Retirement funds urge Abbott to leave low-income rebate

Sally Patten

Trustees and chief executives of more than 20 of Australia's biggest superannuation funds have urged the Prime Minister to retain the super rebate for low-income earners.

In an open letter to **Tony Abbott**, super fund executives and directors – including ACTU president and Cbus director **Ged Kearney** and **John Brumby**, former Victorian premier and chairman of MTAA Super – warned that the government's plans to drop the rebate would hit retirement savings of more 3 million people.

About two-thirds of those who would be hit were women, the 56 signatories warned in the letter, which was sent on Tuesday, the day before the opening of the 44th Parliament.

"Australian workers who earn $37,000 a year or below, currently receive a rebate of the tax paid on their superannuation contributions.

"If the [rebate] is withdrawn, these workers will receive no tax break on their contributions, paying more tax than if the money was part of their take-home pay. It is surely unfair that while the highest paid workers receive a tax concession of 30 per cent, the lowest-paid would be penalised for saving for their retirement," the individuals write in the letter.

The signatories also argued that retaining the rebate will help to ease the pressure on the public purse as the population ages.

"The number of taxpayers in Australia is due to halve over the next 30 years, placing increasing pressure on taxpayers of the future to fund the age pension and making superannuation savings crucial to peoples' abilities to live comfortably in retirement.

"The continuation of the [rebate] will go some way to alleviating this stress," write the fund representatives.

The Abbott government confirmed its plans about two weeks ago to scrap the rebate, which will save about $1 billion a year. Days later it announced plans to remove a tax that would have hit wealthy savers.

The previous Labor government tied the low-income earners' rebate to the mining tax, which the Coalition plans to abandon.

The signatories to the letter urged Mr Abbott to break the link between the mining tax and the rebate.

Among those who signed the letter are **Ian Silk**, chief of AustralianSuper, **Anne-Marie Corboy**, head of HESTA, **David Atkin**, chief of Cbus, **David Elia**, head of HOSTPLUS, high profile business leader **Carol Schwartz** and The Australia Institute's **Richard Dennis**.

The scrapping of the low income rebate has divided the wealth industry, with some executives resigned to the government's position, given the pressures on the federal budget.

"The Financial Services Council supports the low income superannuation contribution (LISC) scheme. However, before the election the government made it clear that as the LISC was funded by the mining tax it would not be continued as the mining tax would be repealed," said the Financial Services Council, which represents retail super funds, asset managers and financial advisers.

"We believe the government has a clear mandate to govern and respect their ability to use their mandate.

"If conditions improve, we encourage the government to reinstate the LISC," the FSC said.

The Association of Superannaution Funds of Australia has described the rebate as "good public policy and well designed".

Last week Industry Super Australia (ISA) ramped up its campaign to keep the rebate, suggesting that the government water down its paid parental leave scheme and scrap the co-contribution program to pay for the rebate. ISA calculated that the combination of axing the rebate and delaying the rise in the super guarantee by two years would reduce aggregate super savings in Australia by $53 billion by 2021-22.

> **The highest paid workers receive a tax concession of 30 per cent, the lowest-paid would be penalised.**
> Open letter to Mr Abbott