

Submission to the Commonwealth Government on the Tax White paper

Addressing gender inequity in Australia's superannuation system

This submission relates to question 22 in the tax discussion paper: How appropriate are the tax arrangements for superannuation in terms of their fairness and complexity? How could they be improved? (Page 70)

I am a Finance and Economics Consultant who has spent considerable time assisting women with superannuation and campaigning on the superannuation gender gap.

While Australia's superannuation system was never meant to discriminate against women, its evolution over the last 20 years has created a significant gender gap in superannuation balances. Women on average have much less super than men. The average superannuation payout for women is just over half that for men and the average superannuation balance is just over half that for men.

A major reason for this is that the tax incentives for super favour those on higher incomes because the 15% concessional tax rate gives a greater tax benefit to those in the higher tax brackets who are more likely to be men. Women earn on average nearly 20% less than men and this gap is even wider if they work part time. Almost half of Australia's female work force is part time.

As long as our system is income based, it will continue to discriminate against women.

I believe that the best way to close the gender gap is to move completely away from allocating superannuation concessions according to the level of income and shift to a system that allocates concessions according to the level of account balance.

Such a system would involve establishing benchmark account balances by calculating the amount that an employed person working full time on male average weekly earnings with no career breaks in a balanced fund would have accumulated by age 35, 40, 45, 50 etc. If a person's super is below that amount then allow additional concessional contributions until he/she has reached the benchmark level. This would eliminate the need for contribution caps which can be complex to administer.

Superannuation balances would be calculated in accordance with current Centrelink reporting for aged pension means testing. An overall assets test may be needed to prevent people from switching out of super on reaching preservation age.

By moving away from concessions based on income from employment, people who are in caring roles could still contribute with funds from partner /spouse/parent. The system would significantly benefit women who:

- had previous breaks from the work force and wish to catch up
- are currently on parental leave and wish to continue to build their super
- had previously worked on a part time and/or casual basis but subsequently increased their working hours and income
- were previously in a low paid position but have since improved their earnings capability through further study or training
- have funds from a divorce settlement but little super
- have low income but received an inheritance they wished to put into super

In my work I meet many women who have low superannuation balances but who find later in life that they are in a better position to build their super; however, they are prevented from significantly doing so by contribution caps. These caps were introduced to prevent more affluent people from putting excessive sums into super. But the affect has been to work against many women who actually have improved earning capacity later in life, when their family responsibilities have lessened.

By switching to a system based on the level of super balance rather than level of income, those most in need of assistance are helped – and while the majority of these would be women, men who have fallen behind in their superannuation would also benefit.

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