Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the Treasury Laws Amendment (Better Targeted Superannuation Concessions and Other Measures) Bill 2023 [Provisions] and a related bill [Provisions]

Department: Department of the Treasury
Topic: Super tax
Reference: Written
Senator: Andrew Bragg

Question:

1. What assumptions about super tax concession settings were included in the 2023 IGR projections?
a. Did these projections assume that the $3m threshold would increase?
b. Please provide details on how much and when these thresholds were assumed to have increased.

2. Submitters have informed the Committee that the taxation of unrealised gains will result in double taxation:
a. Will taxpayers above the $3 million threshold who are required to pay the new tax on TSB movements (unrealised gains) be also required to pay CGT on realised gains within their portfolios?

3. Why not include a refund mechanism, instead of a carried forward loss mechanism, as some submitters have proposed?
a. Is the taxation of unrealised gains part of the Government's revenue strategy, by increasingly capturing unrealised earnings that haven't actually been realised by taxpayers?

Answer:

1. Every IGR has featured technical assumptions that limit tax-to-GDP over longer-term projection periods. Specifically in modelling the retirement income system for the 2023 IGR, consistent with previous IGRs, Treasury makes a technical assumption that all major thresholds in the tax system that do not have automatic indexation applied are to be indexed beyond the medium-term.

2. Division 296 does not involve any double taxation on individual superannuation balances. Division 296 works alongside the existing superannuation fund capital gains tax regime for members with interests exceeding $3 million. Together these taxes will never result in an individual paying more than the combined headline rate of 30 per cent for earnings (including capital gains) on the portion of their assets exceeding $3 million.

3. The Government has stated that the intent of the Better Targeted Superannuation Concessions measure is to make the superannuation system more sustainable and fairer by reducing the concessional rate of taxation for 0.5 per cent of all superannuation accounts from 2025-26. The design of this measure achieves this goal in the simplest, most cost-effective approach, using existing concepts that retains sector neutrality.