**From: Tony Peterson**

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**I have pleasure in providing below my three submissions for the Review Panel to consider:**

## 1/3 TAXATION OF INCOME OF RETIRED PERSONS

Looking at the overall position regarding personal taxation, I believe that one can state that the majority of retired people do not get a fair go. It is important to bear in mind that post-retirement income usually drops significantly, obviously depending upon the amount of superannuation that each individual has been able to set aside and/or have put into their fund by their employer.

It is very clear and has been widely reported in the press and other media that those who retire on small incomes do endure hardship, and it would be appropriate to consider revising the taxation of retired people in order to bring about some improvement in their future standard of living.

One way of improving the lot of those retired people on small incomes would be to increase the tax-free allowance of $6,000 significantly, perhaps to a minimum of $12,000. As an example, this would equate to approximately the free allowance figure for retirees in the United Kingdom.

An alternative, which I prefer, would be to examine the effect of the first band of taxable income where a rate of 15% applies on income between $6,000 and $34,000 for the fiscal year 2008/09. In order to bring a reasonable measure of relief to retired persons on low incomes, the tax on this income band could be reduced to a figure of 10% and, in an ideal world, to 7.5%.

I do not propose any changes to the other higher bands of taxable income for retirees or for others as I do not consider such changes to be necessary.

## 2/3 ADDITIONAL SUPERANNUATION CONTRIBUTIONS BY RETIRED PERSONS

Current ATO regulations state that *"People who are aged between 65 and 74 must meet the work test to be allowed to make personal superannuation contributions. The work test requires a person to be gainfully employed. Unpaid work does not meet the definition of gainfully employed."*

I believe that this is unnecessarily restrictive and potentially unfair. Take the case of, for example, a retired person whose elderly parent, relative or friend dies and leaves them some money, possibly a property or share thereof, or a sum of money. I propose that retirees ought to be able to invest any such inheritance into their super fund in order to enhance their income. This would be subject to the payment of tax at 15% on any money being paid into such a super arrangement.

There is a strong element of discrimination in the present arrangements, in that a working person in their fifties or early sixties are able to make contributions of at least part of their inherited money to their super. Over 65s cannot, as the rules do not allow them to do so..

One might argue that permitting this move would deprive the ATO of the tax upon the investment income. A counter to this would be that a retiree benefitting from an inheritance may well be in receipt of the CentreLink Age Pension, with the increase in their super income the means-testing of the Age Pension could well result in a reduced pension being paid or, in many circumstances, no pension at all.

## 3/3 INTRODUCTION OF A TAX-FREE SAVINGS SCHEME FOR INDIVIDUALS

I recommend that the panel should consider the merits of introducing a tax-free savings scheme for individuals, perhaps to be known as a Personal Savings Account (PSA), for I believe that such a scheme would have a number of attractions. PSAs would be issued by banks.

Firstly, it would encourage the development of personal savings and thrift.

Secondly, it would provide a means for people to save for particular needs, be it for a deposit for the purchase of a home, future education of children, special occasions such as a family wedding, or a holiday to commemorate a special occasion.

The operation of such a scheme would be quite simple –

Each individual saver could have only one PSA into which they could place up to, say, $7,000 in the first year and a maximum of perhaps $4,000 in subsequent years.

Interest on the PSA would be paid annually and could either be withdrawn or left in the account.

Savers would be able to withdraw money from the PSA, but would not be able to replace it. For example, if in year two the saver had $7,000 in their account they might withdraw $4,000. They would not be able to replace the sum back into the PSA in the course of that year but would have to wait until year three when in accordance with the rules they would be entitled to place a further $3000 in the PSA. The objective of this is to maintain the amount of money in each PSA and to discourage withdrawals and repayments during the same year. In other words, the growth of the savings habit would be paramount.

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