



PROGRESSIVE SUPERANNUATION

A SYSTEM FOR EVERYONE, NOT JUST THE RICH

The Greens' plan to deliver a secure retirement for all Australians

Superannuation in Australia has become a tax haven for the wealthy, rather than a way of delivering a comfortable retirement for all. If the Government is serious about raising revenue, it is time to remove the superannuation tax breaks that are heavily skewed in favour of high income earners, and to start caring for everyone.

> CURRENT PROBLEM

Australia's once world leading superannuation system was established over two decades ago to ensure our ageing population can retire in comfort and to preserve the pension for those who really need it. Now, just as baby boomers are beginning the transition into retirement, the public money foregone to superannuation concessions will surge from \$32 billion to a massive \$50 billion a year in 2018. Compulsory super will no longer be achieving one of its main objectives, and in fact cost more than providing the public pension for everyone.ⁱ

Our current super system is regressive and provides the biggest incentive for those earning high incomes, not to save for retirement but to maximise their wealth. It is a flat 15% tax on contributions, whether you are a parent working one day a week or a full-time millionaire. For example an executive earning \$300,000 per annum with a million dollar retirement account can receive \$37,000 of concessions, 2.5 times the value of the age pension, for every year of their working life.^[ii]

The most disproportionately affected are women, low-income and casual workers. 60% of workers earning less than \$37,000 are women,ⁱⁱ primarily because of commitments to care for others in their family, they only work part-time for many years. This results in women retiring with only half the retirement savings of menⁱⁱⁱ – this gap has to close. A progressive super system will go a long way in reducing the inequity of our retirement system.

> A SUPER SCHEME FOR THE RICH

Superannuation tax breaks are estimated by Treasury to cost \$32 billion annually. By way of comparison, we spend \$20.3 billion a year on Medicare.^{iv}

Half of super's total cost, \$16 billion, is spent subsidising contributions to superannuation funds. Those contributions are taxed at a flat rate of 15% instead of the individual's marginal tax rate. As a result, the system is biased towards those who earn the most.

That means that under the current system, those who earn \$19,400 and pay no tax, still pay 15 per cent tax on their super contributions – the exact same rate as someone in the top marginal tax rate earning more than \$180,000 per year.

It is clear that the current arrangement does nothing to address the widening gap between the rich and the poor with more than 90% of superannuation assets held by just the top 12% of income earners.^v As the government's own Murray Review noted, public revenue is lost to people using the super system, not for their retirement,^{vi} but as a tax-haven for their income and assets.

We need a vision for Australia's future, but the Abbott Government's budget attacks the most vulnerable and protects their big business mates instead of raising the revenue to invest in clean jobs, health and education.



> THE GREENS SOLUTION

While there are many technical reforms our super system needs, the most pressing, simple option is to remove the current flat tax rate of 15 percent for everyone, and replace it with a progressive system based closely^{vii} on the individual employee's marginal tax rate.

As a supporting priority measure, the policy also clamps down on 'churning' wages through super funds. While the \$30,000 contributions cap will remain, it will no longer be possible for over 55s to get a tax benefit just for putting their salary into their super while drawing an equivalent wage out the other side of their fund. The concessional tax rate will only apply to net contributions (the amount deposits exceed withdrawals).

The Greens proposed new superannuation tax regime as of 1 July 2015:

Income plus super	Marginal Tax Rate	Super rate
\$0-19,400	0 cents	0 cents
\$19,401 – 37,000	19 cents	4 cents
\$37,001 – 100,000	33 cents (37 cents from \$80k)	15 cents
\$100,001 – 150,000	37 cents	22 cents
\$150,001 onwards	N/A	30 cents
\$180,001 onwards	45-47 cents ^{viii}	30-32 cents ^{ix}

Costings from the Parliamentary Budget Office, submitted by the Australian Greens show that \$10.16 billion would be raised over four years through a progressive superannuation proposal.

This proposal would restore, and improve the retirement savings of lower income workers which were destroyed by the Government's deal with the coal-billionaire Clive Palmer to repeal the Mining Tax. The progressive rates of our policy will mean less tax and a higher retirement savings balance for low income workers while raising revenue for the government.

> WHAT THE EXPERTS ARE SAYING

The approach proposed has broadly been advocated by the ACTU, ACOSS, Anglicare^x and The Australia Institute.^{xi}

The Industry Super Network and the Henry Tax Review both

support progressive tax concessions so contributions are taxed at marginal rates with either a reduction of 15% or a capped tax rebate to assist low and middle income earners.

CASE STUDIES:

Worker on \$30,000 per year

Lisa, a mother earning \$30,000 a year working part time, currently pays 15% tax on her super, which will mean she will retire with savings of around \$290,000.

Under the Greens' progressive plan, Lisa will only pay 4% tax on her super contributions, which will mean \$500 more for her retirement every year, resulting in a **\$40,000 increase in her retirement savings to \$330,000.**

Worker on \$200,000 per year

Alan, a corporate lawyer in the top marginal tax bracket, earning \$200,000 a year, currently enjoys a tax break on his super of 30 cents in the dollar.

By shifting to a progressive new super tax regime, Alan would pay \$900 a year more, or 32% tax on his super contributions, amounting to \$110,000 over a lifetime, and **still retire with \$1.6 million in savings.**

ⁱ Tax Expenditure Statement 2014 Treasury and 2014-15 Budget Paper No.1 page 6-11.

ⁱⁱ http://www.tai.org.au/system/files_force/super_tax_concessions_final_7.pdf

ⁱⁱⁱ Women in Super *Submission to the Mining Tax Repeal and Other Measures Bill* page 3.

^{iv} Ibid

^v 2014-15 Budget Paper No.1 page 6-11.

^{vi} Financial Services Inquiry (The Murray Review) Interim Report July 2014 page 2-121

^{vii} Financial Services Inquiry (The Murray Review) Final Report November 2014 pages 137-138.

^{viii} The highest tax rate will begin at \$150,000 instead of the \$180,000 income tax bracket.

^{ix} The highest tax bracket will also have the additional 2c for the two-year duration of the so called 'budget deficit levy', lifting the tax rate to 47c in the dollar.

^x The highest tax bracket will also have the additional 2c for the two-year duration of the so called 'budget deficit levy', lifting the effective super rate to 32c in the dollar.

^{xi} Economics Legislation Committee *Minerals Resource Rent Tax Bill 2012*. March 2012 at 154-155

^{xii} http://www.tai.org.au/system/files_force/super_tax_concessions_final_7.p