



# TAX FORUM

4-5 October 2011

## STATEMENT OF REFORM PRIORITIES

### PARTICIPANT NAME AND POSITION

Professor Judith Sloan  
Chairman, National Seniors Australia

### ORGANISATION

National Seniors Australia is the largest organisation representing Australians aged 50 and over, with a quarter of a million members nationwide. We provide a well-informed and independent voice on issues of concern to our members and older Australians more generally.

### STATEMENT OF PRIORITIES

#### Context

National Seniors Australia believes that the tax and transfer system can and should play a significant role in addressing the social, economic and demographic challenges of the 21<sup>st</sup> century, in particular the ageing of the population.

The economic and fiscal implications of Australia's ageing population are starkly set out in the 2010 intergenerational report, *Australia to 2050: future challenges*. Ageing and health pressures are projected to increase government spending by 4.7 per cent, from 22.4 per cent of GDP in 2015-16 to 27.1 per cent by 2049-50, resulting in spending exceeding revenue by 2.75 per cent in 40 years time.

By implication, to achieve balanced budgets, there would need to be major spending cuts and/or total taxation revenue would need to increase over the period to enable adequate income support for retirees and the provision of sufficient, high quality health and aged care services, as well as to meet the needs of other sections of the community.

#### Reform Priorities

National Seniors Australia would like to see adjustments to the tax and transfer system, in the following four priority areas, that improve people's capacity for self-sufficiency and guarantee a decent standard of living in retirement.

#### **Priority 1 - Encouraging adequate retirement incomes**

Taxation arrangements directly influence investment decisions, and in turn can either reduce or extend retirement savings. Maintaining concessional treatment of superannuation is vital to maximising those savings and providing for financial security in retirement.

Knowing their financial future is assured in their retirement years is a key concern for all Australians, particularly those already in or nearing retirement. While the age pension serves as a safety net for those whose superannuation savings are insufficient, current government retirement incomes policy is focused on encouraging workers to self fund their retirement, through the Superannuation



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Guarantee and the concessional tax treatment of contributions up to specified limits. However, the constant changes to superannuation policy, including significantly reduced caps on concessional contributions, create concern, confusion, disenchantment and a diversion of savings away from retirement to investment classes that are perceived as having less regulatory risk.

A critical issue for consumers is that they typically have no real understanding of how much superannuation they will need to fund their retirement. In our view, the federal government needs to articulate what it considers to be an appropriate 'retirement standard' for all Australians to aspire to, and save towards. Incentives for superannuation savings could then be aligned with this standard. In National Seniors' view, the ASFA Retirement Standard for a Comfortable Lifestyle provides an appropriate benchmark.

National Seniors' priorities in relation to the superannuation accumulation phase are:

- abolition of the government's proposed \$500,000 superannuation savings limit for eligibility for the higher concessional contributions cap for those aged 50 and over (\$50,000), and indexation of the cap to maintain its real value; and
- abolition of the age limit for the Superannuation Guarantee.

Since April 2011, investment markets have re-entered a period of extreme turmoil and many retirees' superannuation savings have once again suffered a serious decline. For this reason, National Seniors considers that the pension drawdown relief for account based-pensions introduced in 2008-09 in response to the impact of the Global Financial Crisis on superannuation savings should continue beyond 2011-12 and revert to the level applying up until 2010-11. Specifically, the minimum payment amounts for account-based, allocated and market linked (term-allocated) pensions should be reduced by 50 per cent, until such time as markets and superannuation savings have recovered from recent losses.

### ***Priority 2 - Reducing cost of living pressures***

An ongoing decline in the standard of living of seniors as they age is a particular challenge for both the individual concerned and governments at all levels across Australia. The rising cost of living and associated financial pressures experienced by many older Australians, especially those on fixed incomes such as a government pension or an account-based allocated pension, can constitute a significant barrier to both community and workforce participation.

Consumption taxes such as the GST are regressive and disproportionately impact these groups. National Seniors therefore opposes any increase in the rate or coverage of the GST.

National Seniors also considers that any new taxes introduced as part of the reform process should have particular regard to the cost of living impacts on retirees and low income earners. Appropriate compensation must be provided to help these groups maintain an adequate standard of living.

### ***Priority 3 - Providing appropriate support for mature age workers***

Creating a level playing field for mature age workers and indeed recognising the extensive skills and experience of many older Australians must remain an economic imperative. There are both economic and fiscal imperatives for improving the participation rate and employment of older people. Participation in the workforce is associated with positive life outcomes such as financial independence, a sense of identity and social opportunities, as well as contributing to healthy ageing.



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The average duration of unemployment for a person aged 55 and over is much longer than that for younger people. As of July 2011, the average period of unemployment for those aged 55 and over was 63 weeks. This compares with only 33 weeks for those aged 15-54. That represents more than a year of lost productivity for the economy and a prolonged period of financial hardship for the individual, at a time of life when people are usually best placed to increase their retirement savings. This hardship is compounded by changes to indexation arrangements in recent years, which mean that a single person under 60 on Newstart Allowance receives only 65 per cent of the amount an age pensioner receives.

The Consultative Forum on Mature Age Participation is expected to put forward a range of proposals to redress barriers to employment in 2012. In the interim, National Seniors' key priority is to increase the Newstart Allowance for the long-term unemployed to a level approaching the age pension.

#### ***Priority 4 - Facilitating appropriate housing***

Access to appropriate and affordable housing is a major influence on people's quality of life in their retirement. Reform of the tax and transfer system must encourage an adequate supply of appropriate and affordable housing, for both renters and purchasers.

National Seniors notes that stamp duty is inefficient and discourages people from moving to more appropriate housing as their circumstances change. While it is an important source of revenue for the states and territories, stamp duty distorts housing choices, acting as a barrier to older Australians seeking to downsize, as well as deterring labour mobility. National Seniors considers that stamp duty should be abolished and replaced with a less distortionary revenue source.

#### **LIST OF ATTACHMENTS**

Nil.