

Labor Senators' Dissenting Report

1.1 The Labor Senators note the deal reached between the Government and the Greens to amend the reporting date and require this report to be finalised two months in advance of its prior reporting date.

1.2 This change presented significant difficulty in ensuring this Inquiry could fully investigate the impact of the changes proposed in this Bill.

1.3 Labor Senators consider the change of reporting date to be contrary to proper process and contrary to the proper functions of the Senate.

1.4 The change in reporting date unnecessarily shut down a proper public debate and discussion about the changes. Labor Senators wish to record our strong opposition to the change.

1.5 Labor Senators note the conclusions drawn from the evidence by the Government and Green's Senators is contrary to what has been presented.

1.6 In particular, Labor Senators note that a significant number of participants to the Inquiry took issue with the changes proposed by the Government to the assets test.

1.7 Modelling provided to the committee by Industry Super Australia, highlights the significant impact this measure will have on pensioners with modest assets. In its submission, Industry Super Australia, states:

[T]he changes to the asset threshold and the 'asset taper rate' would reduce the retirement incomes of Australians who currently are on modest incomes, and whose retirement incomes are projected to be below that sufficient for a comfortable standard of living in retirement. Consequently, the proposed change is poorly targeted and inconsistent with the public policy objectives of the retirement security system.¹

1.8 Industry Super Australia's supplementary submission also casts doubt on the Government's claims of how many pensioners will be left better off by this change:

[T]he Government has said there would be more than 170,000 pensioners with modest assets who would be better off under the changes proposed under the Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015. However, analysis by Industry Super Australia (ISA) suggests the gains presented are overstated, with a significant proportion obtaining no increase or lower increases than suggested.²

1.9 The detailed evidence provided in the submission and supplementary submission from Industry Super Australia is clearly contrary to the misleading comments by the Government, who dishonestly claim that the measure will only affect the rich. We consider these claims to be wrong in fact and misleading.

1 Industry Super Australia, *Submission 9*, p. 5.

2 Industry Super Australia, *Submission 9.1*, p. 3.

1.10 In particular Labor Senators note the evidence presented to the committee which shows that the cuts will impact people on below average earnings, with women to be particularly affected:

[T]he proposed changes in the taper rate will amount to a 15 per cent overall cut in the retirement income of some people who are on incomes below a comfortable standard, while people on higher incomes are largely unaffected. Women are especially harmed – under the proposal, eight in 10 single women retiring in 2055 will do so on incomes below that needed for a comfortable living standard, an increase of 30 per cent.

The Bill's negative effects on single women will hit those on pretty modest incomes: Women aged 55-59 will be affected from earnings above \$46,220; women aged 45-49 are affected from earnings above \$40,568 and those aged 25-29 from earnings above \$23,954.³

1.11 Labor Senators also highlight evidence received by the committee which indicates that the negative impact of the proposed taper rate changes would deepen over the coming decades:

[T]he proportion of new retirees affected by the proposed change will increase sharply over time. The proportion of new cohorts of retirees affected by the proposed asset test change increase from one in three today to seven in 10 by 2050. This influx will increase the overall proportion of the Age Pension population who are worse off from just over 10 per cent in 2017 to over 40 per cent by 2055.⁴

1.12 The committee also received evidence which showed that the measure is in effect a significant wealth tax, providing a large disincentive for people to save, or a strong incentive to spend their assets down more quickly. We accept the view that this measure will:

- create a disincentive to save;
- lead to higher drawdowns on assets; and
- have a detrimental impact on the adequacy of retirement incomes.

1.13 For these reasons, in her submission to the committee, Professor Miranda Stewart, the Director of the ANU's Tax and Transfer Policy Institute, stated that the measure is 'contrary to generally accepted good principles of tax and transfer design'.⁵

1.14 Based on the evidence received by the committee Labor Senators do not support the proposed changes to the assets test threshold and taper rate, and recommend that the measure be removed from this Bill.

1.15 Labor Senators also note the significant concerns raised in submissions about the changes to proportional payment of pension overseas, and the likelihood that these

3 *Submission 9*, p. 4.

4 *Submission 9*, p. 11.

5 Tax and Transfer Policy Institute, *Submission 8*, p. 4.

will have a detrimental impact on pensioners who have lived in Australia for many years, but who wish to spend time overseas in retirement. We share these views, and as such we recommend that this measure be removed from the Bill.

1.16 Labor Senators also recommend that the provisions in this Bill which would see the Education Entry Payment and the Pensioner Education Supplement ceased should be removed. These modest payments go to very low income Australians who are seeking access to education.

1.17 The abolition of these payments is contrary to the goal of encouraging certain pension recipients to study and look for work. As such, we recommend that the provisions relating to their abolition be removed from this Bill.

Recommendation 1

1.18 That Schedule 2 be removed from the Bill.

Recommendation 2

1.19 That Schedule 3 be removed from the Bill.

Recommendation 3

1.20 That Schedule 5 be removed from the Bill.

Recommendation 4

1.21 That Schedule 6 be removed from the Bill.

Senator Carol Brown

Senator Nova Peris OAM

Senator Claire Moore

