

Align the LISTO with PAYG thresholds

The Low Income Super Tax Offset (LISTO) is a government superannuation contribution of up to \$500 per year and is designed to ensure the tax rate on compulsory contributions is not higher than the amount of income tax paid by low income earners[1] – in other words, that low income earners do not suffer a tax penalty for making super contributions. – 2.6 million workers [2], 60% of whom are women[3].

Originally aligned with the 19% tax bracket upper limit of \$37,000, the limit has increased to \$45,000, while the limit for the LISTO was not adjusted. The concessional contributions cap was raised as of 1 July 2021 as a result of indexation, in line with average weekly ordinary time earnings (AWOTE)[4]. Incongruously, the LISTO was not adjusted as well.

The LISTO needs to be increased from \$500 a year to \$640 a year and ongoing mechanisms must be introduced to ensure that the LISTO change is linked with other changes in the tax system. This will deliver \$488 million in super tax offsets to those earning less than \$45,000 a year. As a result,

a 30 year old woman earning \$40,000 a year would be up to \$56,170[5] better off at retirement.

References

- [1] Australian Taxation Office (ATO), 2019. <https://www.ato.gov.au/Individuals/Super/In-detail/Growing-your-super/Low-income-super-tax-offset/>
- [2] ATO, 2021. <https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Super-statistics/Low-Income-Superannuation-Tax-Offset/Annual-reports---Low-Income-Superannuation-Tax-Offset/>
- [3] AMP, 2020. <https://www.amp.com.au/insights-hub/blog/super/women-winner-in-listo>
- [4] ATO, 2022. <https://www.ato.gov.au/individuals/super/in-detail/growing-your-super/super-contributions---too-much-can-mean-extra-tax/?page=2#:~:text=From%201%20july%202021%2C%20the.for%20each%20year%20is%20%2425%2C000.>
- [5] Sydney Morning Herald, 2020. <https://www.smh.com.au/politics/federal/lower-paid-australians-to-lose-out-from-tax-changes-as-super-offset-lags-20201012-p56451.html>