



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

**SUPERANNUATION (SURCHARGE RATE
REDUCTION) AMENDMENT BILL 2003**

Consideration of Senate Message

SPEECH

Wednesday, 8 October 2003

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

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Questioner
Speaker Cox, David, MP

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Mr COX (Kingston) (5.49 pm)—We have to give the government full marks for persistence, if nothing else, particularly in the negotiations with the Democrats to reach another GST-style sweetheart deal that will allow these bills to pass. The first of these bills, the Superannuation (Surcharge Rate Reduction) Amendment Bill 2003, reduces the superannuation surcharge rate on high-income earners, an inequitable measure even in the government's terms. The second bill introduces the low-income co-contribution scheme, a scheme not without problems; nonetheless, it has considerably greater merit than the surcharge rate reduction. Although the deal made with the Democrats reduces the reduction in the superannuation surcharge from the original 4.5 per cent to 2.5 per cent, it still remains an exclusive tax cut going to high-income earners who make up less than five per cent of superannuation fund members. This small reduction pales into insignificance compared to Labor's proposal to reduce the contributions tax by two per cent, a reduction that would benefit all fund members, not just an exclusive and relatively well-off five per cent. Labor do support the co-contributions measure but, once again, we would point out that this is a very insipid proposal compared to Labor's three per cent co-contribution scheme which the government promised to maintain but rejected shortly after coming to office. This was one of the Howard government's first broken promises and a most short-term piece of policy.

As I have pointed out several times before, the reduction in the superannuation surcharge rate now proposed (a tax reduction from 15 per cent to 12½ per cent over three years) is highly inequitable, providing an exclusive benefit to less than five per cent of Australian workers—those high-income earners with incomes greater than \$94,691, with the highest tax reduction going to those earning more than \$114,981. Ironically, this same Liberal government which now wants to reduce the surcharge is the one that introduced it in 1996 on, of all grounds, that of equity. The Treasurer, Mr Costello, stated publicly that even he would have to pay the surcharge, a highly equitable move according to him then.

Of course, by introducing the surcharge, the government was also breaking its 1996 election promise to not introduce any new taxes. Now things have changed. Perhaps estimated gains from the tax cut to government members have influenced this change of heart. Costings indicate that the Treasurer stands to benefit by approximately \$4,000 a year through this tax cut. Other ministers, such as Tony Abbott, will also be at least \$5,000 a year better off, while Senator Coonan will have her—

The DEPUTY SPEAKER (Hon. B.C. Scott)—Order! The member will refer to ministers by their title or their electorate.

Mr COX—I am sorry. The Minister for Health and Ageing will have his tax bill reduced. The Minister for Revenue and Assistant Treasurer will have her tax bill reduced by \$4,700 a year.

Mr Hockey—So will you.

Mr COX—We are voting against this.

The DEPUTY SPEAKER—Order! The member for Kingston has the call.

Mr COX—Perhaps these losses hurt them so much that the government's uncharacteristic and fleeting dalliance with equity soon evaporated. I once again call on all other government members who plan to speak on this bill to disclose the individual benefit from the tax cut they now want to give themselves.

Mr Hockey—How much are you getting?

Mr COX—I am voting against it. Labor opposes the surcharge tax cut, so, hopefully, there will be no benefit to any parliamentarian as a result of this proposal. If there is one aspect of the surcharge that is inequitable, it is the administrative costs that are spread across all fund members, regardless of their level of income. Although

these charges have declined now that the system is in place, reducing the rate now will do nothing to alleviate the problem.

Labor has a much more equitable alternative to this exclusive tax cut. Labor will instead cut the contributions tax—a tax that is applied to all fund members regardless of income level. This is the best way to deliver higher retirement incomes to millions of working Australians, not a selective reduction to the relatively well-off few. We now have an opportunity to implement a fairer proposal which will boost retirement savings, but this chance will be lost if the government gets its way with these unfair changes. (*Extension of time granted*) Labor's alternative proposition is to cut the superannuation contributions tax from the present 15 per cent to 13 per cent for all Australians who pay it, adding many thousands of dollars to the retirement incomes of Australians.

I now turn to the contributions measure. The current co-contribution proposed in this bill is, as I have already pointed out, a very insipid imitation of the much more extensive co-contribution arrangements proposed by the ALP government in the May 1995 Savings for our Future statement. Those proposals included the government matching contributions of up to three per cent of average weekly ordinary time earnings, which did not phase out until a member achieved a wage of twice average weekly ordinary time earnings.

The current Treasurer committed an incoming Liberal government to implementing the 1995 ALP co-contribution proposals. Unfortunately, the Treasurer reneged on that promise, implementing instead a savings rebate—an initiative which he quickly abolished. Had Labor's co-contribution measure been fully implemented, as it would have been, on 1 July 2002, it would have delivered three per cent extra for all Australians in superannuation funds—some nine million persons—which is \$4.5 billion in retirement savings. The current government proposal delivers a co-contribution one-twentieth of the size of Labor's proposal.

Labor support this bill, although we have some reservations—which were also raised by others in the inquiry of the Senate Select Committee on Superannuation. These are concerns in relation to the effectiveness and equity of the proposed co-contribution scheme. The Labor Party are particularly concerned that there is scope for abuse by comparatively well-off people who will make contributions in respect of family members in part-time employment in order to access the tax concessions available. For that group of people the co-contribution arrangements provide a new tax minimisation opportunity. On the other hand, the capacity of single or lower income sole breadwinners in the salary target range to afford to make contributions to superannuation in order to qualify for the matching co-contribution is untested. Evidence given to the committee suggested that it was most unlikely that many of those in the target income range could raise the extra money to make the contributions necessary to attract government matching.

I understand that Senator Ian Campbell made some absurd claims that low-income earners making co-contributions will become millionaires. Most low-income earners will not be able to find the money to contribute. Hopefully, those few who will be able to will not be doing so based on Senator Ian Campbell's grossly misleading statement, which gave values in future dollars rather than today's dollars. They would be very disappointed millionaires. If that is converted back to today's dollars—a realistic picture of the results of contributing—no-one is going to become a millionaire.

As revealed in evidence from the peak superannuation body, the Association of Superannuation Funds of Australia Ltd, the number of people estimated to receive the full \$1,000 is only 75,000. This is from a total pool of 4.4 million people with incomes of less than \$32,500. Increasing the income threshold to \$40,000 is unlikely to increase this number significantly. Senator Coonan has tried to convince us that the surcharge reduction and the co-contribution scheme make up a balanced package and that this justifies debating the two measures together. This is nothing but window-dressing, trying to justify the Liberals' unfair tax cut to the well-off by pretending the measure is linked to co-contributions. If the government were serious about helping those most in need of assistance to accumulate a retirement nest egg, they would have maintained Labor's proposed three per cent co-contribution scheme for all. They have watered down the co-contribution arrangements to the surcharge reduction bill. Labor is prepared to support the co-contribution bill. Unfortunately, the government's insistence on tying it to the surcharge reduction means that Labor must oppose this package.