MEDIA RELEASE
Institute of Public Affairs | Australia's leading free market think tank

4 May 2016

SUPERANNUATION TAX INCREASES TO HURT SAVINGS

The tax increases on superannuation announced in last night's Federal Budget are bad policy and will further damage confidence in the superannuation system, according to free market think tank the Institute of Public Affairs.

"The purpose of the superannuation system is to encourage self-reliance and reduce dependence on government pensions, not to act as a pool of funds to pay for government spending," says Brett Hogan, Director of Energy and Innovation Policy.

"Retrospectively changing the rules for people already in retirement also sets a very dangerous new precedent."

"Effectively declaring that a superannuation account balance of $1.6 million is 'enough', that additional contributions for people under 50 should be limited to $25,000 per year and introducing a lifetime extra contributions cap of $500,000, will do nothing to encourage people to provide for their own retirement."

"Every government tax increase whether on contributions or earnings, or limits on additional money transferred into superannuation accounts, takes money out of the system, reduces retirement balances and sends a message to everybody that their investments may be safer elsewhere."

"Just four years ago the flat 15% tax rate on contributions and earnings was considered immutable. But since 2012 a 15% surcharge on contributions has been introduced for people earning over $300,000 per year, there is now bipartisan support to bring this threshold down to $250,000 and only last month the Government floated bringing this down to $180,000."

"Blind Freddie can see where this is headed. As future governments continue to struggle to find the money to pay for their promises, the tax rates are going to continue to go up and the thresholds come down."

"It is disappointing that both major political parties now seem to regard people's superannuation accounts as fair game to cover their inability to control their own spending."

For media and comment: Brett Hogan, Director, Energy and Innovation Policy, Institute of Public Affairs, bhogan@ipa.org.au or 0407 273 884.