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Government needs to ensure low income earners get a tax break on their super

The Australian Institute of Superannuation Trustees (AIST) has called on the Government not to abandon the Low Income Superannuation Contribution (LISC) scheme which it says is a much-needed equity measure in Australia's compulsory super system.

In a submission to the Government on the Minerals Resources Rents Tax (MRRT), **AIST – the peak body for the \$600 billion not-for-profit super funds** – said the LISC scheme ensured that more than one third of the Australian workforce got a fair deal from superannuation.

The LISC scheme – which currently benefits 3.6 million Australians - provides up to \$500 a year in superannuation for those earning less than \$37,000 year. The scheme benefits more than 2 million women, many of them part-time workers – an increasing cohort of the Australian workforce.

AIST CEO Tom Garcia said the scheme corrected a long-standing tax anomaly in the super system whereby low income earners were paying more tax on their take home pay than their super.

"This scheme isn't about a hand-out or welfare: it's about righting a wrong," said Mr Garcia. "Low income earners are entitled to a tax benefit on their compulsory super contributions just like the other two thirds of working Australians".

Mr Garcia said Australia's compulsory super system was designed to provide tax concessions as a trade-off for the requirement to lock away savings until retirement.

"If we expect people to lock away money for 30 or 40 years, then they are entitled to a tax break".

Mr Garcia said LISC was one of the best policy measures since compulsory superannuation was introduced, noting that more than four times as many Australians benefitted from LISC than the Co-Contribution scheme.

"The great thing about the LISC scheme is that it is well targeted, it automatically benefits millions of workers and it does not require individuals to make voluntary contributions," Mr Garcia said.

AIST also reiterated its support for increasing the compulsory superannuation rate to 12% in order to help address the retirement savings needs of Australia's ageing workforce.

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AIST is the peak industry body for the \$600 billion not-for-profit super sector which includes industry, corporate and public sector funds covering the super interests of nearly two-thirds of the Australian workforce.