

12 July 2007

The Secretary  
Senate Community Affairs Committee  
P O Box 6100  
Parliament House  
Canberra  
A C T 2600

We are caught in a pincer movement, brought about by changing policies and by specific legislation enacted in the past decade.

We had a self managed superannuation fund, whose major asset was a share in an industrial property, leased to a company of which we were the major shareholders. The lessee owned the balance of the industrial property. In order to comply with the arms length investment requirements, we used the balance of the fund to buy the remaining shares in the property. We then took early retirement to transfer ownership of the property to a unit trust owned by us. Tax of several tens of thousands of dollars was paid by us to cover the liability brought about by taking a lump sum on retirement.

We are now able to return the property to a self managed superannuation fund so that income from the property is taxed at only 15% in the fund and is then returned to us free of further tax. The problem with this scenario is that we will be liable to pay capital gains tax and possibly state taxes of about 32% of the capital gain. This will be a problem for us as we do not have the cash reserves to pay the taxes.

We are therefore restricted to continue ownership of the property in the unit trust. This will leave us with an income tax liability of about 15% – 20 % of the income of the trust. On the demise of one of us the other will then be hit by a much larger income tax liability.

We are now at an age where the medical profession continue to prescribe an ever increasing quantity of drugs in order to try and maintain our health. The cost of this ever increasing cost of drugs is alleviated by our being issued with seniors health care cards. We are, however, approaching the maximum allowable income for the issue of the seniors health care card. The income increases each year, as do our costs. The allowable income above which seniors health care cards are issued has remained unchanged since July 2001. We will then, in the near future, be hit by having to pay the full cost of any drugs prescribed for us.