

Labor Senators' Dissenting Report

Background and Overview

1.1 Labor built Australia's superannuation system. Labor Senators will always work to ensure that it is fair, sustainable and sets Australians up for a comfortable life in retirement.

1.2 Bill Shorten and Labor have led the policy debate on keeping our superannuation settings fit for purpose as our community ages and Australia's Budget faces new challenges.

1.3 For more than a year we have clearly and consistently made the case that a system which sees half of all superannuation benefits flow to the top 20 per cent of earners, and 40 per cent of all benefits flow to the top 10 per cent of earners, is a system in need of reform.

1.4 The contrast with the Turnbull Government's chaotic approach to superannuation couldn't be clearer.

1.5 After relentlessly attacking Labor's proposed superannuation reforms, the Turnbull Government did an untidy about-face with a rushed and flawed package of super changes in the 2016 Budget.

1.6 Malcolm Turnbull's retrospective changes were widely criticised for undermining confidence in the superannuation system, and were torn to shreds by his own backbench.

1.7 Following months of wrangling and in-fighting, the Government then proposed a revised package that saw them dump and delay measures they had been defending as essential only weeks before. Australians looked on in amazement as Malcolm Turnbull and Scott Morrison proudly announced they had finally secured agreement for a revised plan – from George Christensen and their own backbench MPs.

1.8 The problems with Malcolm Turnbull's superannuation package do not end with this shambolic policy process. While their package goes some way towards reining in the cost and tackling the unfairness of our current super rules, it remains too generous for Australians on higher incomes.

1.9 Opening up new superannuation tax loopholes worth more than \$12 billion over the decade is also not affordable when the Government's economic mismanagement has already put Australia's AAA credit rating under threat.

1.10 That is why Labor is proposing a revised package to make these reforms fairer and avoid another irresponsible hit to the budget like Malcolm Turnbull's \$50 billion tax cut for big business.

1.11 Labor's changes are responsible and fair. They are consistent with the superannuation reform principles we have been pursuing for more than a year: targeting concessions to where they are needed most while improving the Budget bottom line.

1.12 Our package will improve on the Government's proposals by \$1.4 billion over the forward estimates and \$18.9 billion over the medium term, for a total budget improvement of \$4.5 billion to 2019-2020 and \$32.6 billion to 2026-27.

1.13 Labor has consistently argued for reforms to tighten up superannuation tax breaks going to the top end. We have also made clear that our priority is helping low and middle income earners – particularly women – save enough for a comfortable retirement. The money that Government spends on superannuation tax concessions is money that cannot be spent elsewhere in our community, so this needs to be well targeted. We should be careful that at the same time as closing down one set of loopholes, we do not open up others.

Specific measures

1.14 Labor Senators support the following measures in this package:

- Introducing a \$1.6 million superannuation transfer cap;
- Introducing a Low Income Superannuation Tax Offset;
- Improving the superannuation balances of low income spouses;
- Removing the anti-detriment provision for death benefits from superannuation; and
- Strengthening the integrity of retirement income streams.

1.15 Labor Senators have the following positions on other elements of the package:

- Amend the annual non-concessional contribution cap from \$100,000 to \$75,000;
- Amend the concessional superannuation contributions threshold from \$250,000 to \$200,000;
- Oppose the measure to allow catch-up concessional superannuation contributions; and
- Oppose the measure to allow tax deductions for personal superannuation contributions.

1.16 Labor Senators support those measures that genuinely help middle and working class families build up stronger retirement savings and make the system fairer.

1.17 Lowering the annual non-concessional contributions cap to \$75,000 gets the balance right between the non-concessional contributions middle and low income taxpayers make while reducing tax concessions to high income earners.

1.18 Only 0.7 percent of Australian taxpayers made \$100,000 or more in non-concessional contributions in 2012-13. Over 86 per cent of taxpayers made no non-concessional contributions whatsoever that same year.

1.19 Many Australians will make a single, large non-concessional contribution at some stage in their working life – for example with an inheritance or the sale proceeds from a property. The superannuation system allows for this by letting Australians bring forward three years' worth of contributions into a single year.

1.20 But Treasury figures indicate the average contribution for these one-off lump sums is \$135,000 – well below the \$300,000 that would be allowed under the Government's plan.

1.21 By lowering the annual non-concessional contributions cap to \$75,000 Labor will ensure the carry-forward allowance remains generous enough to accommodate the kind of one-off contributions middle- and low-income taxpayers make. This measure will also do a proper job of cutting back opportunities for higher income earners to gain tax concessions for large annual contributions – something the Turnbull Government has failed to do.

1.22 Further lowering the High Income Superannuation Contribution threshold to \$200,000 also improves the fairness of the superannuation system.

1.23 The Government is proposing that people earning \$250,000 and over pay 30 per cent tax on their concessional superannuation contributions, rather than 15 per cent.

1.24 Labor Senators want to see the income threshold further lowered to \$200,000. This will mean that someone earning \$200,000 gets the same super tax concession as someone earning \$80,000 – but no more.

1.25 Over 96 per cent of all Australian taxpayers will not be affected by this change to the High Income Superannuation Contribution threshold.

1.26 Labor Senators oppose the introduction of catch-up concessional contributions and oppose changes to tax deductibility for personal superannuation contributions as these measures are unaffordable given the current fiscal position.

1.27 With the deficit sitting at almost \$40 billion, responsible governments must ensure every new dollar of Commonwealth money is targeted and well spent.

1.28 The Government's proposed new superannuation loopholes will cost the budget \$12.3 billion over the decade. This is not affordable in the current climate.

1.29 Each of these measures is more likely to be taken up by those on higher incomes who can afford to make additional superannuation contributions. Meanwhile, the number of middle and low income earners who have the financial capacity to take advantage of these changes is limited.

1.30 For example, Association of Superannuation Funds of Australia (ASFA) estimates that just 230,000 Australians would benefit from the catch-up contributions measure.

1.31 Analysis from the Parliamentary Budget Office shows that only around 2.3 per cent of taxpayers made \$25,000 or more worth of concessional contributions in 2012-13, with their average income being \$182,000. This is because most Australians on lower incomes simply cannot afford to make additional contributions from their take-home pay.

1.32 Labor will continue to work towards a superannuation system that is fair, sustainable and sets Australians up for the future. Our package improves on Malcolm Turnbull's mess by properly tightening up concessions to the top end while significantly improving the budget bottom line to protect Australia's hard-won AAA rating.

1.33 Labor Senators will continue to argue for amendments to the Government's legislative package, and if unsuccessful on this occasion, will take the position to the next election.

Senator Chris Ketter
Deputy Chair

Senator Jenny McAllister
Senator for New South Wales