

TREASURY MINISTERIAL BRIEF

PDR No. Section 22

22 April 2015

Treasurer

cc: Assistant Treasurer

OPPOSITION SUPERANNUATION TAX PROPOSALS**KEY POINTS**

- The Opposition has today announced two superannuation tax proposals.
 - A reduction in the high income earners superannuation contributions (Division 293) income threshold from \$300,000 to \$250,000.
 - A 15 per cent tax on superannuation pension phase earnings above \$75,000.
- The proposal to reduce the Division 293 threshold would mean individuals with incomes above \$250,000 would pay tax at 30 per cent on their superannuation contributions.
 - This would be a partial move towards taxing contributions at marginal tax rates minus a rebate and is consistent with the direction for reform that is being widely called for.
- The proposal to tax pension phase earnings above \$75,000 at 15 per cent is essentially the same as the ALP measure in the 2013-14 Budget (only then the threshold was \$100,000).
 - In November 2013, you announced, on our advice, that the Government would not proceed with this measure because the complexity and compliance costs associated with it would be prohibitive (see Attachment A for quotes from that time).

Section 47C

Section 22

Section 22

General Manager
Personal and Retirement Income Division

Consultation: Rob Heferen, Dep. Sec., Revenue Group; ATO

ATTACHMENT A

KEY QUOTES CONCERNING 2013-14 BUDGET PROPOSAL

TREASURER/AT MEDIA RELEASE – ‘RESTORING INTEGRITY IN THE AUSTRALIAN TAX SYSTEM’ (06/11/2013)

<http://jbh.ministers.treasury.gov.au/media-release/017-2013/>

“The Coalition Government will not proceed with Labor's announcement which would have taxed people's superannuation pension earnings above \$100,000 in the draw-down phase. The complexity and compliance costs associated with this initiative are extreme and essentially undeliverable. This is a demonstration of the Government's commitment to provide certainty for superannuation fund members by making no adverse unexpected changes to superannuation during our first term.”

ABC RADIO – ‘HOCKEY DEFENDS PLAN TO SCRAP LOW INCOME SUPER PAYMENT’ (07/11/2013)

<http://www.abc.net.au/worldtoday/content/2013/s3885816.htm>

“We've always been on the side of those people who are aspirational and they're, in relation to the superannuation measure that you mentioned, it would not have just captured people whose earnings from super in retirement were above \$100,000, it would also capture people with much lower amounts who, for whatever reason a particular year had their income from super bumped above the \$100,000.” – Arthur Sinodinos

“The problem, the problem has been that when it comes to administration for superannuation funds, it is hugely complex and incredibly expensive, to work out how much an individual would earn each year and apportioning an asset in a major superannuation fund with \$20, \$30, \$40 billion under management, to that particular individual in order to qualify for that. The feedback we got is was the compliance costs of this initiative well exceeded, well exceeded the \$313 million it was going to raise over four years.” – Joe Hockey

SMSF ASSOCIATION (FORMERLY SPAA) – ‘SCRAPPING TAX ON PENSION EARNINGS EXCEEDING \$100K GETS TICK FROM SPAA’ (06/11/2013)

[http://www.smsfassociation.com/library/media-releases/scrapping-tax-on-pension-earnings-exceeding-\\$100k-gets-tick-from-spaa.aspx](http://www.smsfassociation.com/library/media-releases/scrapping-tax-on-pension-earnings-exceeding-$100k-gets-tick-from-spaa.aspx)

“Since the tax on earnings exceeding \$100,000 was announced, SPAA has been a strong advocate to both sides of politics that the proposed tax was going to be an extremely complex and inefficient to administer for all types of superannuation funds, big and small.”

FINANCIAL SERVICES COUNCIL – ‘FSC'S RESPONSE TO GOVERNMENT'S ABOLISHMENT OF \$100K SUPERANNUATION MEASURE’ (06/11/2013)

[http://www.fsc.org.au/downloads/file/MediaReleaseFile/2013_1105_Repealof\\$100ksupermeasure.p
df](http://www.fsc.org.au/downloads/file/MediaReleaseFile/2013_1105_Repealof$100ksupermeasure.pdf)

“The former governments \$100,000 earnings tax on superannuation was rushed, complex and frankly, unworkable.”

“The anticipated revenue from the tax would not have been realised due to the flexibility in managing earnings in the SMSF sector.”

**FINANCIAL SERVICES COUNCIL – FSC WELCOMES SUPER ANNOUNCEMENT
BEFORE THE BUDGET (05/04/2013)**

[http://www.fsc.org.au/downloads/file/MediaReleaseFile/2013_0405_FSCWelcomesSuperreformsbeforetheBudget\(2\).pdf](http://www.fsc.org.au/downloads/file/MediaReleaseFile/2013_0405_FSCWelcomesSuperreformsbeforetheBudget(2).pdf)

“However, the higher tax for pensions over \$100,000 a year in retirement is complex and designed without industry consultation. It would require major changes to how super funds are managed to target only 16,000 individuals. So the government must consult on this measure.”

MERCER – ‘ANNOUNCED REFORMS TO THE SUPERANNUATION SYSTEM: WHAT DOES IT REALLY MEAN FOR YOU’ (09/04/13)

<http://www.mercer.com.au/content/dam/mercer/attachments/asia-pacific/australia/insights/20130409-Announced-Reforms-to-Superannuation.pdf>

“We anticipate the administration of this reform could prove to be extremely complex.”

“We expect superannuation funds will be required to increase the level of reporting in respect of investment earnings relating to income streams. It may be necessary to break down investment returns between realised capital gains, unrealised gains and other income. It may also be necessary to distinguish between realised gains depending on the date the underlying assets were purchased.

Trustees and providers will need to place greater emphasis on providing accounts for members’ spouses, have arrangements in place to deal with potential increases in contribution splitting and simple arrangements by which retiring members can cash and re-contribute to their spouse’s account.”

