

16th October 2008.

The Review Officer,
Australia's Future Taxation System,
The Treasury,
Langton Crescent,
PARKES. 2600.
ACT.

Dear Review Officer,

Subject: Taxation anomaly related to Income Streams (i.e. Account based Pension etc.) which disadvantages many Pensioners and people who are Low Income Earners.

I currently receive an Account based Pension from The Savings & Loans Credit Union. I receive an Annual amount which is paid into my account on a monthly basis. The payment consists of two parts i.e. Part of my own money and part Interest. Under the new Taxation Rules implemented 1/7/2008, this income is no longer assessable and does not have to be declared in my annual Taxation Return.

I understand, if I wish, I could withdraw the whole balance of the money in my Account Based Pension. On doing so, I do not have to include the amount withdrawn as Assessable Income on my Annual Taxation Return. (However, I do understand I have to advise Centrelink of the withdrawal)

I understand, upon my death, the balance in my Account Based Pension will pass to my wife without any Income Tax Responsibilities.

I understand, if my wife died before me, our children would become the beneficiaries (but they are not dependants) As my beneficiaries, they will receive the balance of my Account Based Pension. However, a portion of the Account Balance (Interest Earnings) will be considered Assessable Income they will be required to pay Income Tax on my behalf on the Assessable Amount i.e. approximately 26% of the balance of my Account based Pension. **It is this part of the current legislation which I consider to be unfair.**

On completion of my 2007/8 Income Tax Return my wife and I could have earned approximately \$12000.00 more than we actually earned and not pay any Income Tax. The reason being, the Actual amount of our earnings + \$12000.00 once assessed, would reveal an Income Liability of 'x'. The total of all Income Tax Offsets which are allowed by current legislation would have totalled 'x+'. Therefore 'x' - 'x+' = \$0.

I hereby submit the following for consideration in your 'Review' and I hope, approval.

I request that each year after the Taxation Department has assessed our Income Tax Returns and calculated the

1. **Low Income Tax Offset,**
2. **Together with all other Tax Offsets, Income Stream etc.**
3. **Senior/Mature age worker Tax Offset**

The total of these Tax Offsets should be based against the Tax payable on the Taxable Income.

Once the Tax payable on the Taxable Income has been established and the Tax Offsets together with other Credits have been established.

The Tax Offsets should be applied as Credits against the Tax on Taxable Income progressively, leaving the Senior/Mature age worker Tax Offset until last. (see above)

The Tax offsets should then be based against The Tax on Taxable Income and reveal a + or -.

Any Residual (+) amount left after the calculation should be issued to the Tax Payer as Tax Offset Credits. (and not lost forever as is the current situation).

Such Tax Offset Credits should then be allowed to be used to Offset any Income Tax liability which may accrue in our Account Based Pensions accounts and any other form of Superannuation.

An example of what I am trying to say, follows.

Current Notice of Assessment Details

Wife

Taxable Income	\$15972.00
Tax on Taxable Income	\$01495.80
Tax Offsets and other Credits	<u>\$01495.80</u>
Balance of this Assessment	\$0.00

Included in Tax Offset and Other Credits
Above is a Senior Tax Offset of \$1495.00

Husband

Taxable Income	\$18656.00
Tax on Taxable Income	\$01898.40
Tax Offsets and other Credits	<u>\$01898.00</u>
Balance of this Assessment	\$0.00

Included in Tax Offset and other Credits
above is a Senior Tax Offset of \$1709.00

Suggested Notice of Assessment Details

Wife.

Tax Offset Calculations

Low Income Tax Offset	\$0750.00
Mature Age/Senior Tax Offset	\$1602.00
Total Tax Offsets	\$2352.00
Less Tax Offset for	
2007/8 Tax Return	<u>\$1495.80</u>
Balance Transferred to	
Spouse TFN XXX XXX XXX	\$0856.20

Husband

Tax Offset Calculations

Low Income Tax Offset	\$0750.00
Income Stream Tax Offset	\$0365.00
Mature Age/Senior Tax Offset	\$1602.00
Tax Offset Transferred from	
Spouse TFN xxx xxx xxx	<u>\$0856.20</u>
Total Tax Offsets	\$3573.20
Less Tax Offset for	
2007/8 Tax Return	<u>\$1898.40</u>
Balance of Tax Offset Credits	<u>\$1674.80</u>
For use to Offset	
Superannuation Income Tax Liability.	

Wife

Taxable Income	\$15972.00
Tax on Taxable Income	\$01495.80
Tax Offsets and other Credits	<u>\$01495.80</u>
(See above)	
Balance of this Assessment	\$0.00

Husband

Taxable Income	\$18656.00
Tax on Taxable Income	\$01898.40
Tax Offsets and other Credits	<u>\$01898.40</u>
(See above)	
Balance of this Assessment	\$0.00

I trust the thrust of my argument to demonstrate the unfairness of the current Taxation System in Relation to Pensioners and Low Income workers, has been established.

I believe it should be possible to have any Income Tax Offsets not used on our normal Tax Return, returned as Tax Offset Credits to the Tax Payer. The Tax Offset Credits could then be used for reducing the Tax Payer's Income Tax Liability on any Superannuation or Account Based Pension.

I believe the Spirit of the original Legislation was to give Low Income Workers and Pensioners a lift. It is generally the wealthy who gain the greatest advantage out of the Income Tax Offsets as they would use them to the maximum each year. On the other hand I have never used all of the Tax Offsets available to me because I have lacked the Income. At the same time my Account Based Pension is Accruing Interest each year and I have no way of offsetting the Tax Liability. All I am asking for is a level playing field. The current field is unAustralian.

Please contact me on the above telephone number or e.mail if you require any further clarification on any part of this submission.

Yours faithfully,

Anthony E. Mawdsley.