

2003

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

SENATE

SUPERANNUATION (GOVERNMENT CO-CONTRIBUTION FOR LOW INCOME
EARNERS) BILL 2003

SUPERANNUATION (GOVERNMENT CO-CONTRIBUTION FOR LOW INCOME
EARNERS) (CONSEQUENTIAL AMENDMENTS) BILL 2003

SUPPLEMENTARY EXPLANATORY MEMORANDUM AND
CORRECTION TO THE EXPLANTORY MEMORADUM

Requests for amendments and amendments to be moved on behalf of
the Government

(Circulated by authority of the
Treasurer, the Hon Peter Costello, MP)

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General outline and financial impact

Amendments to the Superannuation (Government Co-contribution for Low Income Earners) Bill 2003 and the Superannuation (Government Co-contribution for Low Income Earners) (Consequential Amendments) Bill 2003

The amendments to the Superannuation (Government Co-contribution for Low Income Earners) Bill 2003 and the Superannuation (Government Co-contribution for Low Income Earners) (Consequential Amendments) Bill 2003 will give effect to changes in the design of the Government's superannuation co-contribution measure.

Date of effect: The amendments generally apply in relation to eligible personal superannuation contributions made to complying superannuation funds and retirement savings accounts on or after 1 July 2003.

Proposal announced: The changes to the design were foreshadowed by Minister for Revenue and Assistant Treasurer's Press Release No. C85/03 of 7 September 2003.

Financial impact: The financial impact of these amendments is estimated to result in budgetary savings of \$105 million in 2003-2004, and budgetary costs of \$95 million in 2004-2005 and \$120 million in 2005-2006. The total budgetary cost of the co-contribution measure is now estimated to be \$220 million in 2004-2005, \$235 million in 2005-2006, \$220 million in 2006-2007 and \$205 million in 2007-2008.

Compliance cost impact: There is no compliance cost impact as the amendments will ensure the measure operates as originally intended.

Chapter 1

Amendments to the Superannuation (Government Co-contribution for Low Income Earners) Bill 2003

Outline of chapter

1.1 The Superannuation (Government Co-contribution for Low Income Earners) Bill 2003 will give effect to the Government's superannuation co-contribution measure. The amendments will give effect to changes in the design agreed to by the Government and foreshadowed on 7 September 2003.

Explanation of amendments

Amendments 1 and 3 to 6

1.2 Amendments to clauses 6 and 10 and the insertion of clause 10A will increase the lower and higher income threshold amounts. This extends the scope of the Government's superannuation co-contribution scheme.

1.3 In the 2003-2004 to 2006-2007 income years, individuals with incomes up to a lower income threshold of \$27,500 (previously \$20,000) will be eligible to receive the full government co-contribution of \$1,000. The higher income threshold will also be increased such that in the 2003-2004 to 2006-2007 income years individuals with incomes up to \$40,000 (previously \$32,500) will be eligible for a government co-contribution. These amendments extend the scope the Government's superannuation co-contribution scheme and ensure no-one is detrimentally affected by the threshold changes.

1.4 The insertion of clause 10A also provides for indexation of the lower income threshold. An increase in the higher income threshold equal to the dollar growth in the lower income threshold amount will maintain the taper range of \$12,500. The lower income threshold amount will be indexed from the 2007-2008 income year by the increase in full-time adult average weekly ordinary time earnings. This maintains the scheme's parameters into the future targeting low income earners.

Amendments 2, 7 and 8

1.8 Clause 7 will be amended to reflect a deferral in the application of the measure. The measure will now apply to eligible personal superannuation contributions made on or after 1 July 2003 (previously 1 July 2002).

1.9 The amendments to clauses 26 and 27 provide for a date to be specified in the regulations setting out when superannuation providers must give statements under these provisions to the Commissioner of Taxation and when superannuation providers must give statements to each other. This will enable the Government to provide industry groups with time to implement alterations to their systems to allow the reporting of this information.

Amendment 9

1.7 This amendment is a technical correction. The amendment will ensure that the references to superannuation provider are consistent with the definitions in Part 9 – Dictionary. The previous wording may have caused confusion in relation to the type of provider.

Amendment 10

1.8 Clause 54 will be amended to provide for additional reporting by the Minister to Parliament. This will be done on a quarterly and annual basis and include details about the recipients of the Government's superannuation co-contribution measure and the extent of the benefit received.

1.9 The actual items to be reported will be prescribed in regulations.

Amendments 11 to 13

1.10 The amendments to clause 56 will provide for the inclusion of new definitions arising from the amendments in the Dictionary.

Chapter 2

Amendments to the Superannuation (Government Co-contribution for Low Income Earners) (Consequential Amendments) Bill 2003

Outline of chapter

2.1 The Superannuation (Government Co-contribution for Low Income Earners) (Consequential Amendments) Bill 2003 amends various Acts in order to give effect to the Government's superannuation co-contribution measure. The amendments include a technical correction, and provide for the deferral of the date of application as foreshadowed on 7 September 2003.

Explanation of amendments

Amendment 1

2.2 This amendment is a technical correction which corrects a previous omission. The amendment is necessary to maintain consistency of the notes within the existing provision of the *Small Superannuation Accounts Act 1995*.

Amendment 2

2.3 This amendment defers the date of application of amendments made by Part 1 of Schedule 1 to 1 July 2003 (previously 1 July 2002).

Correction to the explanatory memorandum

2.4 In paragraph 2.18 of the explanatory memorandum, replace "provisions 61A or 91E" with "provision 91E". The reference to provision 61A should never have been included. The Commissioner of Taxation will not close these accounts just because a transfer of an account balance has been completed under that provision.

