



6 JAN 2017

Mr Graeme Watson
Vice President
Fair Work Commission
GPO Box 1994
MELBOURNE VIC 3001

Dear Vice President Watson

Thank you for your correspondence of 25 July 2016 to the Treasurer concerning Division 293 tax and members of the Fair Work Commission in the Judges Pension Scheme. The Treasurer has asked me to respond to you. I sincerely apologise for the delay in responding.

Division 293 tax was introduced in 2013 to ensure the tax concession received by high income earners (broadly those with income and concessional contributions exceeding \$250,000 in an income year) is more closely aligned with the tax concession received by average income earners. Division 293 tax effectively achieves this by raising the tax rate on contributions from 15 per cent to 30 per cent for high income earners, applying as broadly as possible within legislative competence.

Exemptions for Commonwealth Judges in the Judges Pension Scheme exist for constitutional reasons only. Extending these exemptions would reinstate the inequity between the high income earners in receipt of them and average income earners: an inequity that Division 293 was intended to remove.

I note that the members you refer to in your correspondence who have been assessed by the ATO are open to object to that assessment on that basis that they fall within the current exemptions.

Once again, thank you for taking the time to write.

Yours sincerely

Michelle Dowdell
Acting Division Head
Retirement Income Policy Decision

