SMSF Owners' Alliance
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They Just Keep Shifting the Goalposts

The Prime Minister's assurance that the Government will keep its commitment not to tax withdrawals from superannuation by the over 60s is welcome...as far as it goes.

But it is clear the Government is still planning to increase tax on superannuation one way or another to try to fix a budget problem of its own making.

The Government does not have a revenue problem - it is collecting more tax dollars than ever before. It has a spending problem - it is spending more than it collects. Since 2006-7, revenues have increased by 40% but spending has increased by 46%.

So the Government is still targeting Australia's superannuation savings and planning more tax changes that will shift the goal posts for super savers yet again when what they crave for and need is stability of policy over the long term.

Whether the extra tax is taken from contributions, earnings or withdrawals, it is still an extra tax on superannuation. It is still reducing the amount of money that people will have to live on in retirement and old age.

If an $800,000 pension fund is generating a pension of $40,000, a 15% withdrawals tax would have cost $6,000. If the same fund is generating earnings at the same rate, a 15% tax on earnings would also cost $6,000. Of course, the figures will vary according to the tax rate and how it is applied, but the end result is the same - people will see the value of their super savings steadily eroded and their financial security in retirement lessened, perhaps to the point where they will be forced to rely on a taxpayer funded pension. This defeats the whole purpose of superannuation.

The attack on super is based on two false premises.

The first, claimed by the ACTU and others, is that higher income earners get an unfair tax break because superannuation contributions are taxed at the same 15% rate (though those who earn over $300,000 are already taxed at 30%). They ignore the fact that higher income earners pay more tax on their super contributions and more tax overall. The top 50% of earners pay 90% of income tax.

The second is the claim, based on Treasury numbers, that superannuation tax breaks cost $30 billion, rising to $40 billion within five years, exceeding the cost of the aged pension.

These numbers are being quoted as justification for winding back superannuation tax concessions.

We believe the Treasury numbers are being misread because they add components that should not be totalled and don't take account of second round effects. EvenTreasury itself adds up numbers to come to the $30 billion cost of superannuation when its own analysis cautions against this.

A more detailed commentary on the Treasury figures is attached.

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