

## Retirement Income Review

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These are the facts which impact my retirement income.

Superannuation (super) has always been tax-advantaged savings for retirement. In 1992, in recognition of the imminent demographic time bomb, the government introduced compulsory super.

However for about the 163,000 retired public servants who are members of the Commonwealth Superannuation Scheme (CSS) the decisions of governments since 1992 have created a very unequal and hence unfair retirement income outcome for them compared to other retirees who receive Account based pensions. The average CSS pension is about \$37,700pa. The Future fund now generates enough income to fully fund the CSS pensions.

The prime cause of this difference is due to the decisions of government on Superannuation law and the Income tax regime which allows an Account Based Pensioner (ABP) to receive at least \$26,600 of additional tax free income earned outside of their ABP income (\$80,000 max). This is made up of the \$18,200 tax free threshold and the \$1602 SAPTCO tax offset that the ABP recipient can utilise. They may well be able to access additional tax offsets depending on their personal circumstances and special government policies eg the recent \$1080 income tax offset for the 2019 tax year.

It also has resulted in myself being subject to the "franking credit retiree tax" since 2007 for which the current government has stated on several occasions that it would never impose such a tax on pensioners. When will I be exempted from paying this tax?

For the 163,000 CSS pensioners all of their ordinary income earned outside of super is taxed at their marginal tax rate. This could not be a more extreme differential compared to the ABP's who have a 0% marginal tax rate for the same amounts of taxable income of \$26,600 or more earned outside of their ABP. It demonstrates a lack of fairness and integrity with the income tax and superannuation regimes as applied to CSS pensioners.

As well the ABP's pay no tax on their pensions (capped at \$80,000pa) whereas the CSS pensions are deemed to be ordinary income and hence are fully taxed.

A 10% tax offset was introduced in 2007 for the CSS pensioners. This offset does not fully compensate CSS pensioners.

The CSS pensioners are also subject to the 2% Medicare levy on all of their taxable income (ie including the CSS pension). Note that the 0.5% NDIS levy is also included even though CSS pensioners over the age of 65 are not eligible for the NDIS. This tax regime also impacts negatively on the eligibility of the CSS pensioners being entitled to the Commonwealth Seniors Health Care card as tax offsets do not reduce a taxpayers taxable income which is the criteria used for eligibility.

In 1988 I was offered the option to transfer from the CSS to the TSS an ABP scheme. At that time the tax regime for both the CSS and TSS was similar and I made my decision to remain in the CSS on other grounds. If I had known then that the Government 20 years later would change the tax regimes applicable to the 2 schemes so differently I may well have made a different choice.

There are other unsatisfactory issues with CSS pensions including inadequate indexation and being subject to taxation. These issues are being represented to the enquiry by organisations such as SCOA.

The current taxation arrangements are the issue which I personally feel are grossly unfair to CSS pensioners compared to ABP and have been since 2007, it is for the taxation on income earned outside of superannuation. Why are the CSS pensioners treated unfairly compared to the APB's?

The taxation on CSS pensioners income earned outside of super needs to be urgently adjusted to be equivalent to that of other pensioners.

I seek a fair and equitable treatment of the taxation of my retirement income streams. Until this occurs the retirement income system is lacking in fairness and integrity.