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OPINION

Federal election 2016: Coalition shifts the goalposts on super

Glenda Korporaal

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There is a bizarre Alice in Wonderland feel to the political debate on superannuation with the Labor Party sounding like the Liberal Party and the Coalition having to cope with accusations of retrospective taxation as result of its sudden, sweeping "soak the rich" strategy on super.

Opposition treasury spokesman Chris Bowen, who addressed the Press Club yesterday, put it mildly when he said that if Labor had announced some of the changes to super, particularly the budget night start of a $500,000 post-tax super contribution ceiling backdated to July 1, 2007, it would have been "given short shrift".

The fact is that a Labor government would have been crucified had it attempted to introduce the shock changes to super in the way Scott Morrison announced them last week.

Bowen's speech yesterday criticised the government's proposed package of changes, even though "many of the victims of the government's retrospective changes may well be Liberal voters".

"Whether the laws were fair or right, they were the law. People invested in good faith and complied with the law," Bowen said.

"Retrospective changes undermine confidence in superannuation and scare people away from investing in superannuation in the future. As the party which created superannuation, we also defend it."

The one positive move for low-income earners from last week's budget was the Turnbull government effectively agreeing not to drop the low-income superannuation offset scheme that Labor introduced when it was in government.

But, as Bowen said, almost all the other super measures announced last week were designed to cut back total tax concessions on superannuation for the better off — those who are (or were) mainly Liberal voters.

The fact is that many of those people particularly benefiting from the superannuation system (started by the Labor government but made much more generous by the Howard-Costello government) would have been prepared to live with some cuts and changes to the system.

But those affected by the sudden, sweeping changes are as angry with how they are being done — and how they cut across the many assurances given by the Coalition three years ago about no sudden negative changes to super and not changing the goalposts — as with the changes themselves.

Now, people approaching retirement who may have been planning for years to put more into their super by June 30 are faced with an unexpected cap of $500,000 post-tax, going back to 2007.

(And this despite the fact that super fund trustees are only required to keep financial records going back five years.)

Sure, this new cap might not affect masses of people, but people are entitled to plan for their retirement and make long-term decisions on the basis that there will be no drastic changes to the rules.

Financial advisers are now scrambling to tell their clients who may be close to retirement or have transition to retirement arrangements what they should do before June 30 — only days before the July 2 election result might have made things clearer.

There is a furious debate going on about whether the changes announced on budget night are retrospective or not.

For those caught by the changes, it certainly looks like a duck and quacks like a duck.

The Coalition sold the super industry a dummy worthy of a world class rugby league player in perpetuating a semantic debate over the "purpose of super" while actually planning a major budget overhaul of the system.

It is no good saying the changes only impact 1 per cent of super earners. The lower super contribution caps will affect any worker who was ever planning to put a bit extra in their super over their lifetime.

There is now a maximum of $25,000 a year they can put into super for their working lifetime on a concessional basis, which effectively limits the total pot they can hope to accumulate in super anyway.

And whether the changes meet the legal definition of "retrospective" or not, Bowen is right when he says the nature of the changes will undermine confidence in the system.

With the unexpected changes announced last week, how could anyone — rich or poor — contemplate putting one extra dollar into their super (a dollar which could be spent or invested elsewhere) with any confidence at all that the rules wouldn't change by the time they retire?

It would not be too hard for Labor to put together election campaign videos of members of the Abbott team assuring voters about not changing the goalposts and no sudden unexpected changes to super.

The government's proposal puts a lifetime cap of $1.6m on the amount of money that can be put into a tax-free super pension account.

This is much stricter than the inflation-adjusted figure that would have been produced, based on the circa $1.5 million reasonable benefits limit put in place under the Hawke/Keating Labor government in the early 1990s.

Adjusted, the figure would have at least been $2.5m, which is the cap put forward by the Association of Superannuation Funds of Australia.

The Labor proposal only seeks to start the 15 per cent tax on the earnings of super at $75,000 a year and puts no other restrictions or caps on contributions.

Under the Coalition's policy, the risk on the earnings side is all with the retiree.

We are moving into an era of volatility and low to potentially negative interest rates.

The Coalition has taken a high risk strategy with its sudden changes to super and there is a long way to go to July 2.