THERE’S NOTHING SUPER ABOUT ALP’S TAX PLANS

JOSH FRYDENBERG

The opposition says it will introduce four new taxes on retirement savings if it wins office.

With women retiring with just more than half the super balances of men, Labor’s policy to abolish catch-up contributions will make it even harder to close the savings gap. This is despite opposition Treasury spokesman Chris Bowen saying, when he was minister for financial services, superannuation and corporate law, that “the government recognises that many workers want to make larger catch-up superannuation contributions as they approach retirement”, then going on to say that allowing these “catch-up” contributions would “particularly benefit people who have had periods outside the workforce, the majority of whom are women”.

Second, deductions for personal superannuation contributions already legislated will be reversed by Labor. About 800,000 workers are estimated to benefit from the concession that allows them to work part-time, taking a salary while establishing their business. This concession specifically encourages the dual objective of entrepreneurship and savings for retirement, and helps strengthen the small-business sector – the backbone of the economy.

Labor will allow these budding small-business people to get a deduction for their super contributions only when more than 90 cents of their income is coming from their business. This could deter workers from contributing to their super and see a 20-year-old worker today nearly $500,000 worse off in retirement.

What Labor doesn’t understand is that emerging businesses take time to get off the ground and often require their owners to earn a salary at another job to provide the cashflow needed to make the business grow. These small-business owners deserve the same incentives to save as other working Australians.

Labor claims its “measures will make the system fairer”. How is it fair to punish the shop owner, the plumber and the software engineer for wanting to start their own business and save for their own retirement?

Third, Labor is promising to reduce the non-concessional contribution cap from $100,000 to $75,000, which will hit about 20,000 taxpayers.

The issue is not whether the contribution should be taxed at the individual’s marginal rate, as that is not in dispute, but whether individuals should be given the choice and flexibility to contribute more in any particular year in the event that their capacity to do so increases. It’s about striking the right balance.

The sale of a family property or a deceased relative leaving an inheritance may enable a person to put more money into their super in that particular year. That is not something to be discouraged. For example, under Labor, a 45-year-old would not be able to put $300,000 into their super following the sale of their home and as a result would be $160,000 worse off in retirement.

Fourth, concessional contributions taxed at 15 per cent on the way in are now available to those on incomes of $250,000 or less. Labor is proposing to reduce the threshold to $200,000, doubling the tax for 130,000 people who earn between $200,000 and $250,000 a year to 30 per cent.

Again, Labor gets the balance wrong, focusing on revenue raising to chase spending. For somebody aged 47 with 20 more years until retirement, Labor’s policy will reduce their savings at retirement by more than $100,000.

As part of its $200bn tax grab, Labor’s plan for $19bn of new superannuation taxes goes against everything it has said in the past.

In his book Hearts and Minds, Labor’s policy to abolish catch-up contributions will make it even harder for women to close the savings gap.

Browne launched an enthusiastic defence of super tax concessions, saying: “They are justified because they avoid future payments of the age pension and they help boost our pool of savings, with all the benefits for the economy that this brings.” He went on to say that reducing these concessions “creates uncertainty for and concern by people who are making voluntary contributions to superannuation”.

There was also a time when his leader, Bill Shorten, shared this view. Talking about the importance of superannuation “tax concessionality”, Shorten said as minister for financial services and superannuation that “Labor never, never, never gives up on superannuation”. Surprise, surprise, one “never” for every new Labor super tax.

Labor’s track record on taxing superannuation is clear. Despite Kevin Rudd promising, on the eve of the 2007 election, that Labor wouldn’t change superannuation “one jot, one tittle”, Labor when last in government imposed $9bn in new super taxes. This included an increase, announced by Bowen 48 hours after he proclaimed in a memorable press release an immediate “five-year freeze on superannuation changes”.

If given the chance in government, Australians should not be under any illusions about Labor’s approach to superannuation and its plan for $19bn of higher, misguided taxes and the further targeting of aspirational Australians.

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