MEDIA RELEASE

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PIECEMEAL SUPERANNUATION TAXES WILL NOT FIX BUDGET STRUCTURAL DEFICIT

New research released today by the Financial Services Council (FSC) demonstrates that proposed piecemeal increases to superannuation taxes will not deliver a sustainable Federal Budget position.

With government debt approaching a trillion dollars by 2022-23, and revenue under pressure due to an uncertain global economic outlook, new economic modelling by DeltaPearl Partners shows that a package of commonly proposed taxes on superannuation would add just 1.4 per cent to total budget revenue.

CEO of the FSC Blake Briggs said: “Over the medium-term Government payments are expected to level out at 26.4 per cent of GDP, significantly higher than the 24.8 per cent of GDP prior to the pandemic, requiring a focus on structural reform and economic growth to achieve Budget sustainability.

“Piecemeal superannuation taxes would raise only $8.5 billion in the context of a Government that collects over $560 billion annually in revenue.”

The FSC commissioned modelling to examine commonly proposed reforms to superannuation tax settings to estimate their impacts on the budget. Specifically:

- **Measure 1: Introduction of a $5 million limit on total superannuation balances.** Individuals with a total balance (across all super accounts) above this amount will be required to withdraw from super to bring their total balance below $5 million.
- **Measure 2: Reducing the tax concession on pre-tax contributions.** By reducing the $27,500 annual cap on pre-tax contributions to $15,000 and reducing the $250,000 Division 293 tax threshold to $200,000.
- **Measure 3: Introduction of a flat tax on all earnings in retirement at 15 per cent.** Currently only income on balances exceeding the transfer balance cap are taxed at a 15 per cent rate.

“These tax changes would have a negative impact on more than 15 million Australians that are saving for their retirement through superannuation by undermining consumer confidence in the objective of the system,” Mr Briggs added.

“Government should not lose focus on improving equity in the system, such as paying superannuation contributions on the Government paid parental leave and broadening the coverage of the Superannuation Guarantee to gig workers.”

The FSC modelling also examined three measures that resulted in gains in equity within the system. Specifically:

- **Measure 4: Progressive tax settings on superannuation contributions.** Replace the flat tax rate paid on superannuation contributions with a progressive tax rate linked to income. Employer superannuation contributions would be treated as individual income that is taxed at marginal personal income tax rates less a flat-rate refundable 20 per cent tax offset.
- **Measure 5: Inclusion of superannuation contributions within the government paid parental leave (PPL) scheme**
- **Measure 6: Broaden the coverage of the Superannuation Guarantee to platform-based gig workers.**

The report can be accessed on the FSC website.

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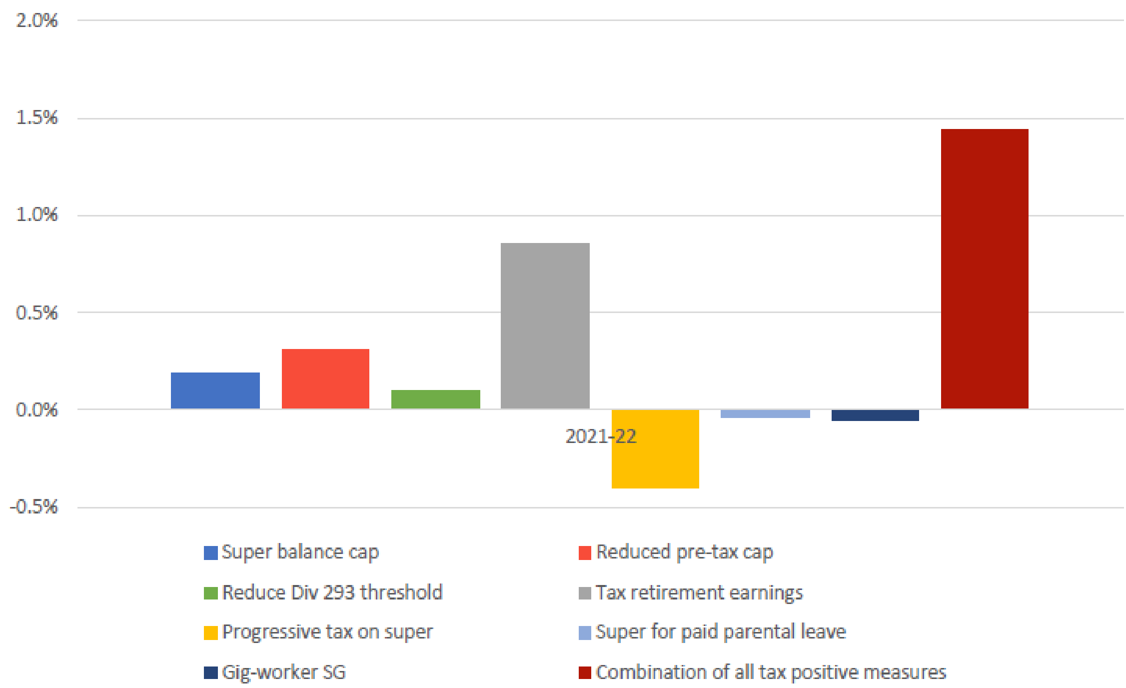
Editor's note

Figure 1: Net fiscal impact of modelled changes as a percent of total budget revenue (page 25)



Measure	Impacts
Measure 1: Introduction of a $5 million limit on total superannuation balances	Modelled outcome is expected to raise approximately $1.15 billion per year
Measure 2: Reducing the tax concession on pre-tax contributions	*$27,500 annual cap on pre-tax contributions to $15,000*. Modelled outcome is expected to raise approximately $1.94 billion per year. This measure could reduce retirement savings by up to 36 per cent for affected individuals. *$250,000 Division 293 tax threshold to $200,000.* Modelled outcome is expected to raise approximately $620 million and could reduce retirement savings by up to 27 per cent for affected individuals.
Measure 3: Introduction of a flat tax on all earnings in retirement at 15 per cent.	Modelled outcome is expected to raise approximately $4.82 billion per year in tax revenue, which would represent the equivalent of less than 1 per cent of total budget revenue. Under a depressed growth outlook (3 per cent growth instead of the estimated long-term average of 6 per cent) for asset markets, this measure would be expected to raise $2.40 billion per year.
Measure 4: Progressive tax settings on superannuation contributions. Replace the flat tax rate paid on superannuation contributions with a progressive tax rate linked to income	Modelled outcome of this measure is expected to cost approximately $2.50 billion per year.
Measure 5: Inclusion of superannuation contributions within the government paid parental leave (PPL) scheme.	Modelled outcome is expected to cost approximately $213 million per year. An individual could improve their superannuation balance by $20,000 with SG paid on their PPL one child for five years.
Measure 6: Broaden the coverage of the Superannuation Guarantee to platform-based gig workers	Modelled outcome is that this measure could cost approximately $318 million per year. A gig worker with five years in the industry could improve their superannuation balance by $48,000