

Super tax breaks of greatest benefit to top 10 per cent of earners

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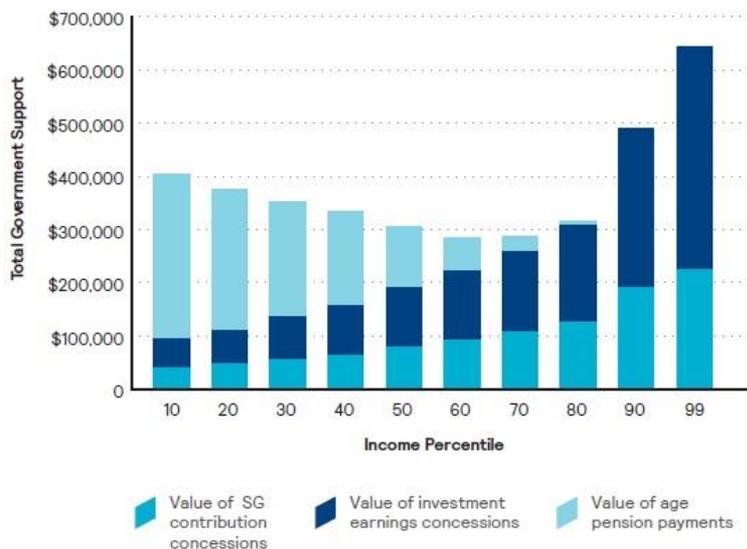
The Government’s tax inquiry would be an opportunity to improve the targeting of tax concessions for those at the top end of income spectrum, the **Australian Institute of Superannuation Trustees (AIST)** said today.

Recent research by **AIST and Mercer** has found that the top 10 per cent of wage earners received almost \$500,000 in government support through super tax concessions over a lifetime. Those in the top 1 per cent of earners received almost \$630,000 of government support. This compares to around \$400,000 in government support received by those in the bottom 10 per cent decile, largely through the Age Pension.

The findings –from the **AIST-Mercer Super Tracker tool** which measures the super system over a range of objectives including the equity of government support – shows the level of total government support (which includes both Age Pension and super tax concessions) across a lifetime at ten income levels (see table below).

The findings highlight that while the level of government support is reasonably equitable for most wage earners, the top 10% of wage earners are benefitting most from super tax breaks. While those on lower incomes receive a relatively high level of government support in the form of the Age Pension, those in the highest tax brackets, receive significantly more government support through the super tax concessions.

Total Level of Government Support (over a lifetime by income deciles)



Source: AIST Mercer Super Tracker: How the super system stacks up on fairness, adequacy, and sustainability (pg 7)

AIST CEO Tom Garcia, said the Tracker findings suggested that changes needed to be made to ensure tax concessions for super fund members and retirees were both fair and sustainable for all Australians, including future generations of taxpayers.

“We need super tax concessions to encourage people to save for their retirement but we also need to find the right balance between supporting super savings and providing tax breaks that are fair and reasonable.”

Mr Garcia said AIST’s submission to the tax inquiry would examine the full spectrum of taxes in the accumulation and post-retirement phase, with a view towards to a less-complex tax regime. This would include examining the current 15% tax on fund earnings, the 15% contributions tax, and the tax-free status of super in the post-retirement phase.

“We would hope that any changes made will bring simplicity as well as equity to the system,” Mr Garcia said. “The last thing we need is a more taxes or a more complex retirement income system”.

Mercer Senior Partner, Dr David Knox, said it was important the tax inquiry examined government support for retirement holistically, including super tax concessions and the cost of the Age Pension.

“While the Tracker shows that the spread of government support across income levels is more even than many thought, it does recognize that the cost of tax concessions escalates at the top income levels where the Age Pension offset no longer has an effect”.

The full report is available for download on the AIST website here

http://www.aist.asn.au/media/14318/14041-IC_AIST%20super%20tracker%20_FIN-SEC.pdf

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AIST is the peak industry body for the \$650 billion not-for-profit super sector which includes industry, corporate and public sector funds.