



Australian
National
University

Miranda Stewart
Professor and Director

Tax and Transfer Policy Institute
Crawford School of Public Policy
College of Asia and the Pacific
Australian National University

+61 2 6125 5713
miranda.stewart@anu.edu.au

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Manager
Superannuation Tax Reform
Retirement Income Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: superannuation@treasury.gov.au

Submission to the Treasury: Third Tranche of Superannuation Reform Measures

Dear Manager

Thank you for the opportunity to make a submission to Treasury Laws Amendment (Fair and Sustainable Superannuation) Bill 2016, which implements part of the superannuation measures contained in the 2016-17 Budget.

I attach a submission and recommendations by me, David Ingles and Emily Millane. The submission supports the measures contained in this third and finale tranche of superannuation reform measures.

Having now had the opportunity to review the package as a whole, we make the general point that the legislation is very marginally beneficial to women. There are structural features of superannuation tax concessions which make the whole system very beneficial to men, particularly upper income men. The Government's package of reforms wind back some of the extremes of this system, but falls well short of the root and branch reform that would be needed to redress this aspect of the system. Beyond the Low Income Superannuation Tax Offset (LISTO) and the extension of the spouse tax offset, there are no measures in the legislative package which substantially redress the superannuation gender imbalance. This is a disappointing outcome, especially having regard to the recent bipartisan report of the Senate Economics References Committee which recommended a number of measures to increase women's retirement savings.

Please contact me with any queries or to discuss.

Sincerely

A handwritten signature in blue ink, appearing to read "M Stewart".

Miranda Stewart

SUBMISSION

Recommendations

- a. We recommend passage of the final tranche of the superannuation tax reforms.
- b. We recommend that the Government continue to evaluate the effects of the Australian superannuation and pension retirement system on gender equality with a view to further reform to achieve that substantive equality between women and men in retirement.

Introduction

This Submission is in respect of the proposed changes to superannuation law under the Treasury Laws Amendment (Fair and Sustainable Superannuation) Bill 2016 (**Tranche III Taxation Bill**). This is the final tranche of legislation to implement the package of superannuation changes announced in the 2016 Budget, in amended form.

This Submission supports the Tranche III Taxation Bill, which amends the annual non-concessional contributions cap from \$180,000 per year to \$100,000, and introduces criteria for individuals to be eligible to make non-concessional contributions up to the cap. The Bill also makes some amendments to the consequences of releasing money from superannuation and to the non-concessional contributions rules.

Having now had the opportunity to review the three tranches of legislation, it is apparent that the superannuation package does very little to address the gender inequities in the superannuation system. The only measure that addresses the superannuation gender imbalance is the Low Income Superannuation Tax Offset (LISTO), in Tranche I of the legislation. This measure benefits women because of their lower average incomes. Extending the Spouse Tax Offset, in Tranche II, may also be marginally beneficial, although we note that this is now delayed. It is disappointing, however, that the package contained no further measures which would have substantially benefited women, such as superannuation payments on paid parental leave (PPL).

As a general comment, superannuation tax concessions tend to disproportionately benefit higher income earners, who are disproportionately male. The Government's package of reforms is to be welcomed as it scales back some of these benefits. However, the overall system continues to be of greatest benefit to high-income earners and to re-inforce gender inequities in the wage system. Ultimately, this can best be addressed by root and branch reform, with less weight put on tax benefits and more on welfare payments.

Other measures in the superannuation package will only have a marginal benefit to women, or will have a negative impact.

- Only small numbers of (mainly high-income) women will be in a position to take advantage of the concessional and non-concessional contributions caps and their carry-forward provisions.
- The deferral of the higher threshold for spousal contributions for one year will disproportionately affect women as the primary beneficiaries of the measure.
- The retention of the work test for people aged 65 to 74 is unfortunate, as this is an arbitrary rule which can have unintended consequences.
- Finally, the superannuation objective contained no mention of gender equality.

1. Tranche III Taxation Bill

a. \$100,000 non-concessional contributions cap

Part 2 of Schedule 3 of the Tranche III Taxation Bill creates an annual non-concessional contributions cap of \$100,000 (four times the new annual concessional contributions cap of \$25,000).

This Submission supports the new tighter non-concessional contributions cap. We note, however, that the total balance cap of \$1.6 million allows for an income of approximately \$80,000 per year in retirement based on a 5 per cent rate of return. While this appears very generous, we note that this assumes a higher rate of return than may be realistic in the current low growth environment.

We noted in our previous submission to the Tranche II reforms that the \$1.6 million cap introduces considerable complexity to the system. We would have preferred fund earnings to be fully taxable.

The Bill also permits unused non-concessional contributions caps to be carried forward for up to three years, on the proviso that the total \$1.6 million lifetime contributions cap is not exceeded. In our previous submission to the Tranche II reforms, we expressed for the view that the provisions enabling catch-up concessional contributions were excessive. Similarly, this catch-up non-concessional contributions rule will primarily benefit high-income earners, mostly men, and will facilitate tax planning.

b. LISTO Eligibility

Part 6 of Schedule 3 of the Tranche III Taxation Bill provides that individuals who exceed their annual non-concessional contributions cap or whose total superannuation contributions exceed the lifetime cap are ineligible for the LISTO. This Submission supports Part 6 of Schedule 3.

2. Release authorities

Part 1 of Schedule 10 of the Tranche III Taxation Bill permits individuals to release amounts from superannuation to pay for excess contributions assessments or assessments of tax under Division 293 of the Income Tax Assessment Act 1997. This Submission supports Part 1 of Schedule 10.

3. Other changes

The Tranche III Taxation Bill contains a number of other amendments:

- (a) Reviews of determinations and decisions of the Commission Taxation (Part 3 of Schedule 3);
- (b) The definition of “total superannuation balance” (Part 4 of Schedule 3);
- (c) Transition provisions for working out a person’s annual non-concessional contributions cap (Part 4 of Schedule 3);
- (d) Definitions and application of amendments (Parts 7 and 8 of Schedule 3);
and
- (e) Consequential amendments and application of amendments (Parts 2 and 3 of Schedule 10).

This Submission supports the changes outlined in 3 (a) to (e).