

Submission to Retirement Income Review

I am a private citizen, a professional, and do not represent anyone, but have an understanding of the concerns of younger high income earners who in Australia today, have on average very high levels of debt, whilst paying large amounts of income tax.

I would like to submit the following with regard to the general approach of the review when considering these issues- **equity, sustainability, and the interaction with other systems, namely the tax system.**

I seek to draw the reviews' attention to the shortcomings inherent to the concept now popularly referred to as "super tax concessions"

This concept is based upon a comparison of the relatively flat taxation of Super guarantee payments, other superannuation contributions, and earnings within the accumulation period.

Superannuation nest egg building involves a tax treatment wherein three rates apply- 0, 15 and 30% (division 293 tax- for those whose income plus their SG payments plus any deductible interest are over \$250,000). The ALP has proposed to lower this to \$200,000.

The concept of super tax concessions involves comparing this tax treatment to the tax treatment of income; there is an implicit assumption that superannuation is akin to another form of income. However it is very different to income. It is money set aside for retirement benefits with a partial goal of reducing the government's age pension expenses in the future.

The key point to make however is not simply that "super contributions and earnings are different to income."

The problem arises because Australia has one of the most progressive income tax systems in the world

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Now, if we contrast any other tax arrangement with one of the most progressive tax systems we will find there are large differences. These have become popularly referred to as "super tax concessions."

It's my view that such "concessions" are not concessions at all- but a realistic acknowledgement that taxation of money that has as its partial purpose the alleviation of monetary pressure on future government is totally different to income. No private income ever has such a goal.

One can see that as changes occur to Australia's income tax system these "concessions" could change. For example in New Zealand there is no tax free threshold and a top tax rate of 33%. Comparing such a system to our super tax arrangements would show there are minimal "super tax concessions"

In general I do not consider the review can accurately assess the concept of super tax concessions without a holistic understanding of the comparative degree of progressivity of Australia's income tax system. We have about the most progressive tax system in the world.

In order to look at equity the review needs to also factor in the longer term amounts of taxation obtained from income earners across the spectrum. If a high income earner has paid 1000 times more income tax than a middle income earner over a working life, then the size of any “super tax concessions” becomes appropriately framed as being a minor concession. I would like to see the review include, and reflect on, an estimate of lifetime tax paid, before making any judgement about “super tax concessions”