Combined Pensioners & Superannuants Association OF NEW SOUTH WALES INC

CPSA

# Submission to the Australian Treasury's *Minerals Resource Rent Tax Repeal and Other Measures Bill 2013*.

**31 October 2013**





**Combined Pensioners & Superannuants Association of NSW Inc (CPSA)**

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*CPSA is a non-profit, non-party-political membership association founded in 1931 which serves pensioners of all ages, superannuants and low-income retirees. CPSA has 130 Branches and affiliated organisations with a combined membership of over 29,000 people living throughout NSW. CPSA's aim is to improve the standard of living and well-being of its Members and constituents. CPSA depends for the majority of its funding for core activities as a peak body on a $440,000 grant from the NSW Government. CPSA engages in systemic advocacy on behalf of its constituency and also auspices four services which receive Government funding: the Health Promotion Service for Older People, the Older Persons Tenants' Service, the Park and Village Service and a Community Visitors Scheme. CPSA acknowledges the potential for conflict of interest arising for CPSA and the NSW Government as a result of this funding arrangement. CPSA is committed to managing any conflict of interest issues in an ethical manner.*



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CPSA writes regarding the removal of the Low Income Superannuation Contribution (LISC) and the Income Support Bonus (ISB) under the *Minerals Resource Rent Tax Repeal and Other Measures Bill 2013*.

Both these measures target the lowliest paid members of the community. The LISC rebates people earning less than $37,000 per annum the 15% tax paid on their superannuation contributions. This is to ensure that that they do not pay a higher rate of tax on their superannuation contributions than what they do on their regular pay. It also provides this group with the same tax rebate that middle-income earners receive on their superannuation contributions (15%).

The ISB, which is expected to cost $298.8 million in 2013/14, provides Centrelink allowance recipients with $211.60 (singles) or $352.80 (couples combined) per annum as additional support to help "manage unanticipated expenses". The payment equates to 58 cents per day for singles and 97 cents per day for couples (combined).

CPSA opposes the removal of these two measures because their repeal will disadvantage people on very low incomes.

Centrelink allowance recipients live on incomes well below the poverty line and myriad stakeholders have called for the Newstart Allowance to be increased as its low rate acts as a barrier to getting work. Although the ISB does not address the inadequacy of allowance payments, it at least provides some relief, particularly to long-term recipients, such as the long-term unemployed. For this reason, the ISB should be retained.

CPSA welcomed the LISC because it addressed, in part, an inequity whereby low-income earners receive no tax concession on their superannuation contributions, while higher-income earners receive a tax concession of between 15% and 31.5%. This has led to the top five per cent of income earners receiving 37 per cent of tax expenditure within the superannuation system.

The Explanatory Memorandum states that "the Government will revisit incentives in superannuation for low-income earners once the Budget is back in a strong surplus". The LISC is not an 'incentive'; it is paid on compulsory superannuation contributions. It is also concerning that the Australian Government will only revisit the lack of superannuation tax concessions for low-income earners once the budget is 'back in a strong surplus'. The LISC should not be viewed as a benefit. It simply addresses an inequity of the system, an inequity highlighted by Ken Henry in his 2010 taxation review. It is also for this reason that reform should not depend on when the budget is back in 'strong surplus', which is a vague timeframe, not least because it is unclear what would constitute a 'strong surplus'.



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More importantly, CPSA believes it would be prudent for the Australian Government to review superannuation tax expenditures it is concerned about delivering a budget surplus. Rather than abolish the LISC, which will cost $892 million in 2013/14, attention should be directed to the $12.5 billion (2009/10) going to the top 20 per cent income earners via superannuation tax expenditures.

CPSA supports the Henry Review's recommendations for reform of superannuation, which included taxing income earners' superannuation contributions at marginal tax rates, with a flat-rate tax rebate applied. This would ensure that all income earners receive a tax concession on their contributions and achieve a fairer redistribution of government tax expenditures. This is particularly important given the Superannuation Guarantee will increase from 9.25% to 12% because, without reform, the level tax expenditure to high-income earners will increase, and low-income earners will continue to receive no concession.

CPSA recommends that the Australian Government amends the *Minerals Resource Rent Tax Repeal and Other Measures Bill 2013* so that it:

1. retains the Income Support Bonus; and

2. retains the Low Income Superannuation Contribution.



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