23 June 2016

Mr Phil Bowen

Parliamentary Budget Officer

Parliament House

CANBERRA ACT 2600

Dear Mr Bowen

I formally request the following *Progressive Superannuation* policy proposal be costed by the Parliamentary Budget Office for public release.

I appreciate you may require further information from us to complete the request. Should you require any further clarification, please contact Jay Tilley from my office on 0408 473 379

Yours sincerely



Senator Richard Di Natale

**Leader of the Australian Greens & Senator for Victoria**

# Policy costing request—during the caretaker period for a general election

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| --- | --- | --- | --- | --- | --- |
| **Name of policy:** | | A Progressive Superannuation System | | | |
| Person requesting costing: | | Senator Di Natale | | | |
| Parliamentary party: | | Australian Greens | | | |
| Date of request to cost the policy: | | 23 June 2016 | | | |
| *Note: This policy costing request and the response to this request will be made publicly available.* | | | | | |
| Has a costing of this policy been requested under Section 29 of the Charter of Budget Honesty (ie from the Treasury or the Department of Finance)? | | No | | | |
| Details of the public release of this policy (Date, by whom and a reference to that release): | | Longstanding Policy.  <http://greens.org.au/sites/greens.org.au/files/Greens%27%20plan%20for%20progressive%20tax%20for%20super.pdf> | | | |
| **Description of policy** | | | | | |
| Summary of policy (as applicable, please attach copies of relevant policy documents): | | To remove the flat 15% tax rate on all superannuation contributions to be replaced by a progressive system based on the following income tiers which will index in line with wages growth.   |  |  | | --- | --- | | **Income** | **Super Tax Rate** | | $0 – 37,000 | 0 cents | | $37,001 – 100,000 | 15 cents | | $100,001 – 150,000 | 22 cents | | $150,001 onwards | 32 cents |   The government will also make an additional co-contribution of 15 cents for those whose annual total earnings are below the tax free threshold.  The taxation treatment of all other existing aspects of the super system would remain the same, however the low income super contribution and high income super contributions will be replaced by this system.  Other than those two areas, all proposed changes from the 2016-17 should be assumed to be adopted. | | | |
| What is the purpose or intention of the policy? | | To improve the equity of the superannuation system, improve retirement savings for lower income earners and lessen the impact on the budget over the coming decades. | | | |
| **What are the key assumptions that have been made in the policy, including:** | | | | | |
| Is the policy part of a package?  If yes, list the components and interactions with proposed or existing policies. | | No | | | |
| Where relevant, is funding for the policy to be demand driven or a capped amount? If a capped amount, are the costs of administering the policy to be included within the capped amount or additional to the capped amount? | | N/A | | | |
| Will third parties (for instance the States/Territories) have a role in funding or delivering the policy?  If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged? | | No | | | |
| Are there associated savings, offsets or expenses?  If yes, please provide details. | | No | | | |
| Does the policy relate to a previous budget measure?  If yes, which measure? | | No | | | |
| If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program? | | No | | | |
| Will the funding/program cost require indexation?  If yes, list factors to be used. | | Tiers are adjusted for wages growth | | | |
| **Expected impacts of the proposal** | | | | | |
| If applicable, what are the estimated costs each year? If available, please provide details in the table below. Are these provided on an underlying cash balance or fiscal balance basis? | | | | | |
| **Estimated financial implications (outturn prices)(a)** | | | | | |
|  | 2016–17 | | 2017–18 | 2018–19 | 2019–20 |
| Underlying cash balance ($m) | 2130 | | 2725 | 2690 | 2810 |
| Fiscal balance ($m) | 2830 | | 2215 | 2500 | 2640 |
| 1. A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number in the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms. | | | | | |
| What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)? | | N/A | | | |
| Has the policy been costed by a third party?  If yes, can you provide a copy of this costing and its assumptions? | | No | | | |
| What is the expected community impact of the policy?  How many people will be affected by the policy?  What is the likely take up?  What is the basis for these impact assessments/assumptions? | | Lower income earners are will enjoy a higher rate of retirement savings, while higher income earners above $100,000 per annum are expected to be taxed a greater proportion of their retirement savings. | | | |
| **Administration of policy:** | | | | | |
| Who will administer the policy (for example, Australian Government entity, the States, non‑government organisation, etc)? | | ATO | | | |
| Please specify whether any special administrative arrangements are proposed for the policy and whether these are expected to involve additional transactions/processing (by service delivery agencies). | | No | | | |
| Intended date of implementation: | | 1 September 2016 | | | |
| Intended duration of policy: | | Ongoing | | | |
| Are there transitional arrangements associated with policy implementation? | | No | | | |
| List major data sources utilised to develop policy (for example, ABS catalogue number 3201.0). | |  | | | |
| Are there any other assumptions that need to be considered? | | No | | | |
| **NOTE:**  *Please note that:*  *The costing will be on the basis of information provided in this costing request.*  *The PBO is not bound to accept the assumptions provided by the requestor. If there is a material difference in the assumptions used by the PBO, the PBO will consult with the requestor in advance of the costing being completed.* | | | | | |