

Time for cool, calm thinking on tax

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Today's tax discussion paper Re:Think gives Australians the chance to engage in a rational conversation about the tax system.

This conversation needs to be based on fact and objective analysis and lead to conclusions that will deliver a simple, efficient and fair system to assist economic growth and make Australia internationally competitive.

The economic and social purposes of taxes and relief from them need to be clearly defined.

It is pleasing to see that the Discussion Paper acknowledges the arguments in favour of tax concessions for superannuation savings. The Henry Report had also presented these arguments. The Discussion Paper also highlights the highly progressive nature of our taxation and benefits systems relative to OECD countries.

Whilst it reports that our Government's total tax take appears to be lower than the OECD average; this is largely due to the exclusion of our compulsory superannuation/retirement levy. After this adjustment, Australia's tax revenue appears to be about equal to the OECD average.

Our corporation tax rate is higher, taxes on goods and services lower and income tax structure more progressive than the average OECD economy. Adjustments to the tax system can be made to maybe bring us more in line with the OECD norms, improve its effectiveness and certainly reduce its complexity but we do not believe any increase in overall taxation as a percentage of GDP is justified.

In relation to superannuation, we also note that the Discussion Paper suggests that a "perspective on fairness is taxes paid (and benefits received) relative to a person's lifetime income." It also states that "the tax concessions in super have to be judged taking into account Australia's full retirement income support arrangements, including the means-tested Age Pension." We fully support such sentiments and have consistently modelled the impact and fairness of super by including its interaction with the Age Pension and taking into account lifetime taxes paid.

The main questions to be resolved during the Tax White Paper process are:

- whether the superannuation system is adequately achieving its purpose (and "locking" objectives more firmly into legislation in order to minimise subsequent "fiddling" with super);

- what is the most effective and fairest way to maximise retirement savings so most Australians can support themselves financially in retirement;
- how to change people's thinking so the Age Pension is seen as a last resort rather than an entitlement; and
- how should the taxation system enable and encourage retirement savings?

The SMSF Owners' Alliance will be addressing these questions in our response to the Re:think discussion paper and to the Green and White Papers to follow.

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