

Dear Senator Sherry,

1. I shall be most grateful if the Government's Review of the Retirement Income System can review, and improve, the situation of people with pension entitlements gained in connection with Australia's International Organisations (Privileges and Immunities) Act, 1963. [removed for privacy reasons]
2. I am attaching for your review a submission and cover note on this subject, made on behalf of such pensioners on 9 August 2006 [not attached for copyright reasons]. The submission remains relevant to the current Review.
3. Under the International Organisations (IO) Act, and subject to any restrictions put in place by the IO regulations, persons participating in the work of an IO are entitled to an exemption from taxation on salaries and emoluments received from the organisation. In the case of Federal judges, it has been determined that pensions constitute "emoluments". In the case of those working for IOs, however, the ATO has taken the contrary position that a pension is not an "emolument". It is, therefore, apart from a small deduction for the undeducted purchase price (only the personal, and not the IO component), fully taxable in Australia.
4. This interpretation reduces the incentives for Australians to work for IOs, despite the fact that it is greatly in the national interest for them to do so. It also reduces the incentives for IO personnel to bring back their valuable skills and knowledge to Australia; and, instead, encourages them to move to other countries such as New Zealand or Canada, where their pensions are tax free.
5. The choice of a lump sum, rather than a pension, would provide some tax relief under current ATO rules. However, this is normally a far less favourable financial option than a pension. The latter should, under normal circumstances, ensure the life-time financial independence of the retiree.
6. The attached submission accordingly proposes that IO pensions (both current and future) should be taxed equivalently to pensions paid from taxed schemes; since they have, in effect, been taxed, but at zero percent. Such pensions should therefore be tax free when paid to persons aged 60 or over. It is also proposed that such IO pensions need not be declared in the tax return of an IO pensioner.
7. Your consideration of these proposals, which are amplified in the attachment [not attached for copyright reasons], will be much appreciated.
8. I look forward to hearing from you. Best regards,

Christine Whitlam