

Shortcomings of Australia's Taxation System (as seen by a self-funded retiree)

I am a so-called self-funded retiree, aged [removed for privacy reasons], and have worked at the [removed for privacy reasons], in [removed for privacy reasons] and for the final 17 years with [removed for privacy reasons]. I have a modest CSS pension supplemented by income from a share portfolio. Several things about our current tax system are of concern to me (and others with a similar background):

- due to lack of portability of superannuation schemes in the past, I have only the CSS pension as “genuine super”. I acknowledge that it now carries a partial tax rebate
- the rest of my and my wife's income is derived from dividends and interest from our investments and is therefore fully taxed, unlike the proceeds of the more usual superannuation schemes
- when Peter Costello did away with Provisional Tax, he replaced it with PAYG which is just as bad as far as we are concerned. It even carries an Uplift Factor which, according to the ATO, is to be 8% this year, and this at a time when the market is down by about 50% and investment income severely reduced. This simply does not make sense and will only compound retirees' distress
- the introduction of the CSHC has led to some strange anomalies. The main advantage of the card for people of our age was the availability of cheaper medicines via the PBS. Subsidised telephone bills and the occasional cash handouts by both the Howard and Rudd governments may have been welcome, but they were irrational (to my mind)
- the previous government's decision to NOT count superannuation income for CSHC purposes was foolish and allowed many comfortably-off people to receive benefits they neither needed nor deserved (at taxpayers' expense)
- as well, many well-off retirees have recently become eligible for the Age Pension, or part thereof, thus also giving them access to the CSHC and its associated benefits. This still does not make sense, nor does it apply to public sector retirees (incl. ex-ADF). The eligibility criteria for both the Age Pension and the CSHC have introduced an unacceptable level of distortion to the existing system
- clearly the current 'financial meltdown' has added to the problems the Taxation Review has to consider, but the previously obvious shortcomings are still there and need to be addressed, e.g. gathering too much tax on the one hand and then giving some of it back in the form of 'benefits' to selected (not always fairly) sectors of the community. Whilst I understand all governments' reluctance to reduce the tax burden on those of us paying 30 cents in the dollar (i.e. the need for revenue), this surely remains a problem crying out for a solution!

I hope that at least some of the above is of assistance in the review.

Submitted by George Fisher,
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