

SENATE COMMITTEE INQUIRY

SMALL BUSINESS.

SUBMISSION from DR RICHARD STUCKEY TOPIC - SUPERANNUATION GUARANTEE LEVY.

HISTORY. Every Australian worker to be self-funded in retirement. No requirement for the government funded pension scheme. Laudable intentions but who pays?

So Paul Keating's grand plan was born a decade or more ago. Estimates were and still are that if all workers make a 15% of wages contribution to their superannuation fund over a working life of 40 years they would be totally self-funded in retirement.

This levy was to be jointly funded by contributions from employer [9%], employee [3%] and government [3%].

The only fraction of the plan introduced was the employer contribution which has been phased in over a number of years to the current level of 9%. The levy has never been applied to contractors and is thus missing a large, and probably increasing, part of the workforce.

There are many situations where people are contracted by the same business for long periods of time and are not paid superannuation.

EFFECT. The 9% levy has been a huge impost on employers in general and especially those in small business. During this introduction phase the levy has not been factored into in wage negotiations and base wages have continued to increase as usual.

For small business owners the levy has presumably been funded by reducing their own share of business profits. It is generally felt that a 9% levy will not achieve self-funded retirement. This will place enormous pressure on future governments to increase the levy towards 15%

Thus the current situation places a huge burden on small business whilst not achieving the original aim.

This in itself is a large deterrent for small business to expand.

FUTURE. By the year 2050 there will be twice as many Australians over the age of 80 than there are now. The current age pension system will not be sustainable and it is thus imperative that a self-funding superannuation system be expanded to reach the stated goals whilst not penalising small business as this will be the major employer in the future.

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SUPERANNUATION GUARANTEE LEVY Contd

Option 1. To phase in the original Keating plan. The advantages of this is that the 15% target will be reached without penalising the employers any further and by involving employees to some degree in their own superannuation contributions. The concept of mutual obligation is important.

Option 2. To increase the employer contribution to 15%. This would be impossible for many small businesses to afford and many would probably act by reducing staff hours. There would be no incentive to expand staff levels. One possible way to offset the burden of this levy would be to make it 200% tax deductible.

SUMMARY

- In the terms of reference of this enquiry, this submission deals with government regulation in regards to compulsory superannuation.
- It explains why a levy is necessary and why the current situation is not satisfactory.
- It gives 2 options that would increase the levy to the target level whilst not penalising small business owners to the extent that they choose to down size their business.