

MEDIA RELEASE
14 JANUARY 2016

FSC STATEMENT – SUPERANNUATION – FOCUS ON SAVINGS, NOT TAX.

The Financial Services Council has urged the Government not to tax Australia’s superannuation savings harder, but instead consider how best to deliver better retirement outcomes to Australia’s lower and middle income earners.

In an effort to focus the national superannuation debate on maximising savings, not taxing them, the FSC has released PwC modelling which shows that one idea being considered, a tax rebate of 15 per cent for superannuation contributions, would diminish retirement savings and increase reliance on the age pension for the vast majority, 80 per cent, of Australians.

If a rebate model was to be adopted, the FSC’s modelling shows that the rebate would need to be at least 20 per cent and the superannuation guarantee (SG) would need to rise to 12 per cent from the current rate of 9.5 per cent.

This model would deliver increased savings for middle Australia, those earning up to \$80,000, while the better off would be taxed slightly more.

Other models in the current debate, including a 10 per cent or 15 per cent rebate option, leave Australians worse off across every income bracket and remove billions from people’s super savings, as demonstrated in Table 1.

Table 1. Replacement rates of super tax options currently subject to consideration.

Total replacement rates (change to current rules shown underneath headline rates)

	Current	9.5% & 10%	9.5% & 15%	9.5% & 20%	Current & 10%	Current & 15%	Current & 20%
0.5 x AWOTE (\$38,402)	78.5%	72.9% (5.6%)	74.1% (4.4%)	75.3% (3.2%)	76.3% (2.2%)	77.6% (0.8%)	78.6% +0.1%
AWOTE (\$76,804)	43.7%	42.1% (1.6%)	42.7% (1.0%)	43.0% (0.8%)	43.2% (0.6%)	43.5% (0.3%)	43.8% +0.1%
1.5 x AWOTE (\$115,206)	30.6%	29.1% (1.5%)	29.4% (1.3%)	29.6% (1.0%)	29.8% (0.8%)	30.1% (0.5%)	30.4% (0.2%)
2 x AWOTE (\$153,608)	24.0%	22.5% (1.5%)	22.8% (1.3%)	23.0% (1.0%)	23.2% (0.8%)	23.5% (0.5%)	23.8% (0.2%)
Lowest tax threshold (\$18,200)	143.9%	142.9% (1.0%)	142.9% (1.0%)	142.9% (1.0%)	147.3% +3.0%	147.3% +3.0%	147.3% +3.0%

Sally Loane, FSC CEO said: “While the Government hasn’t yet spelled out what it wants to do with tax treatment of superannuation, if there are changes, we urge close consideration of options which deliver better retirement savings outcomes for the majority of Australians, those in the lower to middle income groups.

“The Government needs to be very careful it doesn’t sacrifice national retirement savings to appease calls for more taxation on super.

“Options that leave Australians worse off in retirement and even more dependent on the age pension should be discarded. Options that raid superannuation savings to fund other projects or fill Budget holes, must not be considered.

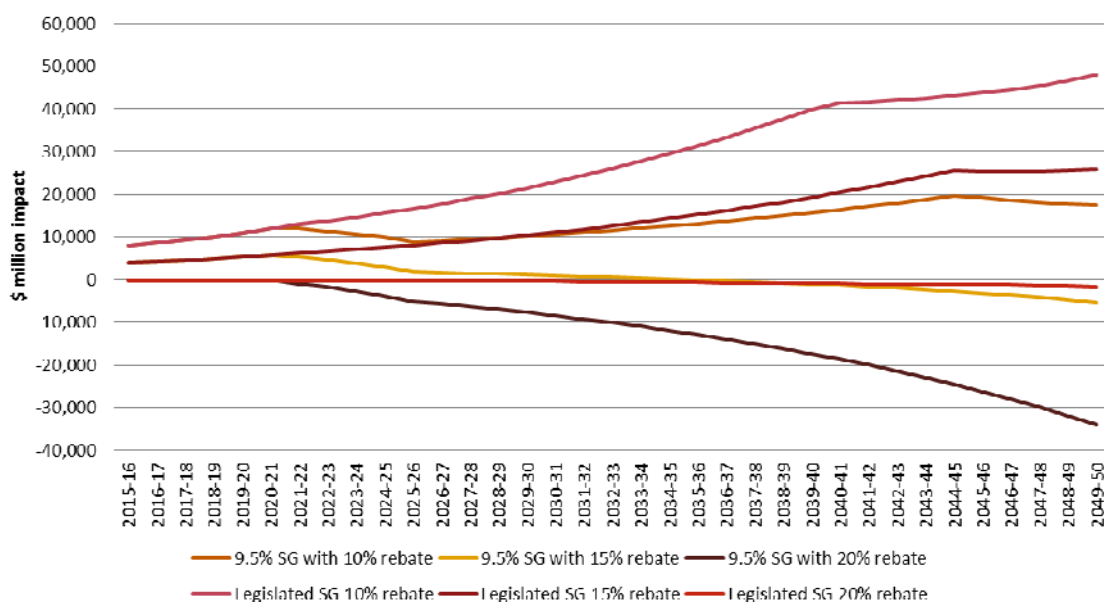
The FSC has consistently advocated the SG should get to 12 per cent as soon as possible.

“The decision by the Abbott Government to pause the SG at 9.5 per cent until 2025 was short-sighted policy that will push the cost of an aging population onto future generations and slow the ability of the superannuation system to achieve its purpose of delivering adequate self-funded retirements to the majority of Australians and reducing dependence on the public purse,” Ms Loane said.

The revenue implications and cost to Australian’s retirement savings of different tax options are outlined in Graph 1.

Graph 1. Annual Commonwealth fiscal impact of different tax options.

Annual - impact on operating balance (nominal, \$ millions)



The PwC modelling “[Fiscal and Household Impact of Taxation Options for Superannuation](#)” can be found here.

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For further information contact 0418 420 949

About the Financial Services Council

The Financial Services Council (FSC) has more than 115 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, licensed trustee companies and public trustees. The industry is responsible for investing more than \$2.6 trillion on behalf of 11.5 million Australians. The pool of funds under management is larger than Australia’s GDP and the capitalisation of the Australian Securities Exchange and is the third largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.