

Superannuation: What's on the hit list for the 2013 Federal Election?

March 19, 2013 by Trish Power *SuperGuide*

The unofficial election campaign has started and we have some promises from both parties on what is going to happen to superannuation.

ALP: As the political party in power, the Australian Labor Party clearly has the runs on the board in terms of superannuation policies but they have also made some whopper boo-boos along the way.

The Liberals/National Party: The Coalition seems to be struggling with the concept of superannuation. They have lost a lot of their super knowledge over recent years with the retirement of many senior MPs, including Peter Costello, who was the architect of the 2007 changes that brought in tax-free super for over-60s, introduced caps on non-concessional contributions, reduced the caps on concessional contributions, and removed limits on the amount of super that you could withdraw at concessional rates.

The Greens: The Greens are largely financially challenged in terms of superannuation, although the party supports many noble policies, such as social justice, human rights and ecological sustainability. Prior to the 2010 federal election, the Greens had crazy radical superannuation policies which highlighted the party's ignorance of most things financial. The silly policies have since been removed from the Greens website, although the party does not yet have a policy specifically on 'superannuation', even though the party has softened its radical financial stance with vague 'mission statement' policies. The two mentions of superannuation on the Greens website are: "A simpler, more transparent superannuation system with fairer rates of taxation and ethical investment structures, which provides equitable retirement incomes, particularly for women.", and "Better incentives for superannuation funds to invest in government securities and public infrastructure."

Big-ticket policies

It is early days in the election campaign, but here is what the major parties have promised on the big-ticket superannuation issues:

Tax-free super for over-60s

Prime Minister Gillard has promised that tax-free super for over-60s is to remain in place. I question why the government keeps on leaking the possibility of taxing the super benefits of over-60s if they are not intending to re-introduce tax on super benefits received from over-60s at some later date.

The Liberal Party/National Party has not promised to retain tax-free super for over-60s but what the Coalition has said is: "We will ensure that no more negative unexpected changes occur to the superannuation system so that those planning for their retirement can face the future with a higher degree of predictability." I am not really sure what this statement means, but I am guessing that they mean if they do tax super benefits, or any other 'negative' type of super policies, that they will give lots of notice.

Increase Superannuation Guarantee to 12%

Effective from 1 July 2013, the ALP have increased Superannuation Guarantee contributions from 9% to 9.25%, and progressively increasing to 12% by 2019. This SG increase is a huge policy and I believe will help many Australians. The Coalition were initially against this increase but they have now promised not to rescind the policy if they win the election.

Low Income Super Contribution (LISC)

Effective from 1 July 2013, the ALP have introduced a super tax refund for low-income earners, who were previously penalised with higher super tax than what they paid in income tax on their own income. If you earn less than \$37,000 a year, and your employer makes concessional (before-tax) superannuation contributions on your behalf, then you can expect a refund of the contributions tax deducted from your super account, paid directly to your superannuation account by the federal government.

The Coalition does not support the LISC and plans to reverse the legislation currently in place. This long overdue, fair super policy is a no-brainer so the decision to reverse it by the Coalition is risky, but politically motivated because the ALP claimed the LISC would be funded by the proceeds of the Mineral Resource Rent Tax.

Increasing the concessional contributions caps

The ALP has removed the special cap for over-50s and failed to index the existing concessional contributions cap for 6 years. The ALP may or may not re-introduce the over-50s cap but if they do it will be subject to a multiple of complex conditions. The Coalition has been generally vague on this issue but they have publicly stated that the Coalition will “revisit concessional contribution caps and super co-contributions for low-income earners once the budget is back in a strong enough position.”

Deal with excess contributions tax issue

The Inspector-General of Taxation is currently reviewing the ATO’s handling of excess contributions tax issues, which I suspect will influence the future policies on excess contributions tax. The ALP have mishandled this issue and seem to believe that only ‘rich’ people have these types of issues and so why should they bother trying to fix it.

There also seems to be inference that Australians who are trying to save for retirement, and through no fault of their own are hit with penalty tax, are dishonest or tax cheats. It is absolutely outrageous that the ALP is using political ideology to block natural justice. The Coalition have promised to: “Properly address the issue of excess contributions to make sure Australians savings for their retirement are not unfairly penalised for genuine unintended errors.”

Financial Systems Inquiry

The Coalition want to conduct a financial systems inquiry, including a focus on superannuation. Blimey, not another one.

Additional super taxes

The ALP has increased the contributions tax for high-income earners, increasing it from 15% to 30%. The Coalition has been silent on this issue, so presumably this extra tax will remain in place. On other super taxes, the ALP has been silent (except for tax-free super for over-60s, which is safe) and allowed the rumour mill to go full throttle. The Coalition have promised no negative superannuation changes for the first 12 months, if they win the election. SuperGuide will report further when we have more details.