



## COMMONWEALTH TAX POLICY STATEMENT STRONGER, FAIRER, SIMPLER: A TAX PLAN FOR OUR FUTURE

On 2 May 2010 the Treasurer released the report on Australia's Future Tax System (AFTS) (often referred to as the Henry Review) along with its Tax Policy statement which is its initial response to the review.

This Policy Alert looks at what is in the Government's statement and then summarises the other areas of the AFTS report that are of particular interest to older people.

### TAX POLICY STATEMENT

The Government statement concentrates on reforms to resource, company and small business taxes and superannuation.

#### Superannuation

- The Superannuation Guarantee will rise from 9% to 12% by 2019-2020, phased in from 2013-2014 in two annual 0.25% increments then 0.5% annually.
- A low-income earners government contribution from 1 July 2012, up to a maximum of \$500 a year for workers on incomes up to \$37,000.
- The concessional superannuation contributions cap of \$50,000 (rather than \$25,000) for people over 50 whose superannuation balance is below \$500,000 will now continue instead of ending on 30 June 2012.
- Raising the Superannuation Guarantee age limit from 70 to 75 years from 1 July 2013.

#### Resources

- Introduce a 40 per cent resource super profits tax from 1 July 2012.
- Introduce a new resource exploration rebate.
- Establish a new infrastructure fund with annual contributions from the Commonwealth starting with 700 million from 2012-13.

#### Company

- Reduce the company tax rate to 29 per cent from 2013-14 and then to 28 per cent from 2014-2015.

#### Small business

- Reduction of company tax to 28 per cent from 2012-13 for eligible companies.
- Allowed to immediately write off assets valued at under \$5,000
- Allowed to write-off all other assets in a single depreciation pool at the rate of 30 per cent.

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## AUSTRALIA'S FUTURE TAX SYSTEM

The review looked at the whole tax and transfer system and made 138 recommendations across nine broad themes. Whilst many of the theme areas are of interest to the whole community there are a few which are of particular interest to COTA and its members which have not been addressed in the Government's tax policy statement.

### Aged care (Recommendations 109-110)

The review notes that the Productivity Commission is holding an Inquiry into aged care and so suggests the Commission look at two key areas

- Greater use of user directed funding principles to meet recipients need, allow them greater choice of care, and support the financial sustainability of the aged care sector. This would need significant reform of the regulations governing supply and price.
- The potential for insurance to play a role in helping to fund aged care.

In addition the review supports the separation of funding for accommodation/living costs from support and care needs.

### Housing (Recommendations 102-103)

- Increases in Rent Assistance to initially assist private renters to afford an adequate standard of housing. This would then be indexed to better reflect increases in market rents.
- Rent Assistance should be part of the income support system, with eligibility based on rent paid and income support means test rather than eligibility for another payment.

### Income support payments (Recommendations 82-83)

- Three categories of income support payments

- A pension category for people who are not expected to support themselves with paid work. This would be the highest rate of payment
- A participation category for people who are of working age and who are expected to support themselves through paid work. This would be lower than the pension rate.
- Student assistance category for people who are engaged in fulltime study paid at a lower rate than the participation rate.

### Means testing (Recommendation 88)

- The current income and assets test for income support payments should be replaced with a comprehensive means test based on combined measure of employment income, business income and deemed income on assets.

The Government has flagged that there will be more reforms in the future and consultation with key stakeholders. However it has indicated that it will **not adopt** some of the recommendations in the review including:

- Include the family home in the means test ( Rec 88c)
- Introduce a land tax on the family home (Rec 52-53)
- Remove the Medicare Levy (Rec 5)
- Reduce the indexation of the age pension ( Rec 84)
- Think of hitting pensioner and low income concessions for utilities, transport and other essential services (Rec 107)
- Introduce a bequests tax (Rec 25)
- Align preservation age with age pension
- Ask the States to charge market rents to public housing recipients (Rec 106)

## COTA Comments

The Government's tax policy statement is a conservative one, covering only superannuation, company and resource taxes. The government has indicated there will be more reforms, particularly in the administration of personal income tax and incentives for saving.

The superannuation measures are consistent with COTA policy but the implementation is later than we would have expected and so delaying the positive impact these might have on retirement incomes.

We have and will continue to advocate for the abolition of the age limits for both the Superannuation Guarantee and personal superannuation contributions.

The superannuation and company business tax decreases are dependent on the Resource Super Profit tax being implemented.

The Review covers a much wider range of reforms of both tax and transfers, some of which the government has already ruled out of consideration. Some of the issues, such as changes to the taxation of not for profit organisations have been on hold until the release of the review's report and will now need to be pursued through mechanisms such as the National Compact. Others, including aged care, are the subject of other inquiries and COTA will provide submissions to those.

**For details on the AFTS and the Government's Tax Policy Statement go to [www.futuretax.gov.au](http://www.futuretax.gov.au)**