

Ref: B12/488
Urgent/Low Complexity

DEPARTMENT OF THE PRIME MINISTER AND CABINET

PM&C
Secretary
Dr de Brouwer
Ms Cross
Dr Schreier
Mr Yeaman

PMO
Ms Haylen
Ms Roberts

File

To: Prime Minister (for decision by 2 March 2012)

AUSTRALIAN GREENS' POLICY COSTING - FAIRER SUPERANNUATION CONTRIBUTIONS TAX CONCESSIONS

Recommendations - that you:

1. sign the letter at Attachment C to Senator Bob Brown which includes the completed costing requested by Senator Brown on changes to the superannuation contributions tax concessions.

Julia Gillard

Date: 4/3/12

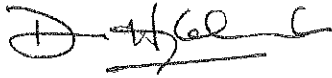
Signed ~~Not Signed~~

Purpose: To provide a response to Senator Brown on his request for a policy costing.

Key Points:

1. On 7 February 2012 Senator Brown wrote to you (Attachment A) requesting a costing be prepared on changes to the taxation of concessional superannuation contributions.
 - a. Concessional superannuation contributions include compulsory superannuation guarantee contributions made by employers, salary sacrifice contributions and other personal contributions claimed as an income tax deduction.
2. The proposed policy would amend the taxation rates applying to superannuation contributions by employers or the self employed, aligning those tax rates with an individual's marginal tax rate. An 18 percent 'rebate' would then be applied to the individual's marginal tax rate so that in effect the tax payable on employer superannuation contributions would be the employee's marginal tax rate minus 18 percent.
 - a. Currently superannuation contributions are taxed at a flat rate of 15 percent.
 - b. Senator Brown's original request was that the 'rebate' component be set at 15 percent. However, in further correspondence with Senator Brown's staff, it was confirmed that the 'rebate' would be set at 18 percent.
3. Senator Brown's staff also confirmed the proposal involved costing abolition of the low income superannuation contributions scheme.
 - a. To improve the equity of superannuation taxation arrangements, the low income superannuation concession will, from 1 July 2012, effectively return the tax payable on superannuation guarantee contributions or the equivalent of other deductible contributions made by or for low income individuals.
4. The Treasury has completed the costing on the policy proposed by Senator Brown (Attachment B). Treasury's costing indicates that, as a package, the measures proposed by Senator Brown would be significantly revenue positive.

- a. The total financial impact would be an increase to the revenue of \$2.6 billion in 2013-14 and \$2.9 billion in 2014-15.
- b. Under the agreement between the Government and the Australian Greens, policy costings are to be completed within 10 days of lodgement. On this occasion, the Treasury required additional information from the Australian Greens which resulted in the slight delay in completing the costing and analysis.



David Hazlehurst
First Assistant Secretary
Economic Division
1 March 2012

Policy Officer: Dean Thompson
Phone no: 6271 6212
Consultation: Fiscal, Govt, CabSec

ATTACHMENTS

ATTACHMENT A: Incoming correspondence

ATTACHMENT B: Policy costing and analysis

ATTACHMENT C: Draft reply to Senator Brown



PRIME MINISTER
CANBERRA

Reference: B12/488

Senator Bob Brown
Senator for Tasmania
Parliament House
CANBERRA ACT 2600

04 MAR 2012

B-B
Dear ~~Senator~~ Brown

Thank you for your letter of 9 February 2012 regarding superannuation contribution tax concessions.

In accordance with our agreement, your request for a costing on this proposal was sent to the Treasurer, the Hon Wayne Swan MP. This costing has been completed and is attached to this letter. I note that your original request was for the 'rebate' component to be set at 15 per cent, but that further correspondence with your staff confirmed that the rebate would be set at 18 per cent.

I have provided a copy of this letter and attachment to the Treasurer and the Minister for Finance and Deregulation.

Yours sincerely


Julia Gillard



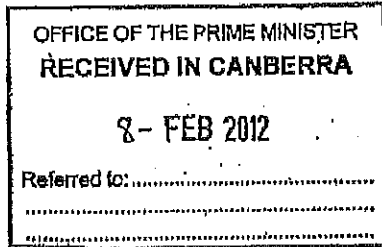
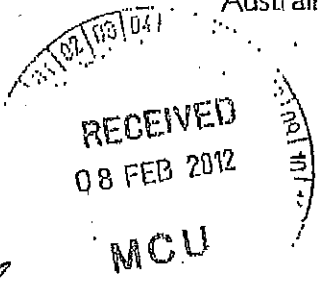
C12/7885

EC/FP

Bob Brown
Australian Greens Senator for Tasmania

07 February 2012

The Hon Julia Gillard MP
Prime Minister
Parliament House
Canberra ACT 2600



Dear Prime Minister *Julia*

In accordance with the agreement between the Australian Greens and the Australian Labor Party I submit the following policy for costing by the Departments of Treasury and Finance & Deregulation:

Fairer superannuation tax concessions

The replacement of the 15 per cent tax rate on superannuation contributions with their being taxed at the individual's marginal rate minus 15 percentage points.

Please contact my office should you, or the Departments, require any further information or clarification on these costings in order to undertake this work.

We look forward to a response on these matters.

Yours sincerely,

Senator Bob Brown
Leader of the Australian Greens

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