Super levy budget burden draws fire

TREASURY FIGURES DISPUTED AS CALLS GROW LOUDER FOR MINING TAX REVIEW

John Kehoe

Business has seized on Treasury figures showing the increase in compulsory superannuation contributions will drain billions of dollars from the federal budget, in a renewed push to scrap the policy.

The gradual rise in the super guarantee levy from 9 to 12 per cent will cost the budget at least $3.6 billion a year by 2020. While super is paid by employers, it costs the government money because super contributions are taxed concessionally compared to wages.

The budget cost is expected to balloon longer term, as the earnings from the extra super contributions are also taxed concessionally.

Treasury figures show concessionally taxed employer contributions ($14.3 billion) are in line with the tax concessions on earnings ($12.2 billion). This suggests the $3.6 billion cost could double and further grow as wages and investment returns rise.

"Increasing the SG (superannuation guarantee) rate to 12 per cent by 2019-20 is a significant cost to the budget and an even bigger hit on employers," said Australian Chamber of Commerce and Industry director Greg Evans.

"ACCI estimates once fully implemented this will be in the order of $20 billion annually for business. This concessionality needlessly impacts upon the tax base especially when you consider the [Henry] review of the tax system concluded the SG rate should remain at 9 per cent."

The debate over the fiscal cost of the rise in the SG, which is intended to boost retirement savings for the ageing population, was sparked by new Treasury data showing mining tax revenue had fallen significantly.

The mining tax was meant to fund the SG rise, a cut in the company tax rate, new infrastructure and changes in the super co-contribution and concessional caps. But the long-term cost of these measures will be well over double the $3 billion annually the mining tax is projected to raise.

"Haven't we created a structural hole and doesn't the SG contribute to a structural imbalance that will widen over time?" Macroeconomics director Stephen Anthony said.

Despite fears of a mining tax shortfall, Assistant Treasurer Bill Shorten said yesterday Labor was committed to lifting the SG charge to 12 per cent. He said the extra 3 per cent of contributions was tied inextricably to the mining tax and the government planned to introduce both pieces of legislation this year.

Financial Services Council CEO John Brogden said the super increase would boost individual savings and national savings and should proceed regardless of the mining tax.

The opposition is opposed to the plan. "Why should young families with a mortgage not be allowed to spend that 3 per cent on repaying their mortgage faster or to deal with increased cost of living pressures instead of being forced by the government to put it into compulsory super?" shadow assistant treasurer Mathias Cormann said.

Australian Industry Group head and Henry tax review member Heather Ridout said if the super increase proceeded the government needed to ensure there was a trade-off with real wage increases. The review said the 9 per cent super guarantee rate was adequate.

with Barrie Dunstan

Editorial, page 58

Two parliamentary independents expressed serious concerns about the government sacrificing $60 billion in its revised mining tax, while the Australian Greens called for it to be reviewed at the tax summit.

But the mining industry said Treasury's estimate that the original resource super profits tax would have raised $99 billion over 10 years, compared with $38.5 billion for the mineral resource rent tax, was wrong.

"Forecasts predicated on business as usual growth in the minerals industry under the RSPT are misleading," the Minerals Council of Australia said. "A combination of Access Economics and KPMG analysis on the RSPT showed that the RSPT would lead to significant delays in investment in Australia." By contrast, KPMG Econtech modelling for the government showed the profits tax would expand mining.

Tasmanian independent MP Andrew Wilkie, whose vote will help decide the fate of the tax, said: "While I support the idea of our richest companies paying more tax, I have always felt that the MRRT was poorly conceived and is poorly structured. The RSPT, while also imperfect, was closer to the sort of solution I'd advocate."

Independent MP Rob Oakeshott said the $60 billion shortfall was a "significant consideration" for him.

Greens leader Bob Brown criticised the opposition for opposing the tax and called for it to be reviewed at a tax summit due to be held by June.

"Let's throw it open to wider discussion and see how Australians feel about making up $6 billion in every budget between now and 2020 because the big corporations are making massive profits." Senator Brown said his party would try to "recoup some of that $60 billion" when the parliament votes on the tax.

John Kehoe

Canberra observed, page 59

Staking ground

Key political players' positions on the mining resource rent tax

Prime Minister JULIA GILLARD Politically committed to 22.5% mineral resource rent tax despite criticism she caved in to pressure from BHP Billiton, Rio Tinto and Xstrata.

Opposition leader TONY ABBOTT Criticised Labor for cutting deal with mining giants to reduce tax but opposes it outright and has promised to rescind it.

Greens leader BOB BROWN Wants the original 40% rate reinstated and the mining tax reviewed at the tax summit but indicated he would vote for 22.5% rate.

Independent ANDREW WILKIE is more in favour of the original 40 per cent tax. **ROB OAKESHOTT** has expressed reservations about how the tax was negotiated.

SOURCE: AFR