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The Secretary
Senate Community Affairs Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Secretary

INQUIRY INTO SPECIAL DISABILITY TRUSTS

The Disability Services Commission is aware that the Senate Community Affairs Committee is currently seeking submissions for an inquiry into Special Disability Trusts.

The Disability Services Commission welcomed the introduction of Special Disability Trusts but was disappointed in their restrictive provisions. This is possibly why only a small number of trusts have been established.

The Commission provides the following comments:

- The current Special Disability Trust provisions are very narrow and limit the use of trust funds strictly to disability specific expenses. Expenses on activities that contribute to quality of life are currently not permitted; yet they are essential for someone with a disability to participate in their community and reach their full potential. The use of trust funds could be broadened beyond disability specific expenditure, to support the person with a disability's quality life.

A modification would also facilitate after tax contributions from families aimed at improving the quality of life of the individual with a disability. At present, a person with a disability needs to meet all their ordinary living costs from their Disability Support Pension and minimal wages.

- Currently undistributed income from a Special Disability Trust is taxed at 46.5%. The elimination of tax on undistributed earnings would allow saving within the trust that would benefit families wishing to build up the trust fund.

- Currently Capital Gains Tax is payable on property transferred into a trust fund. The provisions could be modified so that property can be transferred into the trust without Capital Gains Tax being incurred.
- Currently Capital Gains Tax is incurred when a property that is held in a trust is sold. The sale is sometimes due to the person needing to relocate, therefore requiring the purchase of another property. Consideration could be given to Capital Gains Tax being waived on the sale of a property within a Special Disability Trust, particularly where another property is being purchased for the person with a disability.
- Currently an individual is not able to contribute into their Special Disability Trust. The provisions should be modified to allow individual contributions to trusts, with the possible exemption of individuals who receive compensation settlements.

Thank you for the opportunity to provide a submission, and I trust the Committee's recommendations will make Special Disability Trusts more attractive and improve the 'take-up' rate.

Yours sincerely



Dr Ron Chalmers
DIRECTOR GENERAL
DISABILITY SERVICES COMMISSION

4 June 2008