

Friday, 5 April 2013

Government's sensible changes will make superannuation fairer and more sustainable

Changes to the superannuation system announced today by the Federal Government are a long-overdue step which will make superannuation fairer and more sustainable, the ACTU said today.

ACTU President Ged Kearney said that the Keating Government and the union movement introduced superannuation to provide low-to-middle income workers with a comfortable retirement - not as a system of tax planning for the wealthy.

"These are changes which reflect the true spirit of the superannuation system that was introduced in 1992 - a system designed to allow hard-working Australians to enjoy a secure and comfortable retirement," Ms Kearney said.

The changes will see a 15 per cent tax on earnings over \$100,000 from assets supporting income streams, a move that will affect just 0.4 per cent of retirees.

"Superannuation is a world-leading system for ensuring that low-to-middle-income workers have enough for a comfortable retirement. It also ensures that the Aged Pension remains sustainable even though Australia has an ageing population," Ms Kearney said.

"This Government has moved to make superannuation stronger by lifting the compulsory superannuation guarantee from 9 per cent to 12 per cent. It has also moved to reduce taxes on superannuation for low income earners, a change that Tony Abbott has vowed to oppose."

"These are changes which will give more workers a decent income in retirement.

"There must be tax incentives to encourage people to make contributions to superannuation, but the purpose of superannuation was not to provide unlimited tax breaks for high-earners.

"In 2006 Liberal Treasurer Peter Costello decided to give very high-income earners a tax holiday by abolishing Reasonable Benefit Limits. Amending these changes recognises superannuation's primary purpose.

"The system is still very generous to the well-off. Under the new arrangements, a retiree will be able to earn \$200 000 in a year and pay the same tax as a worker on less than \$70 000 a year.

"People on high incomes will be able to provide for themselves in retirement without relying on tax concessions, and we need to look at how sustainable these concessions are in the long-term."

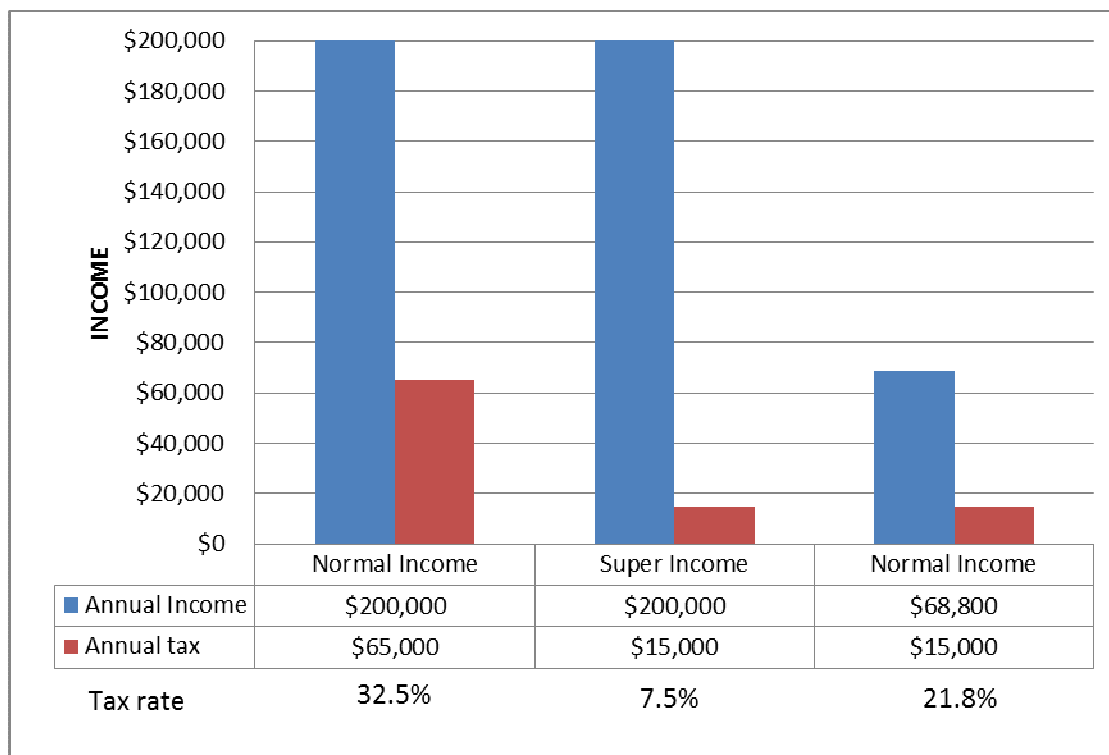
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Example Calculation

The chart below shows three examples of a taxpayer under the changes announced today:

- A person earning \$200 000 as normal income, would pay around \$65 000 tax at a rate of 32.5%.
- A retiree earning \$200 000 from superannuation, would pay \$15 000 tax at a rate of 7.5%
- A person earning \$68 800 as normal income, who would pay \$15 000 tax at a rate of 21.8%

(Note: Average weekly earnings is \$72 436 pa)



Media Contact: Eleni Hale 0418 793 885