

PROPOSAL FOR ADDRESSING THE PENSION/SUPER PROBLEM

The age pension costs \$42 billion pa and superannuation tax concessions will cost the budget \$34 billion in 2014-15 according to the TES. These tax concessions are projected to rise to \$50 billion in 2017, an increase of around 11 per cent per annum. By this time superannuation tax concessions will be the single largest area of government (tax) expenditure. The overwhelming majority of this assistance flows to high income earners. Low income earners receive virtually no benefit. The combined cost of these two policies is \$76 billion. With an ageing population the dual pension/superannuation system will become increasingly expensive (ref: The Australia Institute, "Pensions and superannuation: the need for change", ISSN 1836-9014)

I propose that we should adopt a multi-pronged strategy to address this:

1. Provide EVERYONE with the basic pension without means testing (at additional cost of \$15 BILLION)
2. Set the basic pension at the published ASIC basic level; currently \$33,766 for a couple and \$23,469 for a single) (at additional cost of \$5 BILLION)
3. Provide homeowners with an additional pension supplement of 25% of the difference between the ASIC basic and comfortable rates (Currently \$6,000 for couples and \$5,000 for singles) (at additional cost of \$2 BILLION)
4. Provide non-homeowners i.e. renters with an additional pension supplement of 50% of the difference between the ASIC basic and comfortable rates (Currently \$12,000 for couples and \$10,000 for singles) (at additional cost of \$4 BILLION)
5. Abolish the pension rental subsidy (a saving of around \$4 BILLION per annum)
6. Abolish ALL tax breaks for super contributions and fund earnings i.e. all super contributions will be taxed at the taxpayer's marginal rate and fund earnings will be taxed at the company tax rate. (a saving of \$50 BILLION per annum, assuming point 7 below)
7. Retain compulsory super contributions at 9.5% to 10% (but taxed at the marginal rate) to provide ALL retirees who have worked with an extra nest egg - high income earners will still have a very good nest egg but low income earners will also have something.
8. Abolish negative gearing for investment properties (a saving of \$4 to \$5 BILLION per annum)

If all of the above were implemented, the SAVING to the budget bottom line would be \$30 BILLION + PER ANNUM.

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