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To: The Committee Secretary
Senate Legal and Constitutional References Committee
Room S1,61, Parliament House
CANBERRA ACT 2600
AUSTRALIA

THE GLARING ANOMALY BETWEEN OLD-AGE AND SUPERANNUATION PENSIONERS IF THE LATTER CHOOSE TO LIVE OUTSIDE AUSTRALIA

Dear Sir / Madame,

This submission is in response to the invitation for public comment as part of the Committee's inquiry into Australian Expatriates.

Australian expatriate superannuation pensioners are severely and unfairly disadvantaged

Australian expatriate superannuation pensioners are not entitled to any Australian government financial assistance in their medical care simply because they do not live in Australia. Most such pensioners are also not entitled to the social security pension (the old age pension) because the means test disqualifies them. They are therefore not a financial burden whatsoever on the Australian government. They must look after themselves.

Yet an unfair anomaly exists because any superannuation pension generated in Australia is fully taxed. There is NO tax threshold whatsoever. Out of the net pension they are then required to provide their own offshore medical insurance cover and to pay the costs of hospital outpatient treatment and associated medication.

The Australia-domiciled social security or old-age pensioner (Pensioner A)

An Australian-domiciled single old-age pensioner is now awarded AUD 452.00 per fortnight and any Australian male over the age of 65 years, whether or not he works or pays taxes during his adult life, is entitled to receive that social security support. If the pensioner

is Australian-domiciled he/she is also entitled to MediCare cover free of charge. We shall refer to him/her as Pensioner A, in receipt of AUD 452.00 per fortnight plus free medical and medication support.

The Australian superannuation pensioner (Pensioner B)

I am an Australian Commonwealth superannuation pensioner under the defence force retirement and death benefits (DFRDB) scheme. Since the age of 18 years I have paid personal income tax and, at 69 years of age, I still do so. My defence force superannuation pension is fully taxed at source.

To earn my superannuation pension during my military service I had to contribute a percentage of my salary to the DFRDB scheme. For the first several years, 7% of my military salary was deducted however, in later years that contribution was reduced to 5%. We will refer to superannuation pensioners like myself as Pensioner B.

The disadvantage of living outside Australia as a superannuation pensioner (Pensioner B)

As distinct from Pensioner A, I (Pensioner B) have not only paid income tax to the Australian government for 51 years, but I also contributed to my DFRDB pension for 26 of those years. Despite that, as the attached recent notice of pension adjustment shows, my net pension (after deduction of income tax), is only AUD 305.80 per fortnight more than an old age pensioner (Pensioner A) receives yet many of those have paid little personal income tax during their adult life and little, if any, contribution towards a superannuation pension.

The reason I (Pensioner B) only receive AUD 305.80 more than Pensioner A is because I pay full income tax of AUD 312.00 per fortnight on my superannuation pension simply because I have now decided to reside overseas and any tax threshold which I previously enjoyed has been removed. My total superannuation pension is now fully taxed.

No compensation for Pensioner B's medical expenses if he/she resides outside Australia

To exacerbate my situation, I am not entitled to Australian MediCare or free hospital treatment cover. Instead, as the attached photocopies of the invoice shows, I have to use approximately AUD 4,800 per annum to provide myself with medical insurance cover for the remainder of my life. As the attached medical insurance cover certificate shows, I am also not entitled to hospital outpatient cover. This expense effectively reduces my net pension per fortnight from AUD 757.80 to approximately AUD 573.00 - only approximately AUD 121.00 more than Pensioner A receives. That margin is further reduced because I have to pay for hospital outpatient care plus medications.

The inequity between an Australia-domiciled Pensioner A and an offshore-domiciled Pensioner B

The inequity between Pensioner A and Pensioner B should now be quite evident. My 51 years of paying income tax to the Australian government plus my 26 years of contributions

towards my DFRDB superannuation pension have left me (Pensioner B) with a net fortnightly income of little more than Pensioner A who might have paid little income tax during their adult life and little or no contributions towards a superannuation pension.

A possible way of partially correcting the inequity for Pensioner B non-resident Australian citizens

This inequity could be partially corrected if I (Pensioner B) had not lost the threshold on the imposition of tax on my DFRDB superannuation pension or, better still, if my DFRDB pension was tax free because I am no longer a financial burden on the Australian government. The AUD 312.00 which I lose each fortnight in income tax would go a long way towards covering my medical insurance cover correcting and hospital outpatient care and medication. As well, it would alleviate the above outlined unfair anomaly which exists between the resident Pensioner A and the non-resident Pensioner B.

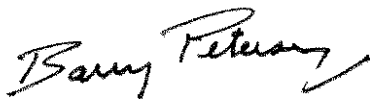
To reiterate, quite obviously the Australian government is relieved of the financial burden of caring for Pensioner B who lives offshore in two ways:

- a. The means test generally ensures that a superannuation pensioner (Pensioner B) is not entitled to a social security (old-age) pension - the AUD 425.00 per fortnight now paid to a single Pensioner B whether or not he/she has ever contributed financially to Australia's consolidated revenue.
- b. Any non-resident Australian citizen (i.e. those living offshore) has no choice but to provide their own medical insurance cover plus the costs of their hospital outpatient care and medication which is generally not covered by that medical insurance cover. This alleviates the Australian government of having to provide any medical care whatsoever for any of its non-resident Australian citizens.

Surely there must be some compensation for the above, particularly in one's old age. The removal of taxing the superannuation pensions of offshore-domiciled Australian citizens could be one way of compensating the Australian government.

For consideration please.

Yours sincerely,



Barry Petersen