

4 February 2009

AFTS Secretariat  
The Treasury  
Langton Crescent  
PARKES ACT 2600

**RE: SUBMISSION TO THE REVIEW PANEL CONSIDERING AUSTRALIA'S FUTURE TAX SYSTEM**

The Association of Former Members of the South Australian Parliament would like to draw to the review panel's attention the fact that the current tax system is inequitable for persons receiving superannuation pensions.

The inequity is in the overall rate of tax including Medicare levy that persons in receipt of a superannuation pension from an untaxed source pay in comparison to person receiving a superannuation pension from a taxed source.

The Association refers specifically to the situation that was created in the tax reform introduced from 1 July 2007.

The inequity related to persons who have attained the age of 60 years, and are in receipt of a superannuation pension.

Where a person receives a superannuation pension from a taxed source (eg from the Victorian Government, the New South Wales Government, the Queensland Government, or the Tasmanian Government), the current tax system provides that where the person has attained the age, of 60 years, there is no tax payable on that superannuation pension. This means that because there is no taxable income relating to the superannuation pension, there is no Medicare levy payable on the superannuation pension income.

In contrast however, where a person receives a superannuation pension from an untaxed source (eg the Commonwealth Government, the South Australian Government, and the West Australia Government), the current tax system provides that where the person has attained the age of 60 years, the person still pays tax on their superannuation pension. We have no problem with this because there was no tax paid as the benefit accrued. The amount of tax payable is subject to a 10% tax offset to recognise the fact that there is now only a 15% tax on employer contributions to a fund, and 15% tax on the investment earnings of the invested assets. The 10% tax offset was introduced from 1 July 2007, as an equaliser for the fact that the original 15% tax applied on the payment of all benefits (including benefits paid from taxed funds) was removed and discontinued from 1 July 2007.

However, where a person receives an income stream or lump sum from an untaxed superannuation fund, that person is discriminated against compared to the person who receives the same superannuation benefit from a taxed fund.

Whilst the Medicare levy might be called a 'levy' it remains a form of taxation and is applied inequitably between persons in taxed and untaxed superannuation funds.

What this means is that if you receive a benefit from a taxed superannuation fund after the age of 60 you don't have to pay any Medicare levy on your superannuation benefit, but if you received a benefit from an untaxed superannuation fund after age 60, you have to pay a Medicare levy on your superannuation benefit.

This is grossly unfair and inequitable.

Retired Members of the Commonwealth Public Service and of the Federal Parliament are subject to this discrimination and tax inequity.

The Association brings this matter as a problem with the current taxation and superannuation system, and urges the review panel to bring this matter to the Government's attention with a recommendation that the inequity be addresses as a matter of urgency.

Yours sincerely

Mr Stan Evans  
Secretary  
Association of Former Member of the South Australian Parliament