

## Appendix 6

### Previous proposals to increase the Superannuation Guarantee

As part of the 1995-96 Budget the then Government announced a proposal to increase the Superannuation Guarantee from 9 per cent of earnings to 15 per cent by 2002. In his statement of 9 May 1995 the then Treasurer (the Hon Ralph Willis, MP) indicated:

The Government will support the phased introduction through industrial agreements and awards, where employee benefits are improved, of a requirement for employees to contribute 3 per cent of their earnings to superannuation by the year 2000.

The Government will make means tested superannuation contributions matched to those made by employees (and by the self employed out of their after tax income), in lieu of proceeding with the second tranche of the personal tax cuts announced in the 1992 *One Nation* statement.

It is anticipated that from 1 July 1997 all awards will provide for a stepped introduction of employee contributions, at the rates of 1 per cent in 1997-98, 2 per cent in 1998-99 and 3 per cent in 1999-2000.

The introduction of employee contributions through awards will, as part of the broader wage bargaining process, be timed to coincide with wage increases that otherwise would have been received wholly in cash. This will avoid any decrease in employees' existing disposable incomes.

Concurrently with the stepped introduction of the award provisions, the Government will phase in direct contributions to the superannuation accounts of employees and the self employed, matched to the actual contributions they make from after tax income. The Government's contributions will for all purposes be treated as employer contributions (ie subject to a 'notional' 15 per cent contributions tax, full preservation, and subject to taxation when paid as superannuation benefits). The Government's contributions will be capped ultimately at 3 per cent of 'Average Weekly Ordinary Time Earnings' (AWOTE) and, under a means test, will reduce to zero at taxable incomes of twice AWOTE.

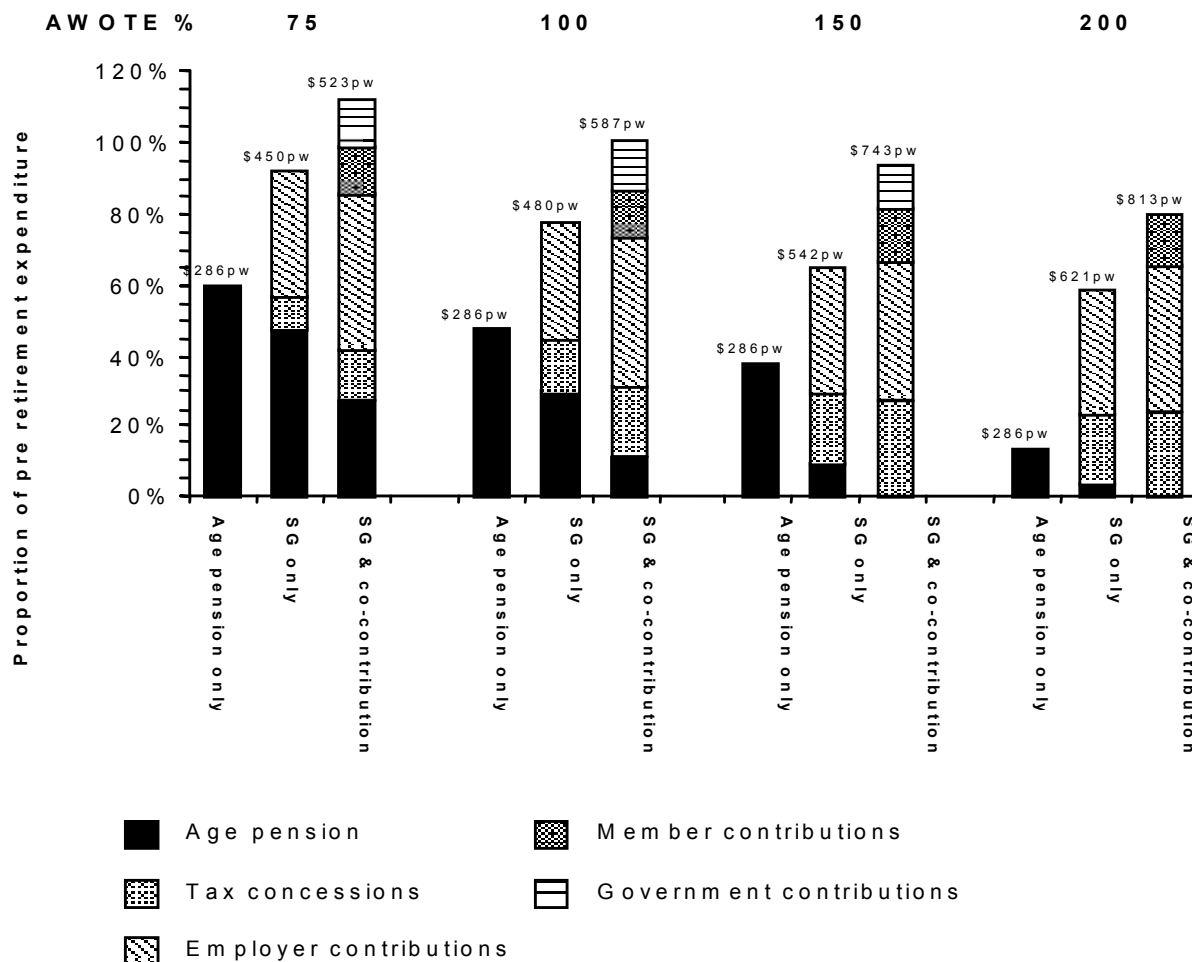
Employees and the self employed will be able to claim the direct Government contribution through their annual taxation returns.<sup>1</sup>

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1 *Saving for Our Future*, Statement by the Treasurer, May 1995, p. 3.

The following chart shows the results of the proposal for a people at various income levels following 40 years of work.

**Chart: Projected Outcomes from 1995 Budget Proposals (Single Male, in Scheme 40 years from Age 25 after 2002)**



Source: *Saving for Our Future*, Statement by the Treasurer, May 1995.

The proposed compulsory member contributions and the matching Government contributions were not implemented. Instead the Government introduced a savings rebate, which in turn, was replaced by personal tax cuts associated with the introduction of the GST from 1 July 2000.