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Dear Mr Bryant

SENATE INQUIRY INTO THE MINERALS RESOURCE RENT TAX BILL 2011 AND RELATED BILLS

AustralianSuper would like to provide this submission in relation to the inquiry into the Minerals Resource Rent Tax Bill 2011 and related bills.

About AustralianSuper

AustralianSuper is a superannuation fund that is run only to benefit members. With 1.8 million members and \$42 billion in members' assets, we use our scale to provide the best possible retirement outcome for members. With this focus, we strongly support the measures set out in this package as providing effective and sustainable means for maximising the benefits gained from Australia's natural resources for today's and future generations of Australians.

Minerals Resource Rent Tax Bill 2011 and related bills, and the Petroleum Resource Rent Tax Assessment Amendment Bill 2011 and related bills

AustralianSuper supports the proposal that some of the exceptional profits arising from Australia's mineral wealth be used to invest in Australia's long term well being.

Importantly, rent taxes are sustainable because they respond to the periods of changing profitability in commodities, and do not deter investment in industry. For this reason, profit based taxes for the extraction of non-renewable resources are being used increasingly by resource-rich nations and regions, including Canada, Nevada, Malawi, Mongolia, Peru, and Chile for mining, and in the petroleum sectors of Norway and the UK¹. Most recently, China has introduced an additional national resources tax for oil and gas².

Australia's own experience of the Petroleum Resource Rent Tax introduced for offshore petroleum in 1987 has shown that this form of taxation does not discourage exploration and investment. Extending this tax to all oil and gas production in Australia recognises the value of our non-renewable resources as a national heritage, and the proposed measures in the remaining bills provide the means for the community to share in these benefits.

The opportunity afforded by the non-renewable resources boom is a long-term one, but by its nature is also finite. It is therefore important that a well-considered response is made to this exceptional resources boom sooner rather than later. The reform of taxation from a royalty-based towards a profit-based treatment of mineral resources at the valuation point just after extraction is appropriate to big and small mining operations, and provides a solid, sustainable base for nation building. AustralianSuper supports this timely response to the resources boom so that its benefits will be optimised over the long term.

The remaining bills seek to:

- increase Superannuation Guarantee contributions from 9% to 12%;
- increase the age limit for the Superannuation Guarantee; and
- introduce the low income superannuation contribution.

¹ *International Comparison – Mining Taxation*, Australian Treasury 9/11/2011 (aph.gov.au/minerals_tax)

² *China resource tax targets oil, gas extraction*, ABC News 21/11/2011 20:31:49

Superannuation Guarantee (Administration) Amendment Bill 2011

Increase the Superannuation Guarantee from 9% to 12% (Schedule 1)

AustralianSuper strongly supports the Government's proposal to increase Superannuation Guarantee contributions from 9% to 12% by 2020 as a matter of utmost national importance. This increase would make a substantial improvement to most people's retirement living standards and to the nation's overall wealth, by boosting the retirement savings of 8.4 million Australian workers.

This legislation recognises that Australians are living longer, and will require an income for longer than ever before, whether from their retirement savings, the Age Pension, or from continued work as they transition to retirement. As the number of older people increases, better personal retirement savings will be needed so that dependence on the Age Pension does not increase to an unsustainable level.

We believe the current rate of 9% poses a real risk that most people will outlive their retirement savings, and be fully or excessively dependent on an Age Pension.

The proposed changes will enable the average Australian worker to afford a more comfortable retirement. For example, for a 20 year old earning \$40,000 pa, an increase to 12% SG could mean an extra \$90,000 in super over their working life³.

Earlier this year AustralianSuper ran a petition on its website in support of the SG increase from 9% to 12%. Over 7,750 members signed the petition from all over Australia. In addition, in March we organised for an online poll to be run on one of the leading networking sites, LinkedIn. The poll asked people to vote on the following "Increasing the super contribution rate from 9% to 12% is a good idea?" Over two weeks more than 6,000 people responded which LinkedIn reports was one of the highest response rates they have had. 79% of respondents voted 'yes' and most of the respondents were aged 25 – 54 years. Both the petition and poll are indicators of the broad support for the increase to the SG.

The proposed timetable for increasing the Superannuation Guarantee to 12% over seven years is consistent with the intention that these reforms are sustainable for all participants. However, any decrease in the modest increases proposed or the rate in which they are introduced would be to overlook the needs arising from the long-forecasted changes in Australia's demographic profile.

Lifting of the Age Limit for Superannuation Guarantee Contributions (Schedule 1)

We support the legislation to lift the SG age limit from 70 to 75, and the Government's commitment to remove the age limit for superannuation guarantee contributions altogether from July 2013⁴, as a matter of fairness.

This provision recognises the two consequences of Australians living longer and healthier lives: that their retirement savings need to last longer, and that they may choose to work longer. Traditional ideas of retirement are being replaced by the practice of transition to retirement in a flexible workforce that values the contribution of mature workers, and that recognises the declining birth-rate and the shortage of skilled labour.

The provision as drafted brings superannuation arrangements in line with the *Income Tax Assessment (ITA) Act 1997*, where the upper age limit for employer deductions for superannuation contributions and for deductible contributions made by self-employed people is 75. The removal of the age limit for SG contributions would require consequent amendment to the ITA Act.

Tax Laws Amendment (Stronger, Fairer, Simpler and Other Measures) Bill 2011

The Low Income Superannuation Contribution (Schedule 4)

AustralianSuper supports the proposed Low Income Superannuation Contribution (LISC), which returns the tax paid on concessional contributions by a person's superannuation fund up to the value of \$500 for people with an adjusted taxable income of \$37,000 or less.

³ Using AustralianSuper's retirement income calculator as at January 2010, based on AustralianSuper's fees and costs. Assumes: starting age 20; income \$40,000, super balance \$1,000, retirement age 65, inflation 4%, 7% investment return. Access the calculator at australiansuper.com/ric for full assumptions.

⁴ Superannuation Guarantee (Administration) Amendment Bill 2011 – Second Reading Speech

Low income earners are less able to contribute to their superannuation, and generally have very low levels of retirement savings. This issue particularly affects women, who currently live about five years longer than men⁵ but on average have about 40% less savings at retirement⁶, due to lower rates of pay, a greater proportion being in part-time and casual work, and being generally more likely to have breaks in their years of paid employment.

The current assistance for low income earners is provided by the co-contribution scheme; however in reality the requirement for a matching contribution in order to qualify for the government co-contribution is not suitable for people with very limited disposable income.

It is estimated that the proposed initiative will boost the retirement savings of 3.6 million low income earners, including the 2.1 million women who earn less than \$37,000⁷.

AustralianSuper supports the measures set out in this package of legislation. We support the MRRT Bill as providing an effective and sustainable means for maximising the benefits gained from Australia's natural resources, and welcome the package of superannuation legislation that seeks to provide members with improved retirement conditions.

Yours sincerely

IAN SILK

Chief Executive

⁵ *ABS Year Book Australia 2009-10*, No.1301.0

⁶ *Developments in the level and distribution of retirements savings*, ASFA, September 2011.

⁷ *20 Years of Superannuation*, Address to ASFA Superannuation Guarantee Dinner, Min. Bill Shorten, Parliament House, Canberra 16 August 2011.