

Henry review

The Australian Future Tax System Review Panel (Henry) has undertaken a comprehensive review of Australia's tax system to create a tax structure that will position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century.

The report was delivered to the Government at the end of 2009 however the government is yet to table the report, advising that it will do so in early 2010.

The main thrust of this review seems to be one of equity in relation to access to options and value of the tax concessions. The two main areas under attack are the concept of salary sacrifice and the impact of the progressive tax scale on the value of the deduction. Possible changes may include restrictions on employer contributions to 9% by banning salary sacrifice coupled with the removal of the 10% requirement for personal deductible contributions. This would solve the salary sacrifice issues (e.g. as salary sacrifice is not available to all employees and it being used by some employers to reduce their SG obligations) as every individual would be able to make personal contributions which would receive tax concessions rather than access being dependant on employer policies. The tax concessions themselves may be changed to a tax offset (rebate) rather than a deduction that way every dollar gets the same amount of tax break irrespective of the person making it. There may also be some movement on the pension drawdown rates between preservation age and age preservation. It would not be surprising to see the introduction of an upper cap for pension draw down levels prior to age pension age as this would reduce the diminution of balances prior to that age. Along with this we could get a change so that the Tax free status of lump sums moved to age pension age rather than age 60. These changes would have some effect on the attractiveness of super but overall it would still maintain a regime where incentives are given to both capital and earnings as well as adding some simplification to the system.