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Politics based on shoddy advice and hearsay is bad politics



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Did you know that someone has a \$300 million superannuation fund?

I was told this amazing fact by a devoted but credulous Liberal political adviser trying to justify the punitive additional taxes being imposed on ordinary current and retired superannuants by a Coalition government that should know better.

I'm not sure I believe the figure, but bear in mind that there will be several beneficiaries of the fund. In any case, when do you change the law on the basis of one case?

But the point that I made to the adviser was that under the rules that have existed for many years, no one can come close to amassing that figure. There are a few hundred funds above \$5m and a handful above \$10m.

Good luck to them, I say. There is a lot of hard work, investment, risk-taking, providing employment underpinning accounts of that size.

And let's not forget that taxes have been paid at both the contributions and earnings stages.

In more recent years, anyone on \$300,000 a year or more has been paying a 30 per cent contributions tax. Normally you might expect Liberal politicians to congratulate these large account holders.

But these days, Scott Morrison and Revenue Minister — I prefer to call her regulation minister because that's really her specialty — Kelly O'Dwyer are just happy sounding like Richard Di Natale, Bernie Sanders or Jeremy Corbyn.

It was not always so. Gosh, it was only in February that the Treasurer told a self-managed superannuation conference “one of our key drivers when contemplating potential superannuation reforms is stability and certainty, especially in the retirement phase”.

“That is good for people who are looking 30 years down the track and saying is superannuation a good idea for me. If they are going to change the rules at the other end when you are going to be living off it, then it is understandable that they might get spooked out of that as an appropriate channel for their investment.”

Quite. Morrison went on to state: “I fear the approach of taxing in that retirement phase penalises Australians who have put money into superannuation under the current rules — under the deal they thought was there.”

And that would include the beneficiaries of the apocryphal \$300m account.

By May, everything had changed. Those experts at the Grattan Institute who compare superannuants with pigs with snouts in the trough — one of its reports even uses a photo of the pig statues in Rundle Mall, Adelaide, to emphasise the point — and eager activist bureaucrats were able to convince the gormless Morrison to change his mind.

It would make the budget fair, so the advice went. The fatal flaw of the 2014 budget would be avoided, notwithstanding the fact this budget contained the oh-so-fair temporary budget repair levy that added two percentage points to the highest income tax bracket.

The government could call the assault on superannuants a type of reform, knowing the left-wing press would ignore the broken promise — recall the hard time Tony Abbott was given for his broken promises — and praise the government for its efforts, urging Morrison to go further.

The union-dominated industry super funds were on board, not surprisingly, as the changes damage their mortal enemy, the self-managed superannuation funds. You might think that this would give Morrison and O’Dwyer pause for thought, even rethink the changes. But no.

In fact, the only part of the superannuation package that will be delayed this year relates to the statutory objective of superannuation.

The industry super funds don’t like the government’s first attempt; they want words that will justify an increase in the superannuation contribution charge.

There must be reference to a dignified and comfortable retirement. Expect the government to cave.

But here's the thing: how can the rest of the package proceed if the objective of superannuation has not been settled?

This is truly bizarre. Surely the merit of the changes must be measured against the objective. This is complete incompetence on the part of Morrison, O'Dwyer and their advisers.

And what about the fact the explanatory memorandum for the government's superannuation package presented to parliament on November 9, and circulated by Morrison and O'Dwyer, references the Grattan Institute's It's Time to Target Super Tax Breaks report at page 274, paragraph 14.12. That would be the report with the pigs with snouts in the trough on the cover.

Should we assume that Morrison and O'Dwyer are endorsing this depiction of superannuants?

When did it become acceptable for the government to take its advice from a big government-high tax advocate such as the Grattan Institute (funded by the taxpayer, no less)? And how is it possibly acceptable for the wife of the Prime Minister to sit on the board of this institute if the government is taking advice from it? This is just a blatant conflict of interest.

As for the rest of the process, it has been a complete joke and the government knows it. Interested parties have been given between five and eight working days to make detailed submissions about the various tranches of the package.

A similarly short period was allowed for submissions to the Senate committee and this committee will report almost immediately after submissions have been received.

It's the classic case of the tail wagging the dog. Morrison, O'Dwyer and presumably Malcolm Turnbull are so desperate to have the bills passed this year that they don't care about the quality of the legislation or the abuse of the consultation process. The changes must begin from July 1 next year.

The drafting of the legislation is all over the shop, bringing in new accounting concepts never used previously in superannuation tax law and the deadlines are unworkable. The compliance costs for superannuants are immense, even for those who won't be caught in the first instance.

But this doesn't seem to trouble O'Dwyer, who otherwise might be worried about imposing additional red tape on people who had followed the rules. But this is the way that insiders think.

To assume this is the end of the road is naive. Labor never would have contemplated such radical changes to the taxation of superannuation.

But since the Coalition let the genie out of the bottle, Labor has raised the government two spades and will go further in due course.

The blame for this will be entirely attributable to Morrison and O'Dwyer, who think betraying their base is good politics. We will see.

By the way, sloppy and bad policy is never good politics.

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