

**Committee Secretary
Senate Standing Committee on Economics
PO Box 6100 – Canberra ACT 2600**

Re the Tax Law Amendments (Personal Income Tax Reduction) Bill 2008.

With regard to the Committee's invitation for submissions to the above (closing date 4th April) enclosed are copies of material submitted for consideration by the Committee.

The changes to superannuation regulations (the "Simpler and Streamlined Superannuation" scheme 2007) ignore and discriminate against the existing "senior" 75+ retiree – as outlined in these copies.

The information is provided to have the Committee aware of the concern of many 75+ existing retirees at the effect of the now unfair and indeed discriminatory effect of the regulations applicable from 1st.July, 2007, with the aim of having this situation rectified.

Certainly it is not unreasonable for "Senior" 75+ retirees to expect urgent correction of this situation to ensure a comparable and fair treatment for their retirement (and their retirement income, and retirement investments) – to also be applicable from 1st.July, 2007.

Yours sincerely,



T.A.D. Jenkins

Copies - 2.

The Commonwealth Government's new "Simpler Superannuation" legislation, applicable from 1st.July 2007, is responsible for discrimination against the Senior 75 years plus retirees.

This legislation effectively divides retirees into two groups -

1. "Simpler Superannuation" retirees to 74 years of age, and
2. Senior (as at 1 July 2007) retirees 75 + years old.

The "Simpler Super."retirees (to 74 yo.) now have the opportunity to receive retirement income tax free, and as such income is non assessable for income tax, it is therefore non assessable for the Medicare levy, and allows eligibility for C'wealth. Concessions (eg. C'wealth. Seniors Health Card) – all regardless of the amount of the "Simpler Super."retirement income.

By comparison - the Senior retiree 75+ *continues to be assessable for income tax, capital gains tax, and Medicare levy, and further, may be ineligible for C'wealth.concessions – e.g. C'wealth Seniors Health Card.*

<i>For example – a Comparison – Financial year 2007 – 2008</i>		
<u>On an Income of \$50,000</u> <i>(threshold CSHCard)</i>	<u>Senior 75+ Retiree</u>	<u>"Simpler Super." Retiree (to74 yrs.)</u>
Income Tax Assessed -	\$ 9600	Nil
Medicare Levy -	<u>750</u>	<u>Nil</u>
Total Payable -	<u>\$10,350</u>	<u>NIL</u>
Assessable for Capital Gains Tax	Yes	No
Eligible for C'wealth.concessions (eg. C'wealth.Seniors Health Card)	No	Yes

Conclusion – existing "Simpler and Streamlined Superannuation" legislation **discriminates against and disadvantages senior retirees 75 +.**

In the taxation of retirement income, and capital gains tax on retirement investments, senior retirees 75+ should be entitled to fair and comparable legislation, as applies to retirees to 74 years in the "Simpler Super"scheme.

The funds and savings of retirees should be available for their own use, e.g.

1. *Maintenance and upgrading or down grading of existing home.*
2. *Transfer to retirement accommodation, unit, village or such.*
3. *Receive the benefit in retirement from their savings (frugality) during their working life. (Many are fully or partly self funded)*

Legislation (applicable from 1st.July 2007) to correct this situation is necessary.
Retirement income from retirement investments of 75+ retirees should receive comparable tax free status as is available to the "Simpler Super" retiree, thus removing the existing discrimination, and disadvantage against retirees 75 years+ ALL retirees should be on a comparable and fair basis, beneficial in coping with the already high and increasing cost of retirement, and of growing older.

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As of 1 July 2007 superannuation lump sum and superannuation pension payments are tax free (and non assessable for Government concessions e.g. Commonwealth Seniors Health Card ?) to those retiring at 60+, whereas many "senior" self funded retirees 75+ having provided for their own retirement from their own efforts, savings and investments will continue to pay income and capital gains tax at the prevailing tax rates.

The government's "*Simplified Superannuation Policy*" (a misnomer) concentrates on Superannuation and Pension recipients, and with a reported total contribution to date in excess of a trillion dollars and \$3.3 billion a week flowing into the superannuation system – the W.E. Australian 8/9 March- Business page 41 suggested "the financial services industry could skim off perhaps 2 billion a year" - (little wonder that "big business" and the government favours superannuation, and the associated investment and financial company/s funds.)

Why disallow and disregard one's right to choose retirement funding options, other than by compulsory superannuation, by a discriminatory taxation and investment system, more especially if you are 75+ ?.

Many "Senior" Self Funded Retirees who having provided for their retirement by savings and investments under different and at times difficult conditions some 20 or more years ago, are now seriously **disadvantaged and discriminated against by this latest policy.** The income from a DIY super fund held (*without government assistance*) from 1985/94 averaged about 30% tax, and as well, at that time a lot of excess franking credits on dividends received from investments (savings) were forfeited to (or confiscated by) the then government. (now rectified – but previous forfeitures were not refunded). Each year (and still) those same excess franking credits increased taxable income and incurred a higher amount of tax (and Medicare levy) payable than would otherwise have been applied. - another "tax on tax."

***** More the reason for Income and Capital Gains Tax to be removed from the 75+ existing self funded retirees, in line with the changes that were proposed and applied to other age groups from 1 July 2007.**

"Senior" retirees 75+ should not have to subsidise the "Simpler Super" scheme.

A statement that (Senior Retirees) "gain substantially from the government's recent income tax cuts and the many other benefits provided to senior Australians", by reference to age pension asset tests, and the private health insurance fund rebates, is selective. Such items, *subject to eligibility conditions not applicable to "simpler super" retirees*, have been well and truly paid for in the past, and are still being paid for with the GST, excises, levies, and the many other "hidden" taxes, and from inflationary pressures on the costs of living etc. since retirement. *Since 1998 the Liberal government committed and promised to simplify and reform the taxation system.* Complicated by an ever burgeoning (and non productive) bureaucracy and the costly requirement for financial experts, tax and legal advisers, the present tax system is now more complex and difficult with which to comply and administer than encountered in the past 60+ years as a taxpayer.

Be assured that *there is much concern and ongoing activity among senior self funded retirees such as myself who are not satisfied to be treated in this way.* The matter is far from being resolved – and with some **2.5 million over 75+ Australia wide** – requires urgent and favourable consideration.



T.A.D.Jenkins.