



Henry Recommendations

The Henry Report was released in its entirety to the public on 2 May 2010. The report is over 1,000 pages long and contains 138 key recommendations. Outlined below are the key directions recommended by the Henry Review Panel for retirement savings, personal taxation and social security.

Retirement & Superannuation

The Henry report made a number of recommendations in relation to the future direction of Australia's superannuation and retirement system.

Specifically:

- Tax on superannuation contributions in the fund should be abolished and instead employer superannuation contributions would be included in an employee's taxable income. Subject to annual limits, all (concessional and non-concessional) contributions would attract a tax offset payable to the employee or individual
- A superannuation fund's income and capital gains would be taxed at 7.5%
- The transitional concessional contributions cap for those aged 50+ should continue
- Superannuation balances should be included in Age Pension means tests on the same basis as other savings (status quo)
- The development of longevity products should be encouraged and the Government should consider offering such products itself.

Personal Taxation

The Henry Report states that the personal income tax system will remain Australia's largest source of tax revenues and that an opportunity exists to greatly simplify personal tax and to make it more transparent, easier to comply with and more

robust. The personal tax system also needs to be better coordinated with the transfer (ie. social security) system.

The key directions outlined by the report are:

- A much higher personal tax-free threshold, around \$25,000, should replace the current complex array of thresholds and offsets
- All pensions, allowances and other transfer payments should be tax-free
- A simple transparent tax scale should apply
- Deductions and offsets should be rationalised with most work-related deductions replaced by a standard rate of deduction linked to the level of income from work
- Income from work should be taxed on a more consistent basis, whether it comes from wages and salaries, fringe benefits or superannuation contributions.

Social Security

Henry's Pension Review (released in May 2009) outlined adequacy benchmarks for age, disability and carer pensions (which the Rudd Government addressed in the 2009 Federal Budget). Now the report states that these should be extended to other Government payments but must also address incentives to work.

The key directions outlined by the Henry report in relation to social security are:

- Three levels of primary support payment should be established:
 - Pensions for aged, disabled and carers
 - Lower-rate participation allowances for those of working-age
 - Assistance payments for young people and students
- Once Payments reach adequacy levels, they should be preserved by common indexation arrangements applied to each of the main payment types
- The relativity between single and couple payments should be improved across all payment types
- Assets tests should be abolished and a comprehensive means test base established for the main pension and allowance payments. Income from savings would be assessed in the form of deemed returns from assets.
- Family assistance should be paid through a single program based on the assessed additional costs of children and means tested with family taxable income on the same base as for income tax.