

ROBERT GOTTLIEBSEN

How the ALP can take advantage of the Coalition's superannuation mess

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Some in the ALP camp shared a small champagne over the weekend in celebration over Malcolm Turnbull's declaration that there will be no changes to the superannuation policies announced in the budget. The chaos the superannuation measures have caused in Coalition ranks has been well publicised.

But even before to the Prime Minister's statement, ALP officials had been quietly going around institutions and their ALP mates in the superannuation industry seeking ways to take full advantage of the Coalition's superannuation mess.

I have no knowledge as to whether these discussions will result in new ALP policies but it's a fascinating opportunity to turn the current deep unhappiness among Coalition supporters into a frenzied revolution.

The ALP fully understands that it would have been decimated had it introduced the sort of retrospective legislation the Coalition announced in the budget.

And had the ALP claimed that only four per cent of Australians would be affected, they would have been further keel hauled because quite clearly a much larger number of Australians are affected — at least double the government's four per cent estimate and probably much more.

Once again, government superannuation estimates are simply wrong — it's dangerous to rely on Treasury superannuation advice no matter which party is in power.

In any ALP superannuation consideration, the base superannuation policy of a 15 per cent tax on income over \$75,000 for superannuation funds in pension mode won't change. But the ALP had no policy to change the "non-concessional" contributions to superannuation although almost certainly any ALP government would make a change if they got into office.

(Non-concessional superannuation contributions are those where members of funds contribute and get no tax deduction — the money is generated from tax-paid income.)

It is possible, and again I have no inside knowledge, that the ALP will take up my suggestion and allow a \$500,000 contribution amount irrespective of what had been contributed on a non-concessional basis in the past. (*A fix for the Coalition's super mess*, June 2)

The Liberals have retrospectively back dated that \$500,000 limit to 2007.

Another suggestion that is being floated around is that ALP policy should stick with the 2007 retrospective base that the Liberals have determined but everyone will be allowed to put another \$180,000 into superannuation which represents the current one year limit.

So, a person who had not contributed any funds to superannuation on a non-concessional basis would be allowed the Liberals' \$500,000 plus an additional \$180,000 — a total of \$680,000 and those that had contributed \$500,000 before budget night would be allowed another \$180,000. The Coalition would lose a lot of support if the ALP did that.

Another way of really putting the knife into the Liberal supporter base would be to recognise an unfairness that has crept into both the Labor and Liberal proposals to tax superannuation in pension mode. Neither proposal makes any adjustment for a spouse or partner.

When superannuation in pension mode was totally tax free it didn't matter but now, if all the superannuation money is in the hands of, say, the husband, then the couple simply gets one concession. In the government pension scheme allowance is made for couples but it has not been transferred into superannuation. It would be a very easy change for the ALP to make. And it would not cost much money, particularly if there was only a partial concession.

And finally I suspect the ALP has discovered the truth about the transition to retirement provisions.

My friends in the superannuation industry say the government has over-estimated the revenue that their changes will raise. It is remarkable the number of people who change jobs when they move into the transitional phase causing the entitlement to be lost.

It would not cost a lot of money to start the new arrangement that the Coalition is proposing from election night with no retrospectivity. That would leave all the existing arrangements in place.

In these areas we are dealing with people who have substantial funds in superannuation and would normally be Liberal supporters. Their anger may spread to their families who are more likely to be swinging voters.

But if the ALP is to gain full advantage of this they will need to offer a carrot — like some of the above suggestions — to the Coalition supporters.

No doubt those coalition members who hope to gain Labor seats or are in marginal Liberal seats are hoping that Bill Shorten and Chris Bowen get distracted by work in other areas.

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