

11 September 2008

AFTS Secretariat
The Treasury
Langton Crescent Parkes ACT

Submission to: **Taxation Review**

I request that this submission have my name removed when published. I am also prepared to appear at any hearings in Canberra.

I make this submission for a review of Taxation reform in regard to invalidity retirees and their full time carers.

I believe younger invalidity retirees who are assessed as being totally and permanently incapacitated and their full time carers should have any income taxed at the same rates as those aged 65 years or be eligible for additional tax offsets rebates on superannuation, expenses in maintaining a carer and additional expenses incurred due to disability including the expenses of purchasing and maintaining a vehicle to transport a person with a disability.

The remainder of this submission has also been forwarded to the FAHCSIA Pension Review as representation of the circumstances that face people who are retired at an earlier age due to invalidity and access self funded superannuation such as CSS & PSS Pensions and have a spouse or close family member who becomes their full time carer.

Many of these people retire due to invalidity with little time to consider or make changes to their personal assets. This is usually forced early retirement after exhausting their sick leave and other leave entitlements. In addition they incur ongoing expenses in regard to medical expenses and home renovations such as ramps and bathroom fit outs, in addition to wheelchairs and other safety aids and transport expenses to receive medical care and assessment.

In some circumstances accumulated financial assets may need to be reserved for circumstances whereby the invalidated person may require additional care and or nursing home admission. These expenses include the payment of an entry bond and daily fees which in some circumstances can be in excess of the self funded retiree's pension. Overlooked are the expenses in maintaining the family home and daily living expenses which do not decrease on early retirement.

At the time of illness/invalidity, the carer often the spouse may be required to use their leave entitlements including long periods of leave without pay to provide care for the person who is retired on invalidity. Many are put in a position that they are

unable to remain in the workforce and in fact become unpaid carers dependent on the income of the person they are caring for.

The Taxation system apart from the combined medical expenses rebate of a spouse makes no provision for these circumstances in that the spouse/carer may be providing 24 hour care and apart from receiving the Carers Allowance which is income and asset free and also available at the same rate to others who can due to their caring circumstances remain in the workforce.

The make up of superannuation benefits paid out by the CSS and PSS result in the make the main part of the pension to be taxable.

For invalidity retirees under 65, the income assets test exempts superannuation remaining in the fund. Invalidity retirees are able to access these lump sums in the case of additional expenses mostly tax free. However as we have experienced in the current fiscal circumstances, invalidity retirees may have forgone expected income for the past year and actually lost the value of their superannuation account.

In the application for a disability or carers pension, there is no way to account for these losses which in the case of invalidity retirees may be actual losses in their income whereas a person still able to work has the opportunity if they choose to earn additional income to make up these losses.

For those aged over 65 years in addition to the aged pension, a health care card and utilities allowance for those who meet the income/assets test, the taxation system provides additional taxation relief.

Self funded invalidity retirees under 65 who do not qualify for the invalidity pension due to their single or combined income assets, are paying tax at the full single earning rate, premiums to health funds in addition to paying full price for medical dental and pharmaceutical care. For example they are also required to pay for the Fluvax which is available free to those over 65 regardless of their income/ assets.

Self funded invalidity retirees and their full time carers, particularly those under 60 years, who previous to illness or invalidity retirement may have been both gainfully employed, paying tax both at the single rate are then assessed as a couple with no provision for the expenses of caring for a person with chronic illness or disability.

Couples who are not self funded superannuants, under the pension scheme are far better off as the person with the invalidity is entitled to an invalidity pension, health care card and the many entitlements as well as their carer, who may not have been in the workforce, who is entitled to receive the individual carers pension at the same rate even if they had not previously been in the workforce.

In many cases, carers who previously were financially independent become fully or partially financially dependent on the person they are caring for full time as they no longer have any personal income.

There is also no consideration to the fact that in the future if the person being cared for dies or moves into a nursing home, the carer is no longer entitled to the carers allowance or pension and in most cases not be able to return to their previous employment.

There is no provision in the invalidity pension, income asset tests to recognise that the person has contributed to their self funded retirement pension with their own funds rather than spending all of their income and in many cases gained assets through a long time of hard work and public service.

There is also no provision to factor in the additional expenses of a person who has a chronic illness or unexpected invalidity not covered by any compensation provisions.

I propose that the Pension Review consider the financial circumstances of invalidity self funded retirees and their carers, many of whom are spouses who were previously in the workforce by:

1. Income assets test for the disability pension be reviewed in regard to self funded retirees who are deemed to be totally and permanently incapacitated. CSS & PSS pensions should be exempted as income and other income deemed to be eligible are reduced by actual additional medical and caring expenses incurred by those totally and permanently incapacitated.
2. Provision 1 should also apply to income assets test for full time carers who apply for carer's pension.
3. Self funded retirees less than 60 years of age who are who are deemed to be totally and permanently invalidated have their superannuation entitlements treated in the same way as those over 60 years.
4. Provision be made for self funded invalidity retirees to apply for a backdated invalidity pension or taxation offset in the case of superannuation losses in previous financial year.
5. Self funded retirees who are deemed to be totally and permanently incapacitated be taxed at the rate of these who are 65 years, receive a health care card and utility allowances.
6. Spouses/full time carers, who are deemed unable to work due to the need to provide full time care, receive the carer's pension at the full rate as well as a health care card and utilities allowance, regardless of joint income and assets or having any their individual income assessed at a reasonable rate.
7. Pro rata carer's pension for those still working on a part time or casual basis.