SUBMISSION TO THE FUTURE OF TAXATION INQUIRY

CHAIRMAN DR. KEN HENRY AUGUST 2008

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Age 75 AND Over Restrictions on Contributing to Superannuation.

The Discussion document "The Architecture of Australia's Tax and Transfer "has no mention is made of the restriction that one has to be under the age of 75 to contribute to superannuation. This discrimination needs to be removed being unfair to this age group of self-funded retirees. Anyone of that age in Australia has an average life expectancy of another 10 years for which funding at $20,000 per year makes it a case for superannuation.

It must be a common problem for people who sell their businesses including farms if un-incorporated. After many years of building up their capital assets then they sell hoping to have the facilities that others enjoy to have these funds included in their superannuation on the same favourable terms that younger taxpayers enjoy.

The Association of Independent Retirees and Over Fifties Association are taking up the fight on this unfair impediment.

The Australian recently had a an account of research done by the Association of Certified Accountants saying that *our taxation system ranks high in complexity and second lowest in fairness in comparing systems in USA, UK, Canada, Singapore and Hong Kong.*

Example to provide concrete evidence of unfairness. : MJ and JI Hall

The following is a personal account. The problem is a severe one for people who invest in trees for superannuation due to the long gestation of 25 – 30 years. High initial costs and thereafter annual maintenance expenses; with only a couple of years when any returns occur as intermediate thinnings in the second half of the rotation, and the main return occurs on clearfelling. Not many individual growers can spread their investment over multiple age classes because each unit has to be 10 – 20 hectares to allow high cost machinery in the hands of specialised contractors to be used in land preparation and harvesting.

As a forest consultant in private forestry MJ had been promoting the need for some recognition of the extreme lumpiness of returns which unfairly hits the grower due to our existing tax schedules on income.

IN 1997, with another consultant, he wrote a bulletin for Rural Industries R. & D. Corporation listing impediments to private forestry and this problem was on the list. He explored this with Senator Rod Kemp, Assistant to the Treasurer asking why there was an age limit (70 Years at the time) when people planted trees for superannuation purposes. The official reply from the Senator in 1999 was that, the Government was not into helping people boost their estates.

However, in 2002, the superannuation law was amended to allow contributions to superannuation schemes up to the age of 75. That was welcomed.

This matter was taken further after the May 2006 Budget where there was big news of "simplifying superannuation; removing age restrictions and the RBL. That was fine but it did not include anything for those over 75, although this was rarely stated. Via our local member, Hon. Peter McGauran passed it up to the Treasurer, Hon. Peter Costello. I wrote two letters because the first reply was off beam saying that there had to be an age limit for the employers. The second letter from us pointed out that no employer was involved and he finally got the message in his second reply saying that in "*the Governments" opinion there needed to be a cut off*". Note an opinion and not a reason. We replied that we could provide a reason. We draw nothing from the public purse and any 75 year old has an average life expectancy of 10 years from the Government's own life tables, which would seem to require funding at least at $20,000 per year. The latter was not answered.

This problem was made very clear to us as investors in a pine plantation in Gippsland when the final proceeds after 24 years came to us after this age and we had to wear the full cost of the sale of trees as revenue item at our marginal tax rate.

This has meant that the ATO over the full investment 1980 – 2006 had an IRR in real terms of 4.6% while we who took the risk had an IRR of exactly half that. It would have been reasonable had we been able to place that money in a superannuation holding and reverse this order of benefit.

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