



CATHOLIC HEALTH Australia

21 December 2011

Senate Standing Committees on Economics
Parliament House
PO Box 6100
CANBERRA ACT 2600

Re: Minerals Resource Rent Tax Bill 2011 and related bills

On 10 November 2011 the Senate jointly referred the following Bills for inquiry and report.

- Minerals Resource Rent Tax (Consequential Amendments and Transitional Provisions) Bill 2011;
- Minerals Resource Rent Tax (Imposition-Customs) Bill 2011;
- Minerals Resource Rent Tax (Imposition-Excise) Bill 2011;
- Minerals Resource Rent Tax (Imposition-General) Bill 2011;
- Minerals Resource Rent Tax Bill 2011;
- Petroleum Resource Rent Tax (Imposition-Customs) Bill 2011;
- Petroleum Resource Rent Tax (Imposition-Excise) Bill 2011;
- Petroleum Resource Rent Tax (Imposition-General) Bill 2011;
- Petroleum Resource Rent Tax Assessment Amendment Bill 2011;
- Superannuation Guarantee (Administration) Amendment Bill 2011; and
- Tax Laws Amendment (Stronger, Fairer, Simpler and Other Measures) Bill 2011.

Catholic Health Australia (CHA) is the largest owner grouping of health and aged care services in Australia, advocating on behalf of the 75 hospitals and 660 aged care services and those that receive their services. This submission from CHA is in reference to the Superannuation Guarantee (Administration) Amendment Bill 2011 only and is made on behalf of the Catholic charitable providers of over 20,000 residential aged care beds and 10,000 community packages funded by the Australian Government.

Prior to the *Aged Care Act 1997* (the Act), nursing homes were funded under the CAM (Care Aggregated Module), SAM (Standard Aggregate Module) and OCRE (Other Cost Reimbursement Expenditure) formulas. Under this funding arrangement, the increases in the Superannuation Guarantee (SG) charge were funded by the Commonwealth as a cost reimbursement under OCRE. Hostels, then operated only by the not for profit sector and State and Local Governments were able to charge variable fees to residents based on the residents' income above the pension free area and were hence able to recover the additional cost.



On 1 October 1997 with the introduction of the Act, reimbursement changed along with the changed care subsidy arrangements whereby the SG cost was reimbursed each step the SG charge increased from the then 6 per cent to 9 per cent via a Superannuation Supplement of around 1 per cent additional funding inclusion to the Commonwealth Own Purpose Outlays (COPO) indexation formula calculation.

Under COPO, the wages component of the price paid to providers for care (75% of the price) is indexed annually in line with Fair Work Australia's minimum wage adjustments, and the balance or non-wage component (25%) is indexed to the equivalent of the Consumer Price Index. The resulting indexation is substantially less than movements in Average Weekly Ordinary Time Earnings, the Labour Price Index for the health and community services sector and price changes as measured by the Consumer Price Index, and does not reflect price movements in the sector.

The Superannuation Guarantee (Administration) Amendment Bill 2011 amends the *Superannuation Guarantee (Administration) Act 1992* to increase the age of an employee at which the SG no longer needs to be provided from 70 to 75 and gradually increases the SG charge percentage from 9 per cent to 12 per cent commencing on 1 July 2013.

The transitional schedule, as set in the Bill, includes a proposed charge percentage increase of .25 per cent in the years 2013–14 and 2014–2015 and thereafter annual increments of .5 per cent until the 12 per cent is reached in 2019–2020 and subsequent years. Under current funding arrangements, the 3% increase in the superannuation guarantee rate will add to service delivery costs which will not be reflected in the wages component of the already inadequate indexation arrangements.

As the not for profit charitable sector receives no benefit from any income tax offsets, CHA recommends that the Committee include in its Inquiry report a reference to the historic reimbursement of the SG charge and a recommendation that commencing 1 July 2013, the Government's annual care subsidy indexation formula include a reimbursement of the cost.

Thank you for your consideration of this matter.

Yours sincerely

Martin Laverty
Chief Executive Officer