Mythbusting tax reform

The myths	The facts

Are our **superannuation** incentives fit for purpose?

The myths	The facts
Superannuation concessions cost more than the aged pension does.	Super concessions do cost a lot – but nothing like the pension. Treasury uses as a benchmark the biggest possible tax bill that could be levied if super were treated as wage income. More appropriate benchmarks point to costs which are significantly lower.
We can't change super rules now because the system needs a period of stability to win back the trust of members.	Stability and trust is important, but cost is important too. Governments can only truly promise stability if the system is sustainable.

One example of a potential improvement

We should consider making tax incentives for contributing to super the same for everyone at 15 cents in the dollar. That would put super on a simpler, fairer and more sustainable basis. And the resultant saving of taxpayers' money – at over $6 bn a year – would be large. It could, for example, pay for shifting the company tax rate down to 26% from the current 30%, thereby delivering a prosperity dividend to all Australians.

Negative gearing – cause or symptom?

The myths	The facts
Negative gearing is an evil tax loophole that should be closed.	The ability to deduct expenses incurred in earning revenue is an accepted principle of our tax system.
Negative gearing drives property prices through the roof, but ditching it would send rents soaring.	Housing prices and the associated overuse of negative gearing reflect the current mix of low interest rates, a lack of supply, and the overly generous tax treatment of capital gains. That says the overuse of negative gearing is a symptom of other factors, rather than a cause of huge house prices. Besides, ditching negative gearing wouldn't have a big impact on rents, because tax settings would only change housing rents if they had large enough impacts on the supply or demand for homes.

Is the **discount on capital gains** too big?

The myths	The facts
The discount on capital gains is an appropriate reward for savers.	There should be more generous tax treatment of capital gains than ordinary income, but the 50% discount is too big.

One example of a potential improvement

We should consider other options such as a lower discount of 33⅓% applied across a broader base.

For perspective, some statistics for high income earners

3% Taxpayers earning over $180,000 make up just under 3% of all taxpayers.	**10%** These taxpayers receive 10% of all reportable employer superannuation contributions (such as salary sacrifice contributions or extra employer contributions).	**13%** These taxpayers claim 13% of total rental losses and equally earn 13% of rental profits.	**53%** These taxpayers make about 53% of all capital gains.

Deloitte.

Download the Tax Reform paper at: www.deloitte.com/au/tax-reform

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