

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**Treasury Portfolio**  
Budget Estimates 2014  
3 June to 5 June 2014

**Department/ Agency:** Treasury

**Question:** BET 717

**Topic:** Superannuation and the preservation age

**Reference:** Hansard –p41-42, 5 June 2014

**Senator:** Wong

**Question:**

717. Senator WONG: Can I go to a couple of questions on superannuation and the preservation age. I want you to talk me through some of the implications of the difference between the superannuation preservation age and the age pension, and then I will have some further questions after you have done that.

Mr Heferen: The pension age is the age at which someone is entitled to receive the age pension. The preservation age is the age at which people are entitled to access their superannuation. The preservation age is currently in the process of moving from 55 to 60. It gets to 60 on 1 July 2024—I think that is correct. So at the moment when one reaches 55, 56 or 57—whatever it is in that stepped progress to 60—they can access their superannuation. Of course, at age 60, they can access superannuation free of income tax. If they access superannuation at the preservation age, which at the moment is still under 60, it would be subject to tax as ordinary income. When they get to 60 they can access it tax free and that will be the preservation age. The age pension age, as you are aware, in the current law is 67 and the proposal is to move that to 70. There is a lot of commentary and discussion about the appropriate difference between the preservation age and the age pension age and, I guess, legitimately contested views. One point of difference is that the age pension age is the age at which a person can receive money from other taxpayers; the preservation age is the age at which they get their own money back.

Senator WONG: I am interested in how the interaction between those two and any change in the difference between them does or does not impact on the budget. I want to know whether your costing, for example, or your assessment of the benefit to the budget of an increase in the age at which people can access their pension is altered at all by any change to the preservation age or what the interaction is between them.

Mr Heferen: If the preservation age is pushed out, people will still be making contributions until that age.

Senator WONG: That is obvious—sorry, I should explain. It is about the effect that the preservation age has on your assessment or your costing of the fiscal benefit of extending the age pension age. Is there any effect?

Mr Heferen: I do not think so.

Senator Cormann: We might want to take that on notice just to think that one through.

Mr Heferen: I will take that on notice.

Senator WONG: The movement in the preservation age has obvious fiscal effects.

People potentially work longer and pay tax longer if you raise it—correct? Is that what you were referring to previously?

Mr Heferen: I was going more to the preservation age in the sense that that is pushed out. With superannuation, because on average over time there would be a reduction in what a person would otherwise be paid, if they are paid it they will be taxed at the marginal rates. To the extent money is taken out and put into super, there is a negative

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**Treasury Portfolio**  
Budget Estimates 2014  
3 June to 5 June 2014

effect on personal tax. If the preservation age is pushed out, there is also a question about the tax-free entitlement in superannuation. Where that is moved, that would also be relevant. But, of course, if the preservation age is pushed out and people cannot get access to superannuation, the question would be: how many people would stay in the workforce longer? How many people would still retire early and live on other savings and so forth? To have a meaningful working through of that, firstly, of course, it is quite an extreme hypothetical, but the other point is that there would be quite a few moving parts in that. In taking it on notice, we will attempt to—

Senator WONG: Yes. I am trying to get a sense of the extent, if any, to which changes in the preservation age impact on aged pension expenditure. I think that is the simplest way to put it.

Mr Heferen: We will take that on notice

**Answer:**

717 - This is a hypothetical question. The Government has no plans to change the preservation age.