**[removed for privacy reasons]**

**Submission to the tax system review.**
I represent myself as a SMSF trustee and a self funded retiree who is barely holding on to that status.

<u>Advertising.</u>

It was only by chance that I learned of this review and even then it was too late for any submissions to the retirement portion of this review. Can I suggest that Treasury take a more active role in advertising this sort of request for comment by asking Centrelink, stockbrokers, CFAs and superfund trustees to tell their clients?

<u>Terms of reference</u>

I have been extremely disappointed in the fact that there seems to be little if any focus on the self funded retirees. They will be a larger part of the community in the next decade as the baby boomers leave the workforce. Most of these are NOT high flyers but barely self funded. Not taking them into account may cause many to become part of the tax transfer system faster than either they or the government expected if it causes them to erode their assets to maintain income.

With regard to "Fairness" of the tax system.

Pensioners living in $20m houses.

There are reports of people on pensions occupying properties that are more than average. I propose the following for this situation. It's not the fault of the pensioner that the market has escalated the value of their house so we should not force them to move. We can however make sure that the value of any pension paid out is subtracted from the sale/transfer price minus the value of an average home. Allowances would have to be made for partners but this would make the system fair. This would be the government offering a reverse mortgage on high value properties. At the same time other property rates and taxes ( eg council rates) should be frozen at time of retirement to avoid forcing people out of their homes just because the are has become more affluent

CGT on asset movement

Movement of assets in and out of the superannuation umbrella should not trigger a capital gains event. The recent changes to superannuation have made it more attractive to participate in super. However such a movement causes a change in ownership even though the beneficiary remains the same. This triggers a CGT event and makes the transfer not cost effective. I would like to see that assets transfers where the end beneficiary remains the same NOT trigger a CGT event. This would encourage more funds into super providing the government with more potential control over retirement funding.

Taxes on foreign retirement fund transfers

Having worked in the US for many years I have a US retirement fund in $US. I am aware of many others in similar situations and many of those that have not declared their interest in such funds as a result of the draconian treatment received from any US IRA transfer to an Australian super fund. Years ago I examined the immigration records of the US and found that there were many thousands of expatriates who spent considerable time in the US and then returned. At least twice a year I get calls from my stock broker asking me to advise one of their new clients who has these funds. Without what is seen as a fair treatment of foreign retirement funds these funds will remain overseas. What I would like to see is a treaty that would allow rollover from one fund to the other without penalty. Failing that if we could just pay the US taxes owing and move the remainder as a lump into super without further impost would be good. The current situation makes me dribble the funds out of the US at a rate that keeps my income below the 40% level. Neither I nor local industry benefit from this.

Households and individuals

For those of us who are retired Centrelink sees our income as joint yet the ATO assesses us separately. Can we have a more equitable system that allows us like the US to have the category of "married filing joint". This might also remove the need for some family trusts that I am lead to believe are used for this purpose. Joint tax assessment becomes more equitable after retirement since in many cases women have lower income from their super then men.

Portfolio adjustment relief.

Everytime a new government comes in there are changes to the tax laws. These were not noticed that much when we worked but become very destabilizing and expensive when one is a self funded retiree. Every change in the tax laws causes a rethink of how to get the best return from our assets. We move the investments to super or not we move from dividend creating investments to value stocks etc etc. These are necessary to keep us out of the tax transfer system which has to be good for everyone. The current tax system does not allow for these adjustments so I ask that this review examine means by which the impact of changes in legislation can be minimized on those of use that no longer have the ability to work for wages. **Income averaging** is the only mechanism that immediately comes to mind. Income averaging recognizes the fact that some activities are unusual and should not be penalized with a higher tax rate. It applies equally well to any profession where the income is 'lumpy' or to self funded retirees making portfolio adjustments in order to stay out of centrelink.

Franking credits

Without franking credits included in my dividends I would be in the line at centrelink. I would also qualify for the seniors health card so would not continue with private medical insurance---unnecessary and unaffordable without the imputation credits. Without this extra return from Australian equities there is no reason for me to keep my money invested locally. I don't care if "franked buy back" of equities remain. This is an unusual event and not something I budget for.

Whatever happens in this area I ask you to consider those of us who can no longer adjust by "working a few more years" or taking one less overseas trip every year as some politician one said. It must not be forgotten that bulge in retirees is coming (I am the leading edge at 65) they will not look kindly on the changes I fear will happen. Most of us don't take any overseas trips---we aren't that well off but it is a matter of extreme pride that we remain self funded.

Bad practice

Amongst my acquaintances are a large group of people that look at the current transfer system as a queue to join. A way of getting their own back

We know of people that squirrel away cash to pass the assets test.

Others that spend everything they can lay their hands on in order to maximize the pensions they receive. They buy new and unneeded cars or appliances in order to not loose a penny from the pension.  The attitude is not right in my opinion so anything we could do to change this would make for a better society  .

Thank you for listening