

FINANCIAL REVIEW

SE News

HD Narev warns on super

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WC 651 words

PD 14 February 2013

SN The Australian Financial Review

SC AFNR

ED First

PG 1

LA English

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LP Commonwealth Bank of Australia chief executive Ian Narev has called on the government not to use the \$1.5 trillion superannuation system to prop up the federal budget, warning retirement savings should not be treated as a "political football" during the election.

Mr Narev also urged both major political parties to follow through with plans to raise compulsory super contributions from 9 per cent of salaries to 12 per cent as part of a wider blueprint to safeguard the economy as the mining boom passes.

TD "It is absolutely critical that we have a long-term position and certainty in superannuation," he said.

Mr Narev's comments were echoed by one of the country's most respected economists, who cautioned that the retirement savings system may be severely damaged by further rises in super taxes.

John Piggott, a member of the Henry panel that conducted an extensive review of taxation in 2009, warned Australia had a world-class super system that "may yet be torn apart" by politicians who raid it to plug budget holes. Writing in The Australian Financial Review today, Professor Piggott, who is a professor of economics at UNSW, argues that governments that wish to make the tax system more equitable should raise income taxes or transfer payments. "We have an excellent set of transfer policies, which could be extended," he writes. "And we could add an additional higher marginal tax rate for high-income earners if we are concerned about the wealthy getting off too lightly. These are the instruments to use for dealing with equity, not the superannuation tax structure."

He argues that politicians prefer to raise super taxes rather than income taxes for political reasons. "[Super taxes] are not immediately visible to taxpayers," he says.

Mr Narev said the super system was vital for national development, alongside identifying areas for investment outside of mining and dealing with the impact of the high Australian dollar on sectors such as manufacturing and retail.

"Whichever party wins, what you would like to see is a decent enough majority so that the government can think about making good policy for the long term and not be worried about what might be the short-term impact on any coalition," he said. "A good, strong, secure government for a period of time, no matter who that is, will be a good thing for Australia."

With the election campaign in full swing, Mr Narev said he was prepared to lock horns with politicians on controversial issues such as home loan interest rates after banks drew heavy fire from Canberra when they failed to pass on Reserve Bank of Australia cuts in full last year. "Whether it is an election year or not, these decision are going to come under a bit of scrutiny," he said. "And while it may be a bit more heightened in an election year, we have to be focused all the time on what is good, long-term, for our customers and our shareholders. Part of that means that at any given time you have to make decisions that you have to take a bit more heat for."

The Coalition told wealth industry executives on Wednesday that if it won government, it planned to improve corporate governance standards and recalibrate the controversial penalty regime for savers who exceeded their annual super contributions limits.

This would include adopting a recommendation made in the Cooper review to force union-backed super schemes to ensure one-third of their board members were independent. Shadow treasurer Joe Hockey said a Coalition government would look for ways to reduce red tape and remove barriers to product innovation.

A spokesman for Superannuation Minister Bill Shorten noted that the Coalition had confirmed its policy to raise super taxes for 3.6 million low-income earners.

CBA: rate cuts conceivable, page 21 John Piggott: Opinion, page 55

CO ctb : Commonwealth Bank of Australia

IN ibnk : Banking/Credit | i814 : Banking | i81402 : Commercial Banking

NS e211 : Government Taxation/Revenue | npag : Page-One Story | ccat : Corporate/Industrial News | e21 : Government Finance |
ecat : Economic News | ncat : Content Types

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

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AN Document AFNR000020130213e92e0006d