

To Dr. Ken Henry, dear Sir,

Please consider the following submission, with the portion in red and italics to be considered private and not for publication.

It has been foreshadowed that two points of interest **under consideration in your tax review are**

ONE:- a potential for taxation of income from superfunds (albeit at a highish threshold) as it seems unfair for well off retirees to not have to pay any tax.

I would like to remind the reviewers and the Australian public that that solution to that proposition is erroneous, **for with GST we do pay 10% on everything**, with no opportunity to offset that tax with deductible expenses. **So to keep hearing that retirees on S/F pensions do not pay tax is very irritating and wrong in fact.** And considering that we pay our own medical insurance, and get no govt. concessions on medications, and seniors cards are means tested, I would object strongly to such a tax.

TWO:- the limiting or removal of the current facility to take lump sums from one's superfund, (as facilitated by the previous government.)

Almost uniquely in our personal situation, we don't have access to all our super now. When we set up our S/F to pay a pension we were locked/guided into a "TAP" for half our S/F assets (as we were had accessed a higher "reasonable benefits level" of contributions) This actually was/is a good idea as it prevents all the assets being squandered as they might be by some people. I would be very upset if now we lost access to that other half, regardless of the reasons in the following paragraph. So please consider the effects of any legislative change on those of us who have Term Allocated Pensions, as it is not as simple as limiting lump sum withdrawals to the "undeducted" contributions. In our case it would limit the lump sums to the undeducted contributions in half of our SMSF assets.

Because of the above facilitation, an opportunity was provided, on the death of one member (spouse) [whose S/F assets and pension would revert normally to the other], for the remaining member to then in some part gift to adult children, from the portion that reverted to the remaining member, (according to their predetermined mutual wishes), thus finding a legitimate way for the deceased's estate to find it's way in part to the adult children. This relieved the vexed question of "binding nominations " and taxation of superfund assets distributed to adult children. (a de facto death tax)

The current situation also allows that in the event that one of the members found he/she had a terminal illness, they could withdraw assets before dying and gift to family members. Such a privilege is denied to those who die suddenly.

These opportunities should be tidied up so they can exist openly and be equitable, not dependent on the grim reaper's timing schedule.

As we have always been encouraged by Govt. to be self funding and enabled by the recent generous legislative changes to have most or all of our assets in our SMSF's, a tax on those assets should be recognised for what it is, (a de facto death tax) and there should be vigorous opposition to making it difficult and "TAXING" to pass on part or all of those assets to non dependant family.

Thank you for the opportunity for some input. I hope it receives due consideration.

Sincerely, Dr. John Shrapnel,
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