Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into Inquiry into Treasury Law Amendment (Better targeted Superannuation Concessions and Other Measures) Bill 2023 and a related bill

Department:	Department of the Treasury
Topic:	Treasury's latest tax expenditure statement
Reference:	Written (18 April 2024)
Senator:	Nick McKim

Question:

Treasury's latest tax expenditure statement says in relation to earnings tax concessions that the wealthiest 10% get 40% of the tax benefits and Men get 61% of the benefit, women get 39%. Does Treasury expect these proportions to change if this legislation was enacted? What would be the expected changes in these figures as forecast by Treasury?

The tax expenditures statement also says the growth in these earnings tax breaks has grown 17.7% over the last three years. What is driving that, is it larger super balances, asset inflation from a sustained low interest rate environment or something else?

Is there a reason why the tax expenditure statement doesn't separate out the tax free earnings of retirement accounts? Is that something Treasury could prepare for the next tax expenditure statement?

Answer:

- The 2023-24 Tax Expenditures and Insights Statement (TEIS) provides distributional analysis of superannuation earnings for the 2020-21 financial year, while the Better Targeted Superannuation Concessions measure will not commence until 2025-26, by which time the distribution of beneficiaries may have shifted.

- As highlighted in the 2023 IGR (Chart 7.21), the rise in total projected costs of superannuation tax concessions is a long-term trend, driven by increasing earnings tax concessions as the increased stock of funds generates greater earnings (there is a related fall in projected spending on the Age Pension). Earnings tax concessions are dependent on the growth of the superannuation system (eg contributions and earnings outweighing withdrawals) and the rates of return on these assets (which can be volatile between years – eg equity asset prices can rise or fall significantly in particular years). There are a multitude of factors contributing to the growth of the superannuation system, including both the rate of return on assets within the system, and the maturity of the system as Australians spend a greater number of their working years making contributions.

- The TEIS presents the distributional impact of large tax expenditures, showing which individuals, households or businesses benefit from tax expenditures, across characteristics including level of income, age, gender and industry where relevant and where reliable information is available.