

Equal super tax concession for all can work!

11 November 2015

There seems to be a groundswell of opinion that a modified version of Dr Henry's proposal for super taxation could work well.

Rather than provide an equal **taxation** of contributions whatever your income, this would provide an equal **tax concession** for everyone.

Since Labor introduced the taxation of contributions in the '80s, this is about the only practical way to provide a fairer superannuation tax system. SMSF Owners has been making this point for a while and in particular in our submission to the Tax White Paper Taskforce back in May. ([150603 – SMSF Owners Alliance submission to Tax White Paper Task Force](#))

SMSF Owners is encouraged by media reports that the Government is considering restructuring the taxation of super contributions in this way, so that it works better for more Australians. They have also acknowledged that this system would avoid retrospective changes to the taxation of retirement savings nor require complex "grandfathering" provisions.

Confirmation of this will be welcome to the millions of Australians who have made contributions to superannuation on the promise that their savings will be tax free in retirement and provide a more certain environment for future super savers.

Deloitte Access Economics has also taken this approach and it appears the Government is listening.

Deloitte appears to be proposing this change as a way of raising more taxation by suggesting a lower tax concession than the 20% proposed by Dr Henry. Our focus has been more on changes that make taxes more **efficient**. In this way each \$1 of tax concession has a greater impact on Australians' super savings and reduces further the burden on Age Pension budget.

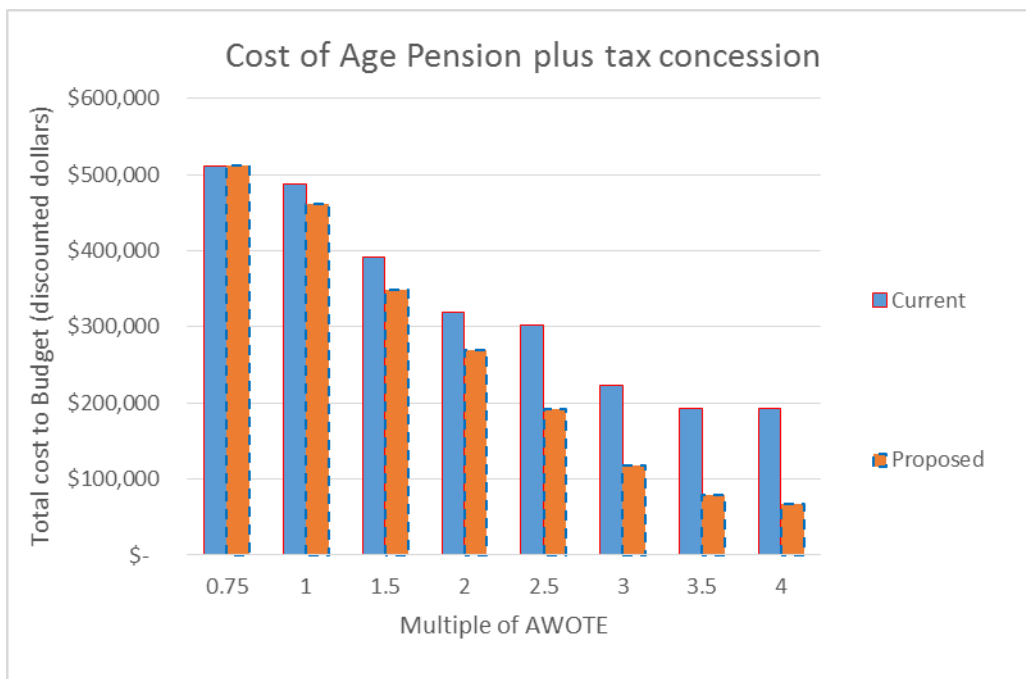
Former Treasury Secretary Dr. Ken Henry in his landmark tax review in 2009 made a strong case for superannuation tax concessions and the large impact any reduction of taxation of super earnings has on super savings.

Our modelling supports his view but we took it further. An even better result than the Deloitte/Henry plan is achieved if taxation of all super earnings is removed – offset by reducing the contributions' tax concession. We also suggested that such flat tax concession plan should only be implemented in conjunction with the introduction of a less progressive income tax scale – a matter that we are pleased the Government is also seriously considering.

We strongly agree with Treasurer Scott Morrison that matters such as super tax concessions should be considered as part of the overall retirement system of age pension and concessions. We have always taken this approach in our computer simulation and in the following graph have also included the impact on GST payments of the superannuation system.

The following graph calculates the present value cost to the Government of the retirement system of Age Pension and super tax concessions assisting Australians to retire on reasonable replacement rates. It presents this cost per person for a range of incomes (expressed as multiples of Average Weekly Earnings).

The key message here is that the cost to Government is lower at all income levels under our proposal which is consistent with what Deloitte Access Economics has proposed and the Government is considering. This cost also falls more steeply with income.



Finally, we note that the idea of lifetime contribution caps is being more seriously debated. Limiting contribution caps is clearly the fair way to limit access to tax concessions but we have argued for a few years that the current system of annual caps should be modified to provide more flexibility to Australians who have broken work patterns.

We secured support from a number of significant organisations to make a joint submission to the Tax Task Force on some of the important principles that should underlie any changes to the superannuation system. ([150724 Joint letter to Tax White Paper Taskforce](#))

In trying to achieve a fairer, simpler and more efficient superannuation system, the Government is on the right track in looking at re-calibrating the taxation of contributions while not taxing retirement savings. We look forward to an open, informed and constructive debate as to the best way to implement such a plan.

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