SMSF Owners' Alliance
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Not-for-profit public company

Cost of super tax myth dispelled

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Today's 'myth busting' report by Deloitte Access Economics helps to put the debate about superannuation tax concessions in proper context.

Deloitte Access dispels the claim often made by politicians and the media that super tax concessions will soon cost the budget more than the Age Pension. "That's a myth" they say. We agree.

As SMSF Owners has been pointing out for three years now, the supposed $30-32 billion cost to the budget, rising to $50 billion to match the Age Pension, is not valid.

Treasury itself has pointed out this is not the amount that would be saved if superannuation tax concessions are removed. *"When people report things that say this ($32 billion) is a measure of tax expenditure and therefore that's the amount the Government could save if they did something about it, that is untrue." – Rob Heferen, Executive Director, Revenue Group, Treasury.*

Further, as Deloitte Access note in their report, the benchmark Treasury uses to estimate the cost of superannuation tax concessions in the annual Tax Expenditures Statement (TES) is not the most appropriate measure. We have been saying this for three years too.

It is to be hoped the forthcoming report on the TES by the House of Representatives Standing Committee on Tax and Revenue will finally put this issue to rest…and that politicians, policy think tanks and the media take note.

The proposal by DeLoitte Access to change the present flat rate of 15% on super contributions and replace it with a 15% rebate from an individual's marginal rate is heading in the right direction.

In our submission to the Taxation White Paper Taskforce SMSF Owners argued that adjusting the tax on contributions, as suggested in the Henry tax review, has merit. It would enable the tax on fund earnings to be removed and for retirement incomes to remain tax free. Indeed there would be no tax collected from superannuation funds at all, making the system more efficient, simpler, fairer and less costly for fund members.

This change can be made without risking Government revenue and would make superannuation more effective. More people would be able to save adequately for their retirement as the major growth factor in superannuation is the accumulated earnings on fund assets over time. These assets will grow faster if they are not taxed in the accumulation phase.

The Deloitte Access 'myth busting' report helps to put the current debate over superannuation tax concessions on the right track.

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