

## **Supplementary statement**

### **Australian Democrats Senator John Cherry**

The Australian Democrats endorse this report and all of its recommendations, except recommendations 6 and 8 which propose the shifting of taxation from up front contributions taxes to end benefit taxes.

The Democrats do not rule out supporting such a policy objective in the future. But, we do not believe that a model has been developed that ensures that this can be delivered in a way which is fiscally sound, socially equitable and economically progressive.

Superannuation is a fundamental part of income. It is taxed more concessionally than other parts of income because the consumption of the income is deferred until retirement. The concessional taxation, costs around \$10 billion a year, twice the actual cost of superannuation up front and investment taxes (\$4.6 billion). This highlights the high degree of concessionality already present in superannuation.

In the view of the Democrats, the key priority for superannuation must be ensuring that the concessions are more progressive and fair between income groups. As the evidence from ACOSS showed, the current concessions overwhelmingly favour high income earners. Indeed, the Democrats estimate that, in 1999-2000, the 58% of taxpayers earning less than average weekly earnings (\$35,000) received just 20.2% of superannuation tax concession, while the 18.4% of taxpayers on the top marginal tax rate received over 46.5% of concessions. This is grossly unfair given that superannuation concessions are supposed to be about reducing reliance on the age pension, which is more likely to be an issue at lower incomes than higher incomes. It is also grossly unfair considering the evidence of this inquiry that a higher income replacement rate will be needed for lower incomes than higher incomes to achieve adequacy of retirement income.

The Democrats favour as an early tax priority abolishing the superannuation contributions tax and the high income earners surcharge, and instead taxing contributions at marginal tax rates less a flat rebate, common to all income groups. This would provide greater equity across all incomes, restructure concessions from high to low income earners, and still provide a high and transparent degree of concession on the taxation of superannuation.

**Senator John Cherry**

