

I have the following comments on the current retirement income provisions as they relate to the tax treatment of Superannuation fund contributions and earnings.

The current system favours wealthy citizens over less well off citizens. This is a result of favourable tax treatment for Superannuation contributions and Superannuation fund earnings.

Under tax laws, taxpayers pay higher marginal tax rates as their income increases. Low income earners pay lower tax rates - under \$15,000 is tax free - than high income earners. They also receive substantially lower Superannuation fund contributions and balances at retirement. High income earners enjoy substantially higher Superannuation fund contributions and therefore substantially higher Superannuation Fund balances at retirement.

So a taxpayer who earns less than \$15,000 pays no tax if they receive this money as income, but pays 15% tax if they receive this money as a superannuation contribution. Likewise, earnings in their Superannuation fund are taxed at 15% irrespective of the value of their fund.

Contrast this with the high income earner, who pays tax on their income at up to 47%. However, any contribution to their Super fund, no matter how large, only attracts tax at 15%. Similarly, a high income earners Super fund earnings, no matter how large, only attracts tax at 15%.

This means that our lowest paid workers are effectively subsidising high income earners by paying 15% tax on otherwise tax free earnings, while high income earners enjoy lower tax rates on Super contributions and earnings than would otherwise apply.

This is grossly unfair to the less well off in our society. This tax concession to high income earners costs consolidated revenue around \$47 million annually, a subsidy to the wealthiest in our country at the expense of the poorest. It is also funds which could be directed to government programmes for the benefit of the broader population.