

APPENDIX B: AGGREGATED SUPERANNUATION TAX EXPENDITURE

Table B.1 aggregates the estimated tax expenditures related to funded superannuation. The tax expenditures identified individually in Table B.1 should be understood as part of an integrated system. This system is significantly concessional taken as a whole. To get a complete picture of superannuation tax expenditures, C7 covering unfunded superannuation should be added.

The calculation of the estimates requires projections of contributions, earnings and eligible termination payments (ETPs). The estimates use projections of contributions, earnings and payouts. They assume that tax is collected from superannuation funds mainly in the year in which the contributions and earnings occur.

There have been significant changes to the estimates of the superannuation tax expenditures since the 2007 TES, mainly due to:

- updated base data used to estimate the superannuation tax expenditures;
- revised growth estimates reflecting expected impacts of the global financial crisis, particularly on taxable capital gains¹; and
- revised methodology in some instances.

1 Only realised capital gains are taxable and therefore impact on tax expenditures. The published 'headline' returns of superannuation funds include both realised and unrealised capital gains.

Table B1: Aggregated tax expenditures for funded superannuation^{(a)(b)}

| | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Costs | | | | | | | | |
| C4 Capital gains tax discount for funds | 420 | 1,100 | 1,700 | 1,400 | 580 | 320 | 320 | 400 |
| C5 Concessional taxation of employer contributions(c) | 8,300 | 8,950 | 11,450 | 9,850 | 10,150 | 10,900 | 11,650 | 12,400 |
| C6 Concessional taxation of superannuation entity earnings | 8,050 | 12,100 | 15,900 | 15,900 | 12,150 | 12,350 | 13,500 | 15,000 |
| C8 Deduction and concessional taxation of certain personal contributions | 340 | 410 | 810 | 1,550 | 1,350 | 1,100 | 1,100 | 1,200 |
| C9 Measures for low-income earners(d) | 85 | 260 | 540 | 320 | 390 | 400 | 370 | 350 |
| C10 Spouse contribution offset | 13 | 15 | 15 | 10 | 8 | 8 | 7 | 6 |
| Sub-total | 17,210 | 22,835 | 30,415 | 29,030 | 24,630 | 25,080 | 26,945 | 29,355 |
| Less offsets | | | | | | | | |
| C11 Tax on excess non-concessional contributions | * | * | * | * | * | * | * | * |
| C12 Tax on funded lump sums relating to post-June 1983 service(e) | -160 | -170 | -180 | -180 | -170 | -170 | -170 | -160 |
| C13 Tax on funded lump sums relating to pre-July 1983 service | -30 | -30 | -16 | 0 | 0 | 0 | 0 | 0 |
| C14 Tax on funded superannuation income streams(f) | * | * | * | * | * | * | * | * |
| C19 Payment of temporary residents' superannuation to the Australian Government | 0 | 0 | 0 | 0 | -245 | -365 | -285 | -210 |
| Sub-total | -190 | -200 | -195 | -180 | -415 | -535 | -455 | -370 |
| Total tax expenditures | 17,020 | 22,640 | 30,220 | 28,850 | 24,220 | 24,550 | 26,490 | 28,990 |

(a) The concessional treatment of unfunded superannuation (C7) and the concessional treatment of non-superannuation benefits (C3) are reported as separate tax expenditures and are not included in this table.

(b) Totals may not sum due to rounding.

(c) Includes the revenue impact of the surcharge on superannuation contributions for high income earners which applied to contributions for 2004-05 and earlier years.

(d) For years up to 2002-03 this line shows the level of the tax offset available to low income earners who made personal contributions. From 2003-04 the line shows the impact of the government co-contribution being untaxed.

(e) Includes total tax withheld from departing Australia superannuation payments.

(f) Indeterminate, but likely to be insignificant.