conducted over a short period, the Committee received a number of submissions and other material in connection with the bills. In some cases, however, the short timeframe was criticised by interested parties as prohibiting the completion of full detailed submissions on these matters and personal submissions were made as individuals were not able to gain formal organisational clearance before lodging submissions. The submissions are listed at **Appendix 1**.

1.12 The Committee met in public to consider the bills on 2, 3, 11 and 19 September 2002. A list of those who gave evidence at the public hearings is at **Appendix 2**. A list of documents tabled at the hearings is at **Appendix 3**.

1.13 It should be noted that at the same time as the Committee considered these bills, it was also considering the Superannuation Legislation Amendment (Choice of Superannuation Funds) Bill 2002.

1.14 In addition, the Committee was also partway through a much more broad ranging inquiry into superannuation and standards of living.² The Committee's report from the broader inquiry is expected to be tabled on 14 November 2002.

1.15 The issues arising during the inquiry on the two bills are discussed in the next chapters of the report.

1 Letter dated 20 June 2002 from Senator the Hon Helen Coonan, Minister for Revenue and Assistant Treasurer.

2 The terms of reference for the Committee's inquiry into superannuation and standards of living were announced on 14 March 2002.

Chapter 2

Issues with Government Co-contributions

Purpose of the Government Co-contribution Bill

2.1 Persons earning less than \$31,000 can currently access a taxation rebate for eligible personal superannuation contributions. The taxation rebates are provided for in Subdivision AAC of Division 17 of Part III of the *Income Tax Assessment Act 1936*.

2.2 Under current arrangements the maximum rebate of \$100 is available for a \$1,000 contribution. The rebate is fully phased out when the taxpayer's assessable income is \$31,000 or more.

2.3 The Bill proposes to replace the existing low income earner superannuation contributions tax rebate¹ with a \$1,000 Government superannuation co-contribution for individuals on incomes of up to \$20,000, with a reduced co-contribution available for individuals with incomes up to \$32,500.

2.4 In any one year of income, the Government co-contribution will be the lesser of :

- \$1,000, reduced by 8 cents for each \$1 of the taxpayer's assessable income and reportable fringe benefits over \$20,000; and
- the total amount of undeducted contributions made by the member in the year of income.

2.5 Under the Bill, to qualify for the co-contribution, a person must have employer supported superannuation for the income year.

2.6 The estimated cost of the co-contribution is \$85 million in 2003-2004, \$90 million in 2004-2005 and \$95 million in 2005-2006. Administration costs are estimated by the Australian Taxation Office (ATO) as \$16.8 million in 2002-2003, \$4.5 million in 2003-2004, \$4.1 million in 2004-2005 and \$4.1 million in 2005-2006.

¹ Provisions to repeal the existing \$100 tax rebate for low income earners making voluntary personal superannuation contributions are included in the Superannuation Legislation Amendment Bill 2002, along with a number of other consequential measures. That Bill was also considered by the Committee as part of this inquiry-refer Chapter 3.

Summary of views

Support for the Bill

2.7 There was widespread support for the co-contribution initiative in submissions and evidence provided to the Committee,² although some concerns were expressed with regard to a number of issues, including the likely effectiveness of the co-contribution, its coverage and the proposed administration arrangements.

2.8 Overall, there was recognition of the need to introduce measures to increase the benefits of superannuation for low income earners and an acknowledgment that the measures proposed in the Bill would assist in boosting overall retirement savings.

2.9 For example, the Industry Funds Forum Inc (IFF) stated ‘measures to increase the benefits of superannuation for low income earners are essential.’³

2.10 The Association of Superannuation Funds of Australia Limited (ASFA) also welcomed the co-contribution initiative, advising the Committee that:

This initiative, we feel, has real merit as a means to improve the adequacy of retirement savings.⁴

2.11 Mercer Human Resource Consulting (Mercer) similarly welcomed the co-contribution initiative, indicating:

We are pleased that the Government has seen fit to encourage the use of superannuation. Therefore we offer general support for this legislation.⁵

2.12 In a submission by the West Tamar Council of Tasmania, the following comment was made:

I understand that the intention of the legislation is to provide a mechanism to support the Federal Government’s initiatives to encourage superannuation contributions and ultimately, greater financial self-sufficiency.⁶

2.13 The Australian Council of Social Service (ACOSS) too supported the principle of a co-contribution for low income earners.⁷

2 For example *Submission* No. 10 (CPA Australia), *Submission* No. 15 (Institute of Actuaries), *Submission* No. 18 (ASFA), *Submission* No. 21 (Mercer Human Resource Consulting Pty Ltd), *Submission* No. 23 (Taxpayers Australia Inc), *Submission* No. 30 (Industry Funds Forum Inc), *Submission* No. 35 (Australian Council of Social Service), and *Submission* No. 36 (Investment and Financial Services Association Ltd).

3 *Submission* No.30, p.4.

4 *Committee Hansard*, p.143.

5 *Submission* No.21, p.1.

6 *Submission* No. 6, p.1.

7 *Submission* No.35, p.2.

2.14 The proposed amount and matching rate for the co-contribution were also recognised as generous, especially in comparison to the existing \$100 rebate, which would be of significant benefit to those eligible to receive such a payment. Taxpayers Australia Inc stated:

People who satisfy the criteria will effectively double their undeducted contribution in the first year so this is certainly worth doing. Where else can you get a 100% return?⁸

2.15 The Australian Bankers' Association (ABA) indicated its strong support for the co-contribution scheme to the Committee during hearings and referred the Committee to comments made on the matter in its submission to the concurrent inquiry into superannuation and living standards. In that submission, the ABA recommended the adoption of the co-contribution as one of number of important steps to assist with boosting retirement savings in Australia.⁹

Issues raised with the Bill

Effectiveness and equity of co-contributions

2.16 Despite the overall support for the co-contributions concept, different views were expressed about the likely take-up rate and about whether the target group, or others, would make use of the proposed co-contributions scheme.

2.17 On the one hand, the Investment and Financial Services Association Ltd (IFSA) provided the Committee with results of research on the likely community response to this measure, which indicated a strong take-up rate for the co-contributions measure:

... there will be significant levels of take-up for the scheme. The research inter alia shows strong levels of support amongst the various levels of income and age structure.¹⁰

2.18 IFSA also argued the measure's popularity would exceed that expected, so the budgetary cost of the measure would be significantly higher than anticipated. The Explanatory Memorandum forecasts a cost of \$85 million in 2002-2003, and IFSA project it will be \$134 million, although no year is specified for this cost estimate.¹¹

2.19 In addition, the Chair is aware of anecdotal evidence that suggests the co-contribution will be well received, and that some individuals may be keen to make voluntary contributions in order to take advantage of the very generous matching arrangements available under the proposed co-contribution scheme, as eligible

8 *Submission* No.23, p.12.

9 *Submission* No. 51 into inquiry into superannuation and standards of living in retirement, p.18.

10 *Submission* No.36, p.1.

11 *Submission* No.36, p.1.

individuals can have their contributions matched dollar for dollar up until the relevant income thresholds are reached.¹²

2.20 The Committee also considers that a return to more positive and higher superannuation fund earnings rates will boost interest in and uptake of the co-contributions measure.

2.21 On the other hand, in some submissions, there was concern that the existing income threshold determining access to the co-contribution would have limited effect given many of those on low incomes would have limited capacity to make voluntary personal superannuation contributions and therefore gain access to the government co-contribution. For example, the Australian Council of Trade Unions (ACTU) submitted that:

32.2 per cent of jobholders whose total cash income is below \$20,000 have no superannuation; this falls to 7.1 per cent of those with income in the range of between \$20,000 to \$40,000.

This means that one in three of the key target group for the co-contribution would not be eligible because they do not receive any employer supported superannuation.

At the current time, only 8.6 per cent of jobholders whose total cash income is below \$20,000 make personal contributions, rising to 23.7 per cent of those where income is between \$20,000 to \$40,000.¹³

2.22 In addition, the ACTU argued that low income earners making personal contributions often do so because they are compulsorily required to do so, because they belong to a defined benefit fund, and would not do so on a voluntary basis.¹⁴

2.23 The ACTU indicated that for many of those on low incomes, there would be no ability to make any additional voluntary superannuation contributions or access the co-contribution payment. Further the ACTU argued that the benefit of the co-contribution may in fact go to those on higher incomes, and suggested that:

... the reality is that the bulk of contributors will be high income earners paying the contributions on behalf of their spouses and children who are employed.¹⁵

2.24 The IFF similarly raised concerns about the effectiveness of the measure and the capacity of individuals on low incomes to set aside non-required 'disposable' income for the purposes of making voluntary contributions and access the co-contribution. The IFF submitted that:

12 *Committee Hansard*, p. 277.

13 *Submission No.4*, p.2, referring to ABS *Superannuation Australia*, Cat 6360, April-June 2000.

14 *Submission No. 4*, ACTU, p.2.

15 *Submission No.4*, p.2.

Inevitably such income must be spent on current needs whilst future needs will be put to one side.¹⁶

2.25 The equity aspects of the measure were also queried by the IFF, which expressed concern that spouses of those on higher incomes would instead take advantage of the co-contribution scheme.¹⁷

2.26 ACOSS was similarly concerned that tying the co-contribution to voluntary contributions would not benefit large numbers of low income earners, because of the incapacity of such persons to make voluntary contributions. The Council argued:

It is likely that the majority of the beneficiaries of this measure would be the partners of middle and high-income earners. This raises equity concerns about the targeting of the measure.¹⁸

2.27 The organisation of Certified Practising Accountants (CPA) expressed general support for the co-contribution but indicated that:

... the income ceiling of \$32,500 is considered too low to be effective ... we would question the uptake of this initiative, particularly for those persons with an income at or below \$20,000. We are not certain that there will be a huge increase in the number of low income earners' making personal superannuation contributions.¹⁹

2.28 During a public hearing, the Department of the Treasury indicated to the Committee that the modelling it had done on the uptake of the co-contribution was based on a general 10 per cent increase in the population making after tax contributions with employer support (resulting in approximately 240,000 people). Provision has also been made for some persons accessing the co-contribution through re-investment of their eligible termination payments.²⁰

2.29 At a subsequent public hearing, in response to a question asked by the Committee at the previous hearing about the number of taxpayers who earn up to \$32,500, the ATO advised that based on 2001 income tax return information, approximately 7.9 million taxpayers received salary and wage income; of these people, approximately 4.4 million had assessable income plus reportable fringe benefits of up to \$32,500.²¹

16 *Submission* No.30, p.4.

17 *Submission* No.30, p.4.

18 *Submission* No.34, p.2.

19 *Submission* No.10, p.2.

20 *Committee Hansard*, pp.276-278.

21 *Submission* No 41.

Alternative options

2.30 A number of witnesses recommended that the co-contribution be extended to persons on higher levels of income to increase its overall effectiveness as a measure that would raise community savings for retirement.

2.31 For example, Superpartners advocated an increase in the upper income threshold for eligibility to the co-contribution, on the grounds this would increase the effectiveness of the measure. It suggested:

... the upper total income for eligibility for a co-contribution be increased to a figure commensurate with average weekly earnings and that the lower total income be adjusted accordingly.²²

2.32 The Institute of Actuaries also recommended extending the current proposal:

We would recommend there be further investigation into extending opportunities for voluntary co-contributions beyond the current co-contribution initiative, which is only offered at lower income levels and on a very limited basis. The Institute has been participating in the modelling work as part of the research project being undertaken by the Investment and Financial Services Association on extending co-contributions. Preliminary results of that research would indicate that there is merit in giving further consideration to extension of the current proposals.²³

2.33 ASFA was concerned that the proposed income limit for accessing the co-contribution would constrain its effect on boosting retirement savings. ASFA provided to the Committee results of modelling it had done on an alternative threshold for accessing the co-contribution, and flagged the possibility of reviewing the matching rate provided for in the co-contribution to limit the financial implications of an upward revision to the threshold. It was submitted that:

For instance, including individuals with taxable income of up to \$40,000 would double the number of potential recipients to a little less than 600,000 individuals.

To focus more closely on low to middle income family units the co-contribution proposal for low income earners could be made available in 2002-03 for individuals with a personal taxable income of up to \$40,000 per year and a family income of less than \$80,000.

ASFA appreciates that such a dollar for dollar co-contribution would have a cost of up to \$300 million a year. If the cost in the current Budget context were a significant concern then consideration could be given to a co-contribution rate which was less than dollar for dollar.

22 *Submission No.26, p.4.*

23 *Submission No.15, p.2.*

ASFA has estimated that the budget cost of extending the measure as suggested is potentially less than \$50 million a year in addition to the costing of the election commitment, depending on detailed eligibility criteria applied and the rate of the co-contribution. Cost would be higher if a full dollar for dollar co-contribution were applied.²⁴

2.34 IFSA also recommended consideration of alternative schemes, with higher upper limit income thresholds, as well as possible reduced matching rates, at a later stage, in order to increase the effectiveness of the co-contribution scheme.

2.35 IFSA research showed the effect of the co-contribution was nearly as effective, even if the matching rate were halved:

One of the most interesting findings of this research was that the level of response was almost as high for \$1 for \$2 matching as it was for \$1 for \$1. This allows a wider range of affordable scheme designs, and many of these could extend the impact of the scheme of retirement savings for nil or relatively small increase in outlays.²⁵

2.36 Accompanying Budget projections for alternative co-contribution schemes were also submitted by IFSA to the Committee. Calculations completed for IFSA by the Allen Consulting Group showed:

A scheme offering \$1 for \$2 up to annual income of \$30,000 (with shade-out as per the current scheme) would cost \$102 million a year for total extra contributions of \$251 million a year.

A scheme offering \$1 for \$2 up to annual income of \$40,000 (with shade-out as per the current scheme) would cost \$158 million a year for total extra contributions of \$371 million a year.²⁶

2.37 In its submission to the Committee's broader inquiry into superannuation and standards of living in retirement, the AMP expressed its support for the proposal to extend the co-contribution to middle income groups, that is up from the \$32,000 limit. In that submission, AMP also pointed to the research conducted by the Allen Consulting Group for IFSA as providing some workable alternatives on how the Government could achieve this.²⁷

2.38 Mercer suggested a review of the eligibility test to increase the likely effectiveness of the co-contribution, and limit scope for low income earners (with high income spouses or partners) to also access the co-contribution:

24 *Submission* No.18, p2.

25 *Submission* No.36, p.2.

26 *Submission* No. 36, p.2.

27 *Submission* No 127 inquiry into superannuation and standards of living in retirement, p. 2.

For couples, it should be based on their combined income (rather than the individual's). The maximum level of combined income to qualify for the co-contribution would need to be set at a level of say \$80,000. For singles, the maximum level could be set at half that.

Whilst we have not been able to cost our alternative approach, we consider that it would minimise the number of pseudo low income earners eligible to claim the co-contribution whilst also encouraging more genuine lower and middle income earners to contribute. If more detailed analysis indicates that the \$80,000 limit would be likely to result in too high a drain on Government resources, then a reduction in that level could be considered.²⁸

2.39 As an alternative to the proposed co-contribution scheme and to increase its effectiveness for low income earners, ACROSS advocated a 'dollar-for-dollar co-contribution in respect of contributions from all sources of up to 0.5% of average earnings (approximately \$200 - \$250 per annum).'²⁹

2.40 Superpartners also submitted that another alternative, and possible more effective measure than the proposed co-contribution measure, would be a reduction in the contributions tax.³⁰

2.41 The Committee notes that the co-contribution measure would be equivalent to a significant reduction in the contributions tax for those individuals making voluntary contributions and accessing the proposed scheme.

Coverage

2.42 Whilst the Committee considers the co-contribution scheme will be popular, particularly in light of the favourable matching arrangements it offers, the Committee also notes that under the proposed measures included in the Bill, a number of persons would not be eligible for the co-contribution. For example:

- employees earning less than the \$450 per month threshold for superannuation guarantee purposes, including those employees on low incomes who hold a number of casual jobs and have no employer superannuation contributions because they do not earn more than the existing minimum earnings threshold of \$450 per month in at least one of those jobs will not be eligible;
- self-employed persons will be ineligible;
- co-contributions will also not be available for contributions made for spouses and children, unless those persons are in employment and earning in excess of the SG minimum earnings threshold for at least one month during the financial year; and

28 *Submission* No.21, p.1.

29 *Submission* No.34, p.2.

30 *Submission* No. 28, p.1.

- persons over age 71 will also not be eligible for the co-contributions.

2.43 Various submissions were critical that the proposed eligibility criteria for the co-contribution as set out in the Bill would exclude a significant proportion of persons from accessing the co-contribution.

2.44 In a submission made on behalf of the West Tamar Council, it was noted:

As I understand the proposed legislation, it would mean that to be eligible for the co-contribution, amongst other things, a persons must satisfy the “work test”. Casual employees and non-working spouses/partners (there may be other groups) would not meet the criteria proposed under the legislation.³¹

2.45 The CPA expressed concern that the self-employed would not be able to access the co-contribution:

One of the other concerns with the co-contribution is that they do require the individual to have employer support, so they discriminate against self-employed people. If you are a self-employed person who satisfies those income levels, you are not eligible for the co-contribution, even though you might be putting in your own personal undeducted contribution.³²

2.46 One submission from a financial planner argued measures would be put in place to get around the work test and it would be more equitable to provide the co-contribution for all spouse accounts. Mr D Kearney submitted that:

... Mum will seek casual work just to earn \$450 in wages in calendar month to be eligible ...

I believe a Spouse who has decided to stay at home and look after the family should be given as much inducement to increase her retirement benefit through superannuation as possible.³³

2.47 The Committee notes the legitimacy and relevance of the work test as a precondition for making superannuation contributions is an issue that has been raised in the broader context of the inquiry into superannuation and living standards. The Committee also notes that the nexus between superannuation and work is already being broken, and that if this trend continues, there is scope for the co-contribution measure to assist even more people on low incomes, including in regional and rural areas.

2.48 The Committee also notes the issue of the need to remove barriers to persons working for longer periods (ie beyond 65 or 70 years of age) and being able to access

31 *Submission* No.6, p.1.

32 *Committee Hansard*, p.78.

33 *Submission* No.32, p.1.

tax concessions for savings for retirement has been under scrutiny as part of the broader inquiry into superannuation and living standards.

Administration

2.49 The proposed administration of the co-contribution was also criticised as being cumbersome. Further, while it intends to make use of reporting systems already established for the purposes of the surcharge, the Committee has received evidence in various inquiries arguing the administration system used for the surcharge is inefficient and burdensome.

2.50 For example, the CPA indicated:

The administration of the system will be onerous on superannuation providers, and as a result impose additional cost pressures that will be passed on to members. The Australian Taxation Office (ATO) will also require additional resources to implement and administer the scheme. CPA Australia would point to the costs involved in administering the superannuation surcharge tax as relevant experience in this regard.

Superannuation providers will need to collect new data from 2003 / 2004 at the individual level as part of the surcharge reporting process. This will impose significant system costs to implement.³⁴

2.51 ASFA too expressed concern about the cost implications for the industry arising from the introduction of new reporting arrangements required under the Bill. A major concern is that although the number of individuals who will benefit from the co-contribution may be quite small, the new reporting requirements will affect all members of all superannuation funds.³⁵

2.52 ASFA also raised issues in regard to the provisions in the Bill dealing with notifying individuals about whether a co-contribution payment had been made on their behalf by the ATO:

... under these arrangements there could be a significant delay between the personal undeducted contribution being made, the co-contribution being paid by the ATO and the member being notified of the co-contribution amount by the fund.

In addition, the information, when provided under these arrangements, will generally not be of sufficient detail to enable the individual to determine whether the co-contribution amount has been correctly calculated as that calculation is a matter for the ATO. ASFA is concerned that members will approach their superannuation fund for an explanation that the fund cannot provide. Consideration should be given to the ATO directly advising the

34 *Submission* No.10, p.2.

35 *Submission* No 18, p.2.

member when the contribution is paid as to the amount and basis of the entitlement.³⁶

2.53 Taxpayers Australia Inc also noted the administrative issues likely to arise with the implementation of the co-contribution, and argued the additional information requirements will increase the costs incurred by superannuation funds, which in turn will be borne by all members of the fund.³⁷

2.54 Superpartners similarly raised concerns about the administrative aspects of the Bill, and suggested it would ‘impose additional costs on the superannuation industry in the form of additional on-going superannuation costs.’³⁸

2.55 To assist with compliance, Superpartners also recommended inclusion of an additional question on individual tax returns which would ask individuals whether or not they had made a personal undeducted contribution during the financial year.³⁹

36 *Submission* No.18, p.2.

37 *Submission* No.23, p.12.

38 *Submission* No.26, p.3.

39 *Submission* No.26, p.4.

Chapter 3

Issues with reducing the surcharge

Purpose of the SLA Bill

3.1 The surcharge was introduced as an equity measure by the Government in the 1997 Budget and was projected to raise \$1.480 billion in its first three years of operation. It was later extended by the Government to include reportable fringe benefits.

3.2 Currently, all employer contributions, certain 'golden handshakes' and tax deductible personal contributions made to superannuation funds for high-income earners are subject to a surcharge of up to 15 per cent.

3.3 The surcharge is currently phased in over the income levels of \$90, 527 to \$109,924 with the surcharge increasing by one per cent for each additional \$1,295 of income from \$90,527. The surcharge may also be payable if a member doesn't quote his/her Tax File Number to his/her superannuation fund.

3.4 While the current maximum surcharge rate specified in the legislation is 15 per cent, some superannuation fund members (in particular in defined benefit schemes) have an effective rate of surcharge exceeding this amount.

3.5 The SLA Bill 2002 proposes to reduce the superannuation and termination payments surcharge rates by 10 per cent of their current level over each of the next three years (a maximum of 1.5 percentage points each year) with a date of effect of 1 July 2002. The maximum specified surcharge rates would be lowered to 13.5 per cent in 2002-2003, 12 per cent in 2003-2004 and 10.5 per cent in 2004-2005. The proposed reduction is estimated to cost \$50 million in 2003-2004, \$120 million in 2004-2005, and \$200 million in 2005-2006.¹

3.6 In addition to proposing a reduction in the superannuation surcharge, the SLA Bill 2002 includes a number of consequential amendments to support the Government Co-contribution Bill (as outlined in paragraph 1.8). Apart from the co-contribution and the rebate, the other consequential provisions in the SLA Bill 2002 did not attract comment from any of the witnesses to the inquiry.

1 Department of the Parliamentary Library, Information and Research Services, Bills Digest No 16 2002-03, *Superannuation Legislation Amendment Bill 2002*, p.2.

3.7 The Government has announced its intention to review the surcharge requirements after three years to determine whether any further changes are required.²

Summary of views

3.8 In June 2002 the Committee first reported on the Government's proposal to reduce the surcharge. At that time the proposal was contained in the Taxation Laws Amendment (Superannuation) Bill (No.2) 2002.³ During that inquiry, the vast majority of submissions supported the removal of the surcharge. However, in respect of reducing the surcharge the evidence was more mixed. Many supported the proposed reduction as it was a welcome first step in the removal of superannuation front-end taxes. Some preferred the abolition or reduction in the contributions tax as such a reduction would apply to all fund members and not just those who earned more than \$90,527 per annum.

3.9 Concurrently the Committee is also conducting an inquiry into superannuation and standards of living in retirement.⁴ Most individuals and organisations that have made submissions on that reference have raised the surcharge as an important issue. The majority of submissions to that inquiry supported the removal of the surcharge and/or the abolition or reduction in the contributions tax.

Supporting views

3.10 Like the June 2002 inquiry, the evidence received in the current inquiry about the reduction in the surcharge continues to be mixed. Many, including ASFA, Mercer, ABA, the Financial Planning Association (FPA), CPA, Taxpayers Australia, and the Society of Superannuants (SOS) supported the proposal on the grounds that they support any move to reduce front-end taxes on superannuation.⁵

3.11 In addition, IFSA strongly supported the proposal to reduce the surcharge. The Association has consistently called for the reduction or removal of the surcharge. IFSA believes that equity for superannuation contributions is addressed through contribution limits, Reasonable Benefit Limits (RBLs), and the low income earner co-contribution which has the same effect of very substantially lowering the contributions tax. ISFA noted that the surcharge can impact inappropriately on older workers who

2 The Hon. Peter Costello, MP, Treasurer, *Budget Paper No.2: Budget Measures 2002-2003*, p.14.

3 Senate Select Committee on Superannuation, *Report on Taxation Laws Amendment (Superannuation) Bill (No.2) 2002 and Superannuation Guarantee Charge Amendment Bill 2002*, June 2002.

4 The terms of reference are: The adequacy of the tax arrangements for superannuation and related policy to address the retirement income and aged and health care needs of Australians. Referred 14 March 2002; report due 14 November 2002.

5 See *Submission* No 19, p.1; *Submission* No 22, p.1, *Committee Hansard*, pp.266 and 230; *Submission* No 10, p.1; *Submission* No 23, pp. 3-4; and *Submission* No 3, p.1.

have total superannuation within the RBLs and who are attempting to increase contributions to fund their retirement.⁶

3.12 Superpartners also supported the proposal and recommended the abolition or reduction in the contributions tax.⁷

Opposing views

3.13 The Australian Council of Trade Unions (ACTU) opposed the proposal to reduce the surcharge because the reduction would only benefit the top three per cent of taxpayers. The ACTU submitted that the \$370 million cost could be better applied to increasing superannuation savings for all employees through a reduction in the contributions tax. The ACTU raised the costly surcharge collection mechanism and noted that the proposed surcharge reduction would not reduce the cost (borne by all fund members) while reducing the revenue.⁸

3.14 The Australian Institute of Superannuation Trustees (AIST), while indicating that the surcharge reduction would suit some members, referred to evidence on this issue which was provided to the previous 2002 Committee examination of the issue.⁹ On that occasion the AIST opposed the measure because it could only benefit the top three per cent of taxpayers.

3.15 The Australian Council of Social Service (ACOSS) considered the proposal to reduce the surcharge to be an unnecessary and wasteful tax cut for high income earners. Only five per cent of wage earning tax payers would benefit. ACOSS considered that its impact on private saving levels and future age pension outlays would be negligible, since high income earners had a high propensity to save regardless of tax incentives, and are unlikely to qualify for the age pension.¹⁰

3.16 In addition, alternative proposals to reduce the contributions tax instead of the surcharge reduction were not supported by ACOSS. The Council submitted that such proposals would increase the wastage of public revenue on superannuation tax concessions for high income earners without improving the overall equity of the system. In the view of ACOSS, the 15 per cent surcharge should remain in place unless fundamental reform of the tax treatment of superannuation contributions improves the equity and efficiency of superannuation. ACOSS noted that the Committee is currently undertaking such a review as part of the superannuation and standards of living inquiry.

6 *Submission* No 36, p.2.

7 *Submission* No 26, p.8.

8 *Submission* No 5, pp. 3-4.

9 *Committee Hansard*, p.171.

10 *Submission* No 35, p.1.

3.17 The Industry Funds Forum (IFF) also supported a complete overhaul of the taxation arrangements for superannuation and considered that a better approach (relative to the surcharge reduction) would be a reduction in the contribution tax. If adjustments are made to the surcharge in isolation, IFF considered that those, especially women, who have not had an opportunity to fully access taxation concessions due to broken working patterns, should receive the benefit.¹¹

An alternative proposal

3.18 While supporting the proposed reduction in the surcharge rate Mercer hoped that this would be the first step in the removal of the surcharge. In the meantime Mercer suggested that increasing the surcharge payment thresholds above the current minimum and maximum rates of \$90,527 and \$109,924 per annum might be considered a better way of reducing the surcharge than the proposal to reduce the rate itself. For example these rates could be increased by 10 per cent each year for the next three years.¹²

3.19 Taxpayers Australia considered that the Mercer idea was an option worthy of further examination. The organisation added, however, that the central equity issue of lifetime access to superannuation tax concessions, was not solved by this alternative either. Taxpayers Australia considered that annual deduction limits for contributions that prevented a person from exceeding the pension RBLs might be better.¹³

3.20 The Treasury advised the Committee that the Government had looked at a range of options in determining policy on the surcharge reduction, including along the lines suggested by Mercer, and had decided on the arrangements now included in the proposed legislation. Treasury noted that the Mercer suggestion would involve only minor additional administration costs but the proposal itself had not been costed.¹⁴

Issues with the surcharge

3.21 In March 1997 the former Senate Select Committee on Superannuation reported on the surcharge legislation.¹⁵ At that time evidence received by the Committee was overwhelmingly critical of the surcharge. Serious objections were raised on constitutional, equity, administrative and complexity grounds. The industry has been consistently opposed to the surcharge ever since.

11 *Submission* No 30, pp.4-5.

12 *Submission* No 22, p.2.

13 *Committee Hansard*, p.161.

14 *Committee Hansard*, p. 274.

15 Senate Select Committee on Superannuation, *Superannuation Surcharge Legislation*, March 1997.

3.22 Most of those who made submissions to the current inquiry called for the full repeal of the surcharge on one or more of equity, incentive or complexity grounds.¹⁶ Others have questioned whether the surcharge is constitutionally valid and drawn attention to a court case challenging its validity.¹⁷

3.23 For example, the viability of the surcharge was questioned by the SOS as being impossible to implement accurately in defined benefit schemes. This situation arises because the employer contribution for an individual member in any given year is not capable of being isolated. The SOS also questioned the position of funded defined benefit arrangements relative to unfunded ones. On the one hand the unfunded arrangements, usually Government ones, are subject to a 15 per cent surcharge cap while funded ones, usually private sector arrangements are not. The Society indicated that this can result in more than 15 per cent of the benefit being lost in surcharge payments. Any attempt to correct this anomaly would in itself lead to an administrative nightmare.¹⁸

3.24 Mercer also raised the impact of the surcharge administration costs and noted that these were paid by all fund members irrespective of whether they pay the surcharge. Mercer also informed the Committee that in many cases the surcharge could produce results that are totally inequitable and that the surcharge can produce very high marginal tax rates of up to 70 per cent. Mercer said that in some situations even one extra dollar in a member's income can produce a extra surcharge liability of \$7,000 or \$8,000. This has the effect of reducing confidence in the superannuation system.¹⁹

3.25 Taxpayers Australia was also highly critical of the surcharge. It stressed that the surcharge distorts the overall tax system by imposing very high effective tax rates on individuals, for example up to 72 per cent where employer contributions exceed aged based contribution limits in a year. In this context the surcharge is assessed on net capital gains, and retirement payments such as unused recreation leave and long service leave. According to Taxpayers Australia this could result in people who have never been subject to the surcharge in work being caught for the first time in retirement. The surcharge takes no consideration of how much superannuation a person has (as the Reasonable Benefit Limit does) and discriminates against those with broken working patterns. Taxpayers Australia informed the Committee that the surcharge is not refunded to pensioners as the contributions tax is through the 15 per cent rebate.²⁰

16 These issues will be examined in more detail in the Committee's report on superannuation and standards of living in retirement which is due to be tabled by 14 November 2002.

17 *Committee Hansard*, p. 94, Society of Superannuants.

18 *Committee Hansard*, p.89.

19 *Submission* No 22, p.1, and "Case Study 1: Do Not Pay Me That Extra Dollar" tabled on 2 September 2002 by Mercer.

20 *Submission* No 23, p.3.

3.26 CPA has been opposed to the surcharge since its inception. In terms of its acceptance in the marketplace it noted that people look at the surcharge and the contribution taxes as being a disincentive to investing in superannuation relative to other investments such as negative gearing. The CPA suggested that the reduction in the surcharge is a step in the right direction. They noted, however, that as the revenue dropped there would be a point where it becomes very difficult to reconcile the cost of collection with the revenue collected - and this would need to be examined.²¹

3.27 While the Institute of Actuaries saw some merit in the reduction proposal they also called for a more extensive review of the surcharge in the context of a broader taxation review of superannuation.²²

3.28 A couple of individuals also made submissions to the Committee supporting a reduction in the surcharge or arguing that the impact of the surcharge was inequitable.²³

3.29 Treasury responded to the concerns about the nature of the surcharge at a public hearing held in Canberra on 11 September 2002. The Committee was informed that any move that led to the removal of superannuation front end taxes (like the surcharge) would have an impact on the Budget bottom line through the resulting delay in revenue collection and that ultimately such priorities are determined by Government in the Budget context.²⁴

21 *Committee Hansard*, pp.74-75.

22 *Submission* No 15, p.2.

23 For example *Submission* No 2, p.1.

24 *Committee Hansard*, p.275.

Chapter 4

Conclusions and recommendations

Committee's views on co-contributions

4.1 The Committee supports all measures to boost the level of retirement savings in the community. The Committee notes the widespread support for the Government Co-contribution Bill, based on the positive impact the measure will have for retirement savings and the benefit it will provide to low income earners. The Committee supports the underpinning rationale for a co-contribution scheme for low income earners and believes that there is scope for the further extension of the benefits in later years as Budgets permit.

4.2 In the current environment, where lower returns have been experienced, there has been a greater focus on the contributions tax and charges. In the event that further concessions are to be made, the Committee considers that, rather than reducing the contributions tax, it may be preferable to extend the philosophy behind the Co-contribution Bill to continue to ensure that those most in need receive the maximum help. The Committee considers the proposed co-contribution scheme is equivalent to a reduction in the contributions tax for those able to access the scheme and advocates the concentration of benefits in this way to those on lower incomes.

4.3 Further, the Committee considers the scheme will be popular and expects the savings behaviour amongst the low paid to respond to this measure, particularly once there is an improvement in current superannuation fund earnings rates.

4.4 The Committee notes the concerns that were put forward in relation to the effectiveness and equity of the proposed co-contribution scheme, as well as in relation to the access to the co-contribution by particular groups of persons and the administrative costs of the proposal.

4.5 The Committee suggests the concerns raised in regard to effectiveness and equity be considered in future assessments of the impact of the co-contribution, in particular for the purposes of expanding the target group of persons able to access the co-contribution.

4.6 The Committee also considers that the uptake of the co-contribution scheme should be closely monitored to allow an assessment of whether the eligibility test, based on individual income, is effective in limiting access to the designated target group of low income earners.

4.7 In regard to the comments made about the likely impact of the administrative arrangements to underpin the co-contribution, the Committee notes similar issues have been raised in the context of the broader inquiry into superannuation and living

standards. The Committee considers that if changes to the administrative arrangements for the surcharge are adopted in the future, then similar initiatives should also be applied in respect of the co-contribution scheme.

4.8 Finally, the Committee notes the work test and issues of age limitations on access to taxation concessions for superannuation savings are under review as part of the broader inquiry into superannuation and living standards. Recommendations by the Committee on these matters will be important and may require amendment to the co-contribution scheme in the future.

4.9 On balance, the Committee regards the co-contribution as a very important first step in assisting a targeted group of taxpayers to boost their retirement savings and supports the adoption of the Government Co-contribution Bill.

Recommendation

4.10 The Committee recommends that the Superannuation (Government Co-contribution for Low Income Earners) Bill 2002 be agreed to.

Committee's views on reduction of the superannuation surcharge

4.11 The Committee notes the support expressed for the proposal in the SLA Bill to reduce the surcharge, especially as this is the first time that there has been a proposal to reduce front-end taxes.

4.12 The Committee further notes that the minority who oppose the proposal do so on equity grounds, and submit that a reduction in the contributions tax, or a complete review of the taxation arrangements applying to superannuation would be preferable. The Committee is currently conducting an inquiry into the adequacy of the tax arrangement for superannuation and related policy and expects that the outcome of this inquiry will better inform the Committee on the suitability of all superannuation tax and equity arrangements.

4.13 The Committee notes the alternative proposal to increase the thresholds, advanced by Mercer. The Committee also notes that the Government has considered a number of options, and ultimately settled on the proposal in the Bill.

4.14 In relation the surcharge itself, the Committee notes the strong criticisms that witnesses and submissions raised about the impact of the surcharge from equity, incentive and complexity viewpoints. In particular the Committee is mindful of the situation of women, and others with broken working patterns, who can pay the surcharge in some years when attempting to make 'catch up' contributions to fund a dignified and self sufficient retirement. The Committee is also mindful that all fund members are required to pay surcharge administration costs, which in turn are a very high proportion of revenue collected, irrespective of any requirement to pay the surcharge itself. The Committee also notes that the administration costs as a proportion of revenue collected will rise with the reduction in the rate of the surcharge.

4.15 The Committee considers that the application of the surcharge to members of some defined benefit fund members also produces significant inequities and that the surcharge is a complex and inefficient tax.

4.16 The Committee is also aware that some witnesses would prefer the reduction of the contributions tax to the reduction in the surcharge. The Committee notes that, for equity reasons, some, including ALP Senators, consider that the \$370 million cost of the surcharge reduction over three years could be better directed to all superannuation fund members, rather than just the top three per cent of taxpayers. The Democrat Senators have long supported the replacement of the current contributions tax with taxation of contributions at marginal rates less a rebate as a more equitable alternative to the current flat rate tax on contributions and the surcharge.

4.17 Most of the evidence received supports the reduction of the surcharge as a first step in the reduction of superannuation front-end taxes, with witnesses submitting that it is better to take a reduction now in what has proved to be a generally unpopular measure, which is costly to collect and may be unconstitutional, rather than to debate the merits of alternatives which are not included in the Bill.

4.18 On balance the Liberal Senators support the move to reduce the superannuation surcharge rate by one tenth of current levels in each of the following three years commencing from 1 July 2002, that is to 13.5 per cent for 2002-2003, 12 per cent for 2003-2004 and 10.5 per cent for 2004-2005. The Committee notes that this is the first time that there has been a reduction in front-end taxes and encourages the continuation of this approach. The reduction in the surcharge as a strong signal that this front-end tax may ultimately be removed in favour of less costly and less complex measures that are based on a view of superannuation as a lifetime savings vehicle.

4.19 The Committee notes that the surcharge is due for review within three years and expects that such a review will provide a further opportunity to review the effectiveness of not only the proposed reduction in the surcharge, but also the ongoing viability of the surcharge tax itself.

4.20 In these contexts, Liberal Senators welcome any proposal to reduce the surcharge in the interim, with a view to increasing the attractiveness of superannuation and encouraging all employees to save for retirement through contributing to superannuation.

Recommendation

4.21 Liberal Senators recommend that the Superannuation Legislation Amendment Bill 2002 be agreed to.

4.22 Democrat Senators acknowledge the concerns with the surcharge and the impact that it may be having on the attractiveness of superannuation for high income earners. However, the Democrats believe that the surcharge cut proposed in the legislation is too big a concession to high income earners, and cannot support the Bill in its present form.

Senator John Watson

Committee Chair

ALP minority report

Co-contribution

ALP Senators support the comments presented at paragraphs 4.4 to 4.9 in the Committee's report. ALP Senators are concerned about submissions to the Committee that the proposed co-contribution arrangements leave considerable scope for abuse in that comparatively well off people will be making contributions in respect of family members in part-time employment. The ability of single or sole bread winners in the salary target range to afford to make contributions to superannuation in order to qualify for the matching co-contribution is untested, and as attested to before the Committee, unlikely for most in that range.

The number of people estimated to receive the full \$1,000 is only 75,000 (evidence from ASFA). This is from a total pool of people with incomes of less than \$32,500 of 4.4 million (ATO evidence).

ALP Senators consider the current co-contribution to be a pale imitation of the much more extensive co-contribution arrangements proposed by the ALP Government in the May 1995 "Savings for our Future" statement. Those 1995 proposals included Government matching contributions of up to 3 per cent of AWOTE (\$1,342 per annum in current levels), and which did not phase out until the member achieved a wage of twice AWOTE or \$89,492 per annum currently.

ALP Senators recall that the current Treasurer committed an incoming Coalition Government to implementing the 1995 ALP co-contribution proposals, and that the Coalition Government subsequently reneged on that promise – implementing instead a savings rebate which in its turn was quickly abolished.

Against that background ALP Senators seek to include in the legislation a provision that would require the Government to closely monitor the operation of the co-contribution arrangements. The purpose is to ensure that only those who are genuinely in need receive the co-contribution and to establish the proportion of the target group who are accessing the co-contribution.

Surcharge tax

The surcharge tax was introduced as an equity measure by the Government in the 1997 Budget and was projected to raise \$1.480 billion in its first three years of operation. It breached the Liberal's 1996 election promise that there would be "no new taxes, no increases in existing taxes" if they won Government. It was later extended by the Government to include reportable fringe benefits. ALP Senators note that the proposed reduction in the surcharge tax rate would cost revenue \$370 million per annum and that this would represent a significant tax cut to the top 4 per cent of salary earners.

ALP Senators believe that, given the Government's failure to deliver the more generous 1995 ALP co-contribution proposals as promised, and in the light of tight budgetary circumstances, a tax cut on superannuation which lifts retirement income should be appropriately targeted. An exclusive tax cut for higher income earners who earn in excess of \$90,527 per annum does not achieve this. A tax cut confined to high income earners provides a guaranteed outcome for this group without any need to change contribution levels. On the other hand the co-contribution will at best benefit 1 in 10 low to middle income earners. Clearly this is an unbalanced and unfair approach. They consider that the removal of the surcharge tax is best considered in the context of an overall review of the superannuation taxation and equity arrangements.

ALP Senators consider that the \$370 million cost of the surcharge tax reduction would be better directed to a reduction of the superannuation fund contributions tax. Such a measure would be more equitable, as it would apply to a greater number of people at lower and middle incomes.

The administrative costs of the surcharge tax continue to be a significant issue, however cutting the rate does not solve that problem and in fact makes it worse as the administration cost would become an even higher proportion of revenue collected than it is now.

Labor Senators note that the ALP proposed on 16 May 2002 to introduce a fairer cut to the contributions tax for all Australians who pay it by 2 per cent or 3.5 per cent for those aged 40 or above.

Opposing the surcharge tax reduction, the splitting of spouse contributions and costly changes to the status quo for public sector superannuation, would fund the ALP plan. These changes total \$1,161 million, as confirmed by Treasury, which is enough to ensure the Budget neutrality of the measure.

The Labor Senators further note that the Treasury, even following the Committee examination of this measure in its June 2002 report, is still unable to provide accurate costings of the ALP proposals to reduce the contributions tax. Treasury was also not able to provide estimates on how many people would benefit from the proposed surcharge tax reduction.

ALP Senators were extremely concerned that the Treasury could not provide costings and estimates on alternative proposals, or even the Government's proposals themselves, that are relevant to the Parliament's consideration of the proposed legislation. The Labor Party consider the early and accurate provision of costings to be a significant aspect of Treasury's responsibility to the Parliament.

Recommendations

The ALP Senators recommend that the:

- **Superannuation (Government Co-contribution for Low Income Earners) Bill 2002 be agreed to subject to an amendment that requires the Government to monitor the effectiveness of the co-contribution arrangements; and**
- **Superannuation Legislation Amendment Bill 2002 not proceed in its current form. ALP Senators recommend that the amendments to reduce the rate of the surcharge be removed from the Bill.**

Senator the Hon Nick Sherry

Deputy Chair

Senator Geoffrey Buckland

Senator John Hogg

Appendix 1

Submissions

Submission No.	Submittor	Issue
1	National Farmers Federation	Choice
2	Joe Hlubucek	Surcharge
3	Society of Superannuants	Surcharge
4	Society of Superannuants	Choice
5	ACTU	All
6	West Tamar Council	Co-contribution
7	Joseph Xerri	Surcharge
8	SunSuper	Choice
9	AIG (Australian Industry Group)	Choice
10	CPA Australia	All
11	MTAA Super Fund	Choice
12	Bob Stephens, Chris Engelhardt	Choice
13	Corporate Super Association	Choice
14	Quadrant Superannuation	Choice
15	Institute of Actuaries Australia	All
16	Cbus	Choice
17	ASFA	Choice
18	ASFA	Co-contribution
19	ASFA	Surcharge
20	Mercer Human Resource Consulting Pty Ltd	Choice
21	Mercer Human Resource Consulting Pty Ltd	Co-contribution

22	Mercer Human Resource Consulting Pty Ltd	Surcharge
23	Taxpayers Australia Inc	All
24	Association of Financial Advisers	Choice
25	Australian Chamber of Commerce and Industry (ACCI)	Choice
26	Superpartners	All
27	Australian Consumers Association & Financial Services Consumer Policy Centre (UNSW)	Choice
28	Superpartners (Supplementary)	Co-contribution
29	AIST	Choice
30	Industry Funds Forum Inc	All
31	Corporate Super Association (Supplementary)	Choice
32	Kearney Financial Services Pty Ltd	Co-contribution
33	Commonwealth Bank of Australia	Choice
34	Australian Bankers' Association	Choice
35	Australian Council of Social Service (ACOSS) and surcharge	Co-contribution
36	Investment & Financial Services Association Ltd (IFSA)	All
37	Financial Planning Association of Australia Limited	Choice
38	Australian Chamber of Commerce and Industry (ACCI) (Supplementary Submission)	Choice
39	Sunsuper Pty Ltd (Supplementary Submission)	Choice
40	Cbus (Supplementary Submission)	Choice
41	Australian Taxation Office	Co-contribution
42	Society of Superannuants (Supplementary Submission)	Surcharge
43	Confidential	

Appendix 2

Public Hearings

Monday, 2 September 2002, Melbourne

Superpartners

Ms Fiona Galbraith, Manager Compliance

Australian Consumers' Association (ACA) and the Financial Services Consumer Policy Centre (FSCPC)

Ms Catherine Wolthuizen, Senior Policy Officer, Financial Services, ACA

Mr Khaldoun Hajaj, Researcher, FSCPC, UNSW

Association of Financial Advisers

Mr Michael Murphy, Chair, Public Affairs Committee

Cbus

Ms Maria Butera, National Marketing Manager

Mr Gordon Noble, Employer Coordinator

Westscheme

Mr Howard Rosario, Chief Executive

CPA Australia

Mr Murray Wyatt, Chair, Superannuation Centre of Excellence

Ms Noelle Kelleher, Superannuation Centre of Excellence

Mr Paul Drum, Senior Tax Counsel

Society of Superannuants (SOS)

Mr Peter Somerville, Treasurer

Mr Don Steel, Actuarial Adviser

Mercer Human Resource Consulting

Mr John Ward, Manager, Research and Information

Tuesday, 3 September 2002, Melbourne

Corporate Super Association

Mr Mark Cerche, Chairman

Mr Nicholas Brookes, Chief Executive

Ms Elizabeth Goddard, Head of Research

Australian Council of Trade Unions (ACTU)

Ms Linda Rubinstein, Senior Industrial Officer

Motor Trades Association of Australia (MTAA) Superannuation Fund

Mr Paul Watson, Executive Officer

Mr John Jones, National Manager, Marketing and Business Development

ASFA

Dr Michaela Anderson, Director, Policy and Research

Dr Brad Pragnell, Principal Policy Adviser

Taxpayers Australia and Superannuation Australia

Ms Barbara Smith, Technical Director

Australian Institute of Superannuation Trustees (AIST)

Ms Helen Dyson, Vice President

Australian Chamber of Commerce and Industry (ACCI)

Mr Peter Anderson, Director, Workplace Policy

Dr Steven Kates, Chief Economist

Wednesday 11 September 2002, Canberra

National Farmers' Association

Ms Denita Harris, Policy Manager and Industrial Relations Advocate

Financial Planning Association (FPA)

Mr Ken Breakspear, Chief Executive

Mr Con Hristodoulidis, Senior Manager Policy

Investment and Financial Services Association (IFSA)

Mr Richard Gilbert, Chief Executive Officer

Mr Bill Stanhope, Senior Policy Manager

Mr Brian Bissaker, Member, Economic Savings and Tax Board, IFSA

Australian Bankers' Association (ABA)

Mr David Bell, Chief Executive Officer

Ms Ardele Blignault, Director

Mr John Loveridge, Manager, Employer/Employee Benefits, Commonwealth Bank

Industry Funds Forum (IFF)

Mr Ian Silk, Convenor

Department of the Treasury and the Australian Taxation Office (ATO)

Mr Trevor Thomas, Manager, Superannuation, Retirement and Savings Division, Department of the Treasury

Mr Phil Gallagher, RIM Group, Department of the Treasury

Mr Christopher Timotheou, Analyst, Department of the Treasury

Mr Michael Rosser, Manager, Consumer Protection Unit, Department of the Treasury

Mr Brett Wilesmith, Analyst, Consumer Protection Unit, Department of the Treasury

Mr Patrick Boneham, Analyst, Superannuation, Retirement and Savings Division, Department of the Treasury

Mr Alan Mallory, Analyst, Department of the Treasury

Ms Vicki Wilkinson, Specialist Adviser, Financial Systems Division, Department of the Treasury

Mr Marcus Markovic, Assistant Commissioner, ATO

Mr Stephen Murtagh, Assistant Commissioner, ATO

Thursday 19 September 2002, Canberra

Department of the Treasury and the Australian Taxation Office (ATO)

Mr Roger Brake, General Manager, Superannuation, Retirement and Savings Division, Department of the Treasury

Mr Trevor Thomas, Manager, Superannuation, Retirement and Savings Division, Department of the Treasury

Mr Michael Rosser, Manager, Consumer Protection Unit, Financial System Division, Department of the Treasury

Mr Patrick Boneham, Analyst, Superannuation, Retirement and Savings Division, Department of the Treasury

Ms Vicki Wilkinson, Specialist Adviser, Financial System Division, Markets Group, Department of the Treasury

Mr Marcus Markovic, Assistant Commissioner, ATO

Mr Stephen Murtagh, Assistant Commissioner, ATO

Appendix 3

Tabled Documents

Monday 2 September 2002

- *Senate Committee Discussion Points - 2nd Sep 02*, tabled by Mr Somerville, Society of Superannuants;
- *Case Study 1: Do not pay me that extra dollar*, tabled by Mr Ward, Mercer Human Resource Consulting; and
- *Case Study 2: How to pay more than 70% tax*, tabled by Mr Ward, Mercer Human Resource Consulting.

Tuesday 3 September 2002

- Article from *Money Management* magazine, August 22, 2002, entitled: Tom Collins, 'Industry repairs should be first priority', tabled by Ms Rubinstein, ACTU; and
- Issue 18, September 2002, *DIY Superannuation* journal, tabled by Ms Smith, Taxpayers Australia Inc.

Appendix 4

List of Committee Reports

Reports of the Select Committees on Superannuation

(1991-1998)

- ❑ *Super System Survey* - A Background Paper on Retirement Income Arrangements in Twenty-one Countries (December 1991)
- ❑ Papers relating to the Byrnwood Ltd, WA Superannuation Scheme (March 1992)
Interim Report on Fees, Charges and Commissions in the Life Insurance Industry (June 1992)
- ❑ First Report of the Senate Select Committee on Superannuation - *Safeguarding Super* - the Regulation of Superannuation (June 1992)
- ❑ Second Report of the Senate Select Committee on Superannuation - *Super Guarantee Bills* (June 1992)
- ❑ *Super Charges* - An Issues Paper on Fees, Commissions, Charges and Disclosure in the Superannuation Industry (August 1992)
- ❑ Third Report of the Senate Select Committee on Superannuation - *Super and the Financial System* (October 1992)
- ❑ *Proceedings of the Super Consumer Seminar*, 4 November 1992 (4 November 1992)
- ❑ Fourth Report of the Senate Select Committee on Superannuation - *Super - Fiscal and Social Links* (December 1992)
- ❑ Fifth Report of the Senate Select Committee on Superannuation - *Super Supervisory Levy* (May 1993)
- ❑ Sixth Report of the Senate Select Committee on Superannuation - *Super - Fees, Charges and Commissions* (June 1993)
- ❑ Seventh Report of the Senate Select Committee on Superannuation - *Super Inquiry Overview* (June 1993)
- ❑ Eighth Report of the Senate Select Committee on Superannuation - *Inquiry into the Queensland Professional Officers Association Superannuation Fund* (August 1993)

- ❑ Ninth Report of the Senate Select Committee on Superannuation - *Super Supervision Bills* (October 1993)
- ❑ Tenth Report of the Senate Select Committee on Superannuation - *Super Complaints Tribunal* (December 1993)
- ❑ Eleventh Report of the Senate Select Committee on Superannuation - *Privilege Matter Involving Mr Kevin Lindeberg and Mr Des O'Neill* (December 1993)
- ❑ A Preliminary Paper Prepared by the Senate Select Committee on Superannuation for the Minister for Social Security, *Options for Allocated Pensions Within the Retirement Incomes System* (March 1994)
- ❑ Twelfth Report of the Senate Select Committee on Superannuation - *Super for Housing* (May 1994)
- ❑ Thirteenth Report of the Senate Select Committee on Superannuation - *Super Regs I* (August 1994)
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- ❑ Fifteenth Report of the Senate Select Committee on Superannuation - *Super Guarantee - Its Track Record* (February 1995)
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- ❑ Twenty-first Report of the Senate Select Committee on Superannuation - *Investment of Australia's Superannuation Savings* (December 1996)
- ❑ Twenty-second Report of the Senate Select Committee on Superannuation - *Retirement Savings Accounts Legislation* (March 1997)
- ❑ Twenty-third Report of the Senate Select Committee on Superannuation - *Superannuation Surcharge Legislation* (March 1997)

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- Twenty-fourth Report of the Senate Select Committee on Superannuation - *Schedules 1, 9 & 10 of Taxation Laws Amendment Bill (No. 3) 1997* (June 1997)
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- ❑ *Choice of Superannuation Funds (Consumer Protection) Bill 1999* (November 1999)
- ❑ *Superannuation Legislation Amendment Bill (No. 4) 1999* (November 1999)
- ❑ *Roundtable on Choice of Superannuation Funds* (March 2000)
- ❑ *Provisions of the Superannuation (Entitlements of Same Sex Couples) Bill 2000* (April 2000)
- ❑ *New Business Tax System (Miscellaneous) Bill No 2 2000* (June 2000)
- ❑ *Financial Sector Legislation Amendment Bill (No 1) 2000* (August 2000)
- ❑ *Interim report on the Family Law Legislation Amendment (Superannuation) Bill 2000* (November 2000)
- ❑ *Taxation Laws Amendment (Superannuation Contributions) Bill 2000* (December 2000)
- ❑ *Family Law Legislation Amendment (Superannuation) Bill 2000* (March 2001)
- ❑ *The opportunities and constraints for Australia to become a centre for the provision of global financial services* (March 2001)
- ❑ *A 'reasonable and secure' retirement? The benefit design of Commonwealth public sector and defence force unfunded superannuation funds and schemes* (April 2001)
- ❑ *Enforcement of the Superannuation Guarantee Charge* (April 2001)
- ❑ *Issues arising from the Committee's report on the Taxation Laws Amendment (Superannuation Contributions) Bill 2000* (May 2001)
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- *Taxation Laws Amendment (Superannuation) Bill (No. 2) 2002, and Superannuation Guarantee Charge Amendment Bill 2002* (June 2002)
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