

# No to Scott Morrison: superannuation memo for Liberal MPs

Scott Morrison has embarked on the unusual task of trying to persuade fellow members of his own party in parliament to support his superannuation proposals announced at budget time.

It is exhausting stuff for a busy Treasurer — gosh, he has other things to do with his time rather than make the case for breaking an explicit promise not to impose higher taxes on superannuation.

But with the numbers so tight, he doesn't have much choice lest a few parliamentarians decide that the Liberal Party should stand for lower taxation as well as keeping its word and vote against the legislation.

So I thought I would be helpful and provide a memo for the backbenchers (presumably, members of the ministry are locked into the suicidal superannuation proposals whatever their personal views may be) to help them sort the wheat from the chaff when Morro (we can be informal, surely?) comes calling to make his pitch.

I know that many of these backbenchers don't have deep knowledge of superannuation but are concerned at the direction of the policy.

At the outset, I should tell you not to fall for the line being pushed by Morro that the government has to clean up the superannuation mess left by our last competent treasurer, Peter Costello. Nothing could be further from the truth.

In 2006 and 2007, Costello methodically went about the task of cleaning up the taxation and regulatory quagmire that superannuation had become. The unworkable reasonable benefit limit was ditched, partly because the Australian Taxation Office was finding it increasingly difficult to administer.

But here's a key: virtually no tax revenue was ever raised by superannuants who exceeded the reasonable benefit limit. And if we had retained the RBL, its present value would be \$2.5 million, not the much lower cap of \$1.6m being proposed.

The first point all backbenchers should note is that no one should believe the superannuation figures that were presented in the budget, in terms of the numbers of people affected by the changes or the purported budget savings. There are massive errors in both these estimates.

So when Morro trots out those figures again — he even may come armed with fancy tables and charts provided by the activist boffins in Treasury — my advice is to be wary. The numbers are there for a bit of rhetorical flourish and shouldn't be believed.

Consider the numbers on transition-to-retirement arrangements. If you believe Treasury figures, there are a half-million of them who are immediately damaged by the announced budget changes. In fact, the number is closer to one million because the ATO doesn't bother to collect the numbers for those 60 and older.

I'm sure Morro will tell you that TTR is just a tax rort for extremely high-income earners and that people don't really transition to retirement. This may have been the case in the past but, with the concessional contributions cap of \$35,000 a year, the tax savings made under this scheme are now modest. And here's the thing — many people who use the scheme are transitioning to retirement.

A second point that Morro may make is the shocking revelation that 6000 people have superannuation balances of \$5m or more — it's the kind of announcement you may expect from Labor or the Greens.

You may tell him that these people have accumulated these balances using the rules that were in place at the time and that it is no longer possible to accumulate such large balances under the more recent set of rules.

You also should note that many of the people with large balances have run businesses, employed people and paid the top rate of income tax for years. They have been able to sell the businesses and place some or all of the proceeds into superannuation. Hey, these are just the kinds of people we should encourage. We want more of them. They are core Liberal Party supporters — or were.

A third point Morro may argue is that if we don't increase superannuation taxes we will have to increase other taxes, including incomes taxes — he said this during some low-rating radio program in Adelaide last week.

Here's the point backbenchers should make to him: if the superannuation changes are expected to save the budget \$3 billion in net terms across four years, why is it that the budget papers show net savings of only \$1.7bn across the same period?

Doesn't this mean the precious savings from the politically damaging superannuation changes are in no sense quarantined but are simply being used to pay the grocery bill?

And, by the way, does the made-up figure of \$3bn across four years really do much to repair the budget given that total spending will come close to \$2000bn across this same period? Isn't this a serious case of working on the wrong side of the decimal point while still causing havoc to the retirement and savings plans of many millions?

Note also that there will be ongoing political damage as those who have planned to fund their own retirements through superannuation are thwarted by the quite arbitrary changes to the concessional and non-concessional contributions caps.

Fourth, don't fall for that rubbish peddled by the Grattan Institute and apparently supported by Morro that we have aged-based taxation and superannuation is a case of intergenerational theft. This is just wrong.

We don't have aged-based tax, with current income taxed in the same way for people of all ages. We have different taxation arrangements that apply to savings, as we should.

A final point that Morro may slip in is that the superannuation industry is comfortable with the changes.

You could point out that it is actually the union-controlled industry super funds that are shouting for joy about the changes because of the taxpayer-funded low-income superannuation contribution.

You may care to talk to the Self-Managed Superannuation Funds Association for an alternative point of view.

Play hard ball, I say. Don't fall for that stuff about an ageing population as the reason for the changes — a point trotted out to me by a member of the outer ministry who should know better.

Indeed, the ageing of the population is a reason to have measures in place to encourage people to self-provide for their retirement through superannuation and not rely on the age pension.

Bizarrely, the budget superannuation changes provide strong incentives to spend now and go on the age pension in due course.

By that stage, of course, Morro will be on the golf course with many of his old buddies from parliament and the bureaucracy who will be enjoying their largely unaffected defined benefit superannuation retirement incomes.

At the end of the meeting, you can always just tell Morro where to stick his over-engineered, ill-considered and unworkable superannuation measures.