

Submission to Australia's future tax system.

I wish to make a submission to the enquiry into Australia's tax system, particularly to how the present system of capital gains tax affects poorer Australians. I will use my own story to illustrate this.

I am 69 years old with income from a superannuation fund, an allocated pension, and an age pension giving me an annual income of \$31,000. I retired at age 64 after working all my adult life (from age 16) with a period of about 10 years out of the work force when I was having my 4 children. I recommenced work when my youngest child was 3, working part time, in 1979. At that time there was no superannuation available to part time workers.

When my marriage failed I became a single parent, still working part time with the greatest burden of support falling on me. Although I have done without a lot in my life I did manage to buy a home (with a mortgage).

When my youngest child reached 11 I began working full time and from that time on accrued superannuation, however with 4 children to support could not make any personal investment in my superannuation nor could I ever save much.

When I retired I had a grand total of \$35,000 in superannuation, less when taxation was deducted.

When my mother died in 1999 I was left some shares. After retirement I sold my home in Sydney and, after paying off the mortgage and other fees incurred in selling a house, bought a house outright in Brisbane therefore getting me off the mortgage treadmill. The remainder of my money was then put into my super fund bringing it up to about \$128,000. I was later advised by my financial adviser to sell \$150,000 of the shares to put into an allocated pension fund. This left me with about \$100,000 worth of shares.

The house I bought in Brisbane was a small (10 x 7 m) house over 100 years old which turned out to need quite a lot of work and I have, over the past 4 years sold the remaining shares to make the necessary repairs – replacing the original roof which had no insulation, the foundation stumps (also original) needed replacing and the house needed to be levelled. I have added a new kitchen.

When I sold the original shares to help support myself into old age I had to pay capital gains which really hurt financially. Now I find I have to pay another \$4500,00 capital gains on the last of my share sales.

I am in receipt of almost a full age pension which indicates that my assets are small. I have just over \$3000 in 'emergency money' and the only way I can repay the tax is to pay it off over 2 years at \$212 per month and now I find I am paying 14.7% interest because of this even though it should be obvious that I have very little spare cash.

I believe that this situation is an insult to elderly Australians, and there must be many more like myself who find themselves selling assets to live and maintain their home, and who then find themselves financially penalised. Had I used these amounts for luxuries, like a holiday, it would be different, but when assets are realised to keep body and soul together this taxation situation is totally unfair. Surely it should be recognised that there are a lot of people who just get by financially and they should not be penalised excessively. In the past 5 years I have had very little income and literally live from one payment to the next and believe it is time that capital gains tax should be considered on a case by case basis and even means tested. The way the system is presently constructed punishes those who were unable to access superannuation and who, by other means, try to do the right thing and maintain a simple way of life without too much burden on the state. Those with high incomes are rightly taxed on capital gains but the system as it stands is punitive to low income earners.

I do not object to paying tax and have done so all my life, however I do object to being exploited by exorbitant interest rates. I also appreciate that many pensioners do much worse than I. I was lucky to have the shares left to me and between that and living very frugally have an income that allows me a reasonable life and for which I am very grateful. The one off payment announced by the government will now go into paying my tax.