



**Media Release of 12/05/2009
NO.056**

IMPROVING EQUITY IN RETIREMENT

Tonight the Australian Government announces it will introduce superannuation reforms to ensure that the cost of pension reform is sustainable and address the Australia's Future Tax System Review Panel's finding that superannuation tax concessions should be more fairly distributed.

The reforms will also improve efficiency in the superannuation system.

Reduction in concessional contributions cap

To ensure Australia's retirement income system remains sustainable into the future the Government will reduce superannuation tax concessions accessed predominantly by high income earners.

The Government will reduce the cap on concessional superannuation contributions from \$50,000 to \$25,000. This cap will be indexed.

The existing transitional cap for concessional contributions for those aged 50 years and over will also be reduced, from \$100,000 to \$50,000. This reduced cap will apply for the 2009-10, 2010-11 and 2011-12 financial years, after which affected persons will revert to the lower \$25,000 cap (or applicable indexed amount). The transitional cap is not indexed.

It is estimated that the changes will impact on less than 2 per cent of those making concessional superannuation contributions. They will help reduce the long term cost to the budget of a substantial growing expenditure, contributing to the return of the budget to surplus and the reduction of net debt.

The non-concessional contributions cap will remain at \$150,000 for the 2009-10 financial year, and will only increase when the new lower \$25,000 cap is increased by indexation.

The existing 'grandfathering' arrangements that apply to certain members of defined benefit schemes in relation to the concessional contributions cap will continue. These arrangements will also be extended to certain persons who were members of defined benefit schemes on Budget night.

By reducing concessions in this way the Government has also introduced greater equity into the system by targeting reductions at those with relatively more private resources so the impact will be predominately on higher income earners.

This measure is estimated to save approximately \$2.8 billion over the forward estimates period.

Temporary reductions in the co-contribution

To deliver additional budgetary savings, the Government will temporarily reduce the level of the superannuation co-contribution.

The Government will reduce the superannuation co-contribution matching rate from 150 per cent to 100 per cent for contributions made in the 2009-10, 2010-11 and 2011-12 income years, and to 125 per cent for contributions made in the 2012-13 and 2013-14 income years.

The maximum co-contributions payable will also be reduced accordingly to \$1,000 for contributions made in the 2009-10, 2010-11 and 2011-12 income years, and to \$1,250 for contributions made in the 2012-13 and 2013-14 income years.

The co-contribution matching rate and maximum payable will return to 150 per cent and \$1,500 for contributions made in the 2014-15 and later income years.

The co-contribution income thresholds will continue to be indexed in line with rises in wages.

Despite these temporary reductions the co-contribution remains very generous.

This measure is estimated to realise savings of approximately \$1.4 billion over four years.

Small and insoluble accounts

To enhance efficiency in the superannuation system, the Government will require superannuation providers to transfer certain lost superannuation accounts to unclaimed monies, with effect from 1 July 2010.

Superannuation providers will be required to transfer lost accounts with balances less than \$200 (small accounts), and those which have been inactive for a period of five years and have insufficient records to identify the owner of the account (insoluble accounts).

Former account holders will still be able to reclaim their money from the Australian Taxation Office (ATO) at any time.

There are currently around 3 million lost accounts with balances less than \$200.

This measure will address the growing problem of lost superannuation accounts - potentially reducing them by 40 per cent.

In particular, the measure should bring long term benefits for funds as they will no longer need to administer or apply member protection to dormant accounts which are transferred to unclaimed monies.

This will also improve equity for other fund members where costs are currently apportioned to those members when applying the member protection rules.

Individuals who believe that they may have a lost account are encouraged to use the current ATO system 'SuperSeeker', available at www.ato.gov.au to find out if they have any lost superannuation and consider beginning the process of consolidating it into an active account.

The measure will increase revenue by \$238 million over the forward estimates.

The revenue savings from these measures are designed to ensure that the retirement incomes system is equitable and sustainable over the long-term.

The global recession has caused a very severe write-down in government revenues. The Government must ensure the fiscal position of the Budget is sustainable and these measures contribute to achieving that objective.

CANBERRA
12 May 2009

Contact: Anna Fenech - 0417 454 811