

I retired from the Commonwealth Public Service in October 1988 and am currently receiving a CSS pension. My submission relates to the Retirement Income Consultation Paper and in particular to the section "Access to Concessions" on page 26.

This section is disappointing as there is no analysis of the reasons why CSS superannuants over 60 years of age continue to pay income tax on their pensions while most other superannuants over 60 are exempt from income tax. Instead it takes a true and factual example of the unfair taxation now being applied to any additional earnings by CSS members and other Commonwealth and Defence Superannuants and, by wrongly assuming other superannuants have prepaid an additional 15 % tax on their pensions, incorrectly concludes that Commonwealth retirees are better off than members of these other funds.

Any review of this matter must compare the taxation treatment of CSS and other Commonwealth pensioners and pensioners from like superannuation schemes operated by State Governments, the Commonwealth Bank and other institutions at the time the 15% tax on employer contributions and earnings was introduced on 1 July 1988. Such a comparison will show, inter alia,

(a) The 15% tax imposed on Superannuation funds on 1 July 1988 was a tax on employer contributions and earnings. It was not an additional 15% income tax on the pensions paid from these funds as assumed in the Consultation paper nor were fund members pensions reduced by 15%. Any minor reductions in pension resulting from the impact of the tax were more than compensated for by a 15% tax offset which on a CPI adjusted pension of some \$20 000 commenced in the latter half of 1988 would have resulted in the recipient paying little or no tax at all for the entire period to 30 June 2007 after which the new Better Super scheme was introduced.

(b) On the other hand CSS superannuants without the benefit of any fund, employer contributions or earnings were obliged to pay full income tax on their pensions and this has resulted in a CSS pensioner on a CPI adjusted pension of \$20000 commenced in the latter part of 1988 paying over \$60000 more in income tax than a retiree from a like fund who as noted in (a) above paid little or no income tax at all.

This unfair and inequitable tax treatment of CSS superannuants has been continued under The Better Super Scheme introduced on 1 July 2007, albeit with an unexplained 10% tax offset ,but with a new and blatantly discriminatory tax on any additional earnings by CSS and other Commonwealth superannuants. To be fair pensions of CSS and other Commonwealth superannuants must be treated on the same basis for income tax purposes as superannuants from other funds. This will include their exemption from income tax on their pensions at the age of 60 years and over and the same concessional treatment of their additional earnings as afforded to superannuants from other funds.

I submit the above for consideration by the Committee

John Kenna  
[removed for privacy reasons]  
29 January 2009