

Opt-out super is a tax grab in disguise

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A RADICAL plan to tear down compulsory super would lump New South Wales workers with an extra \$1.3 billion tax bill a year, new analysis reveals.

The tax grab, proposed by backbench Coalition MPs, would allow workers earning less than \$50,000 to opt-out of their superannuation and take the money as wages now.

But Industry Super Australia (ISA) analysis released today reveals workers in the federal electorates of Sydney, North Sydney, Grayndler and Kingsford Smith would be lumped with the largest extra annual tax bill.

The opt-out proposal, which is being considered as part of the federal government's Retirement Income Review, would not only erode Australia's successful compulsory and universal superannuation system it would hike workers' tax bill and leave them nothing for retirement.

This is because wages are taxed at a higher rate than super contributions – more than double in most cases – meaning workers who take super as wages will raid their retirement savings only to pay more tax now.

In NSW alone workers would be slugged \$1.295 billion a year in extra taxes and more than 1.3 million people could be affected. The average NSW worker earning less than \$50,000 would be hit with a tax bill of \$1000 a year more.

The radical plan would also demolish low-income workers' retirement savings.

A 30-year-old working mum earning \$50,000, who takes time out to raise children, would lose almost \$300,000 from her super at retirement and pay more than \$61,000 extra in tax.

While a 30-year-old man on \$50,000 – who has a continuous career – will lose a staggering \$533,000 from their retirement savings and be lumped with an extra \$113,000 tax bill over his working life.

The numbers show the opt-out super policy props up the government's bottom line at the expense of working Australians' retirement. But even the government's windfall would be short lived.

The superannuation savings raid would force 4.3 million Australian – 1.3 million from NSW – to go onto or take more from the aged pension, a cost everyone would soon have to pay through higher taxes.

Comments attributable to Industry Super Australia Chief Executive Bernie Dean:

"This dangerous proposal could not only condemn more than 1 million New South Wales workers to poverty in retirement it lumps them with a bigger tax bill now."

"The numbers don't lie. Opt-out super is a blatant tax grab that would be used to prop up the government's budget bottom line, at the expense of hardworking NSW's workers retirement savings."

"It's bad for the economy and bad for NSW. Local NSW MPs need to call out this proposal for what it is or explain to their constituents why they support them paying more tax for no gain."

The opinions above are those of the author in their capacity as spokesperson for Industry Super Australia (ISA). ISA, the authors and all other persons involved in the preparation of this information are thereby not giving legal, financial or professional advice for individual persons or organisations. Consider your own objectives, financial situation and needs before making a decision about superannuation because they are not taken into account in this information. You should consider the Product Disclosure Statement available from individual funds before making an investment decision.