



ELSEVIER

Contents lists available at ScienceDirect

Critical Perspectives on Accounting

journal homepage: www.elsevier.com/locate/cpa

Power and ideas: The development of retirement savings taxation in Australasia

Lisa Marriott*

Victoria University of Wellington, PO Box 600, Wellington, New Zealand

ARTICLE INFO

Article history:

Received 21 September 2009

Received in revised form 29 October 2009

Accepted 18 January 2010

Keywords:

Retirement savings

Retirement savings taxation

Power

Ideas

ABSTRACT

New Zealand and Australia have adopted vastly different approaches to retirement savings and its associated taxation. Two fundamental differences exist: New Zealand offers little in the way of tax incentives for retirement savings and there is no compulsion for retirement savings; Australia provides highly concessionary tax incentives and has a mandatory occupational retirement savings scheme. This paper uses a historical institutionalism theoretical framework to investigate the events that led to these diverse approaches in retirement savings taxation between two countries that frequently adopt similar policy 'solutions'.

The research highlights the importance of power and ideas in the policy development process. Power imbalances among institutions and individuals facilitated the pursuit of tax and retirement savings policy arrangements that were aligned with the world view of privileged elites. Ideas justified the policy direction adopted in each country and assisted in legitimising the power granted to actors and institutions that supported the prevailing ideology. The strongest ideas were found in New Zealand, where reform was the most radical.

© 2010 Elsevier Ltd. All rights reserved.

1. Introduction

Retirement savings, and its associated taxation, is of importance to all OECD countries. A variety of approaches have been adopted throughout the OECD to address issues relating to ageing populations including increasing the age of entitlement to state pensions; decreasing pension allowances; changes to tax incentives to encourage retirement saving; and increases in compulsory occupational retirement savings schemes. New Zealand and Australia have adopted different components of these reforms in their retirement savings policy. Australia has introduced a mandatory occupational retirement savings scheme, combined with generous tax incentives, while New Zealand has few tax incentives and no compulsion.

The paper explores two dimensions in relation to the impact on policy development: ideas and power. The paper challenges both the primary 'ideas' that moulded policy direction over the past 35 years and the power dimensions that facilitated the arrangements adopted. This paper examines the impact of individual and institutional power in the policy formation process and the extent to which ideas allowed interested groups to influence the policy direction.

The paper commences with an outline of the policy issues relating to the taxation of retirement savings. This is followed in Section 3 with a discussion on the theoretical framework used for analysis: historical institutionalism. Section 4 describes the methodology and the data collected, while Section 5 outlines the development of retirement savings taxation policy in

* Tel.: +64 4 463 6107.

E-mail address: Lisa.Marriott@vuw.ac.nz.

New Zealand and Australia. Section 6 provides the detailed analysis, using the suggested explanatory variables of power and ideas. Conclusions are drawn in Section 7.

2. The policy problem

New Zealand has had a turbulent policy environment for retirement income policy over the past 35 years. Since the early 1970s, New Zealand has seen the introduction of a compulsory retirement saving scheme; removal of the compulsory retirement saving scheme; increases in the levels of superannuation payments; reductions in the levels of superannuation payments; introduction of a surcharge on additional income earned in retirement; removal of the surcharge; introduction of a pre-funding scheme and subsequent cessation of funding the pre-funding scheme; removal of all tax incentives for retirement savings, re-introduction of a small tax incentive and subsequent reduction of the small tax incentive.

In common with New Zealand, Australia has also made a number of changes to its retirement savings policy since the early 1970s. These changes include the introduction and removal of surcharges for higher income earners; the removal and re-introduction of means testing; the introduction of a mandatory occupational retirement savings scheme; and numerous changes to the tax treatment of retirement savings.

Following a long period of similar approaches to retirement savings, New Zealand and Australian policy diverged in the mid-1980s, with Australia increasing, and New Zealand decreasing the level of state involvement in retirement savings policy. All OECD countries, with the exception of New Zealand and Ireland, have contributory state schemes and extensive state involvement in private superannuation arrangements. New Zealand's approach towards retirement savings and its taxation is highly unusual among OECD countries. New Zealand operates a two-tier system: a basic state pension paid from general revenue and voluntary private savings. There are no compulsory saving schemes and only a small, recently introduced, tax incentive.

The Australian pension system has three tiers, with two tiers of state involvement. The first tier is a means tested pension. The second tier is the Superannuation Guarantee, which provides occupational superannuation cover for workers who have earnings above a specific threshold: employers pay 9 per cent of their employees' earnings into a superannuation account. In addition, voluntary private savings schemes exist.

Retirement savings are different from traditional savings in two principal respects: in general, they are required to be large and they must be locked in for a long period of time. The level and form of savings that an individual enters into during their working life will impact on their net asset position at retirement, and accordingly their level of retirement income and standard of living.

From a tax perspective, most income tax systems in OECD countries give preferential treatment to pensions. Tax incentives are intended, at least in part, to modify behaviour and to provide a reward for restricting access to savings for what may be a substantial period of time. In New Zealand, a small tax concession is provided on a contribution to a retirement savings scheme. In Australia, generous tax concessions are provided at both the contribution stage and the fund earnings stage. Withdrawals from funds are not taxed in either country.¹ Among OECD countries, the most common taxation model is for tax exemptions at both points of contribution and fund earnings, with taxation applied on fund withdrawal.

Notwithstanding significant reforms to retirement savings policy throughout the past 30 years in Australia and New Zealand, the topic of retirement savings remains one of the most prominent public policy issues of our time. Along with all OECD countries, New Zealand and Australia are faced with ageing populations projected to peak around the middle of the 21st century.

The different approaches to retirement savings and its taxation in New Zealand and Australia result in significantly different levels of state provided minimum retirement benefits and levels of savings accumulated through superannuation vehicles. New Zealanders are lagging behind their Australian counterparts in a number of measures of saving statistics, including superannuation. Moreover, the difference in levels of savings through traditional superannuation funds is becoming more pronounced with time.

This research addresses three primary research questions in relation to the policy issue outlined above. Firstly, what role did ideas play in influencing policy development; secondly, how did the power dynamics in each country result in the policy outcomes adopted; and finally how were institutional dynamics influenced by the combination of power and ideas? Analysis of these questions is informed by the theoretical framework of historical institutionalism: this is discussed in the following section.

3. Historical institutionalism

There are a number of variants of institutional theory, all with different research approaches, but all aiming to explain the role that institutions play in determining social outcomes. Conventionally, these are categorised into three institutionalisms: rational choice institutionalism, sociological institutionalism and historical institutionalism, with roots in the disciplines of economics, sociology and political science, respectively. This paper adopts historical institutionalism for analytical purposes.

¹ To qualify for this tax exemption in Australia, the withdrawal must be taken after the age of 60 years.

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات