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Treasury Laws Amendment (Better Targeted Superannuation Concessions) Bill 2023

Women in Super has prepared this submission in response to the Treasury Laws Amendment (Better Targeted Superannuation Concessions) Bill 2023 (the Bill) and the Superannuation (Better Targeted Superannuation Concessions) Imposition Bill 2023, to enact changes to superannuation tax concessions announced in the 2023-24 Budget.

WOMEN IN SUPER

Women in Super (WIS) is a national advocacy and networking group for women employed in the superannuation and wider financial services industries. WIS advocates to improve women's retirement outcomes and access to superannuation.

OVERVIEW

Women in Super strongly supports better targeting of superannuation tax concessions. The current structure of superannuation tax concessions is regressive, poorly targeted from an economic perspective, and deeply inequitable when applying a gender and income equality lens.

We are therefore supportive of the proposal to reduce the tax concessions for individuals with a total superannuation balance above $3 million by imposing an additional 15 per cent tax on certain earnings.

This measure is forecast to generate $2.3 billion revenue[1] by its first full year of receipts collection. **Women in Super strongly recommends that a portion of these savings be redirected to:**

- **Providing super payments on the Federal Government Parental Leave Pay Scheme**, at a cost to government of just $200 million a year.[2]
- **Addressing anomalies in the LISTO** which sees the lowest paid pay more tax on their super than on their take home pay, which is deeply unfair.

[1] Treasurer of the Commonwealth of Australia, Budget 2023-24 Budget Paper No 2, May 2023.
[2] The Treasury, 2020, Retirement Income Review.

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This will ensure that these changes to tax concessions address both sustainability and fairness concerns with our structure of tax concessions.

1. Extend compulsory super to the Government's Parental Leave Pay scheme.

A portion of these savings should be redirected to extending compulsory super to the Governments Parental Leave Pay Scheme. It is unfair and discriminatory in modern Australia that one of the only forms of leave that does not attract the superannuation guarantee is accessed predominately by women when other forms of paid leave such as sick leave, annual leave, and long service leave do attract superannuation payments[3].

95.5% of those who access the Parental Leave Pay scheme as the Primary Carer are women[4]. These women are spending more time than their partners out of the paid workforce[5] to care for children, on a form of leave that does not attract the superannuation guarantee, irreparably damaging their superannuation balances[6].

The Government has noted its support for the payment of superannuation on PPL. It is sensible to implement this measure in conjunction with these other revenue generating measures.

2. Align the Low-Income Super Tax Offset (LISTO) with PAYG thresholds.

A portion of the savings should also be used to introduce a introduce a mechanism to ensure that the eligibility for the LISTO is permanently aligned with changes to the second tax bracket.

Originally aligned with the 19% tax bracket upper limit of $37,000, the limit has increased to $45,000, while the limit for the LISTO was not adjusted. The concessional contributions cap was raised as of 1 July 2021 as a result of indexation, in line with average weekly ordinary time earnings. Incongruously, the LISTO was not adjusted as well.

There are multiple ways the LISTO could be realigned to ensure it is fair. WIS proposes increasing from $500 to $640 a year, as well as introducing additional mechanisms to ensure that the LISTO change is linked with other changes in the tax system. This will deliver $488 million in super tax offsets to those earning less than $45,000 a year. Realigning the LISTO would hugely benefit women, who, according to data collated by Women in Super from thirteen member super funds, make up 63% of all LISTO recipients. Specifically, aligning the LISTO with PAYG thresholds would benefit the 632,000 Australian women who are earning between $37,000 and $45,000.

As a result, a 30 year old woman earning $30,000, could be $56,170 better off in retirement [7].

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[3] Australian Bureau of Statistics, 2020 Gender Indicators.
[4] Wood D, Griffiths K, Emslie O, 2020, Cheaper Childcare: A Practical Plan to Boost Female Workforce Participation.
[5] WGEA, 2018, Removing the Motherhood Penalty.
[6] ASFA, 2021, Superannuation Statistics.
[7] Industry Super Australia ,2020. A super tax adjustment is needed to stop women taking further hits to their retirement savings.

These measures would then have a significant impact on the large number of Australian women, improving their retirement outcomes, helping to lift them out of poverty and accessing adequate housing.[8]

Often measures to improve women's superannuation balances rely on voluntary contributions from women, many of whom are on low incomes. The onus should not be on individual women to improve their retirement outcomes. This is solely the responsibility of the government to introduce policy settings that will provide equitable and fair outcomes.

Yours faithfully,

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[8] A Super Tax Adjustment is Needed to Stop Women Taking Further Hits to Their Retirement Savings, Industry Super Australia, 2020.