12 December 2019

Retirement Income Review Secretariat
The Treasury
Langton Crescent
Parkes  ACT 2600

As stated a Retirement Income should achieve an adequate income over a persons life expectancy , which is sustainable and provide  appropriate incentives for becoming a Self  Funded Retiree.

This has not happened and in my submission I am going to list problems as I perceive them with the current system , which will give better returns to the lower / middle   income earner who strive to be  partial or Fully Funded Retiree's.

In the future there is going to be less people in the workforce  , supporting an ever increasing  number of retirees.

Get the recommendations for  this  enquiry  wrong  and you get either :-

a) A massive cost to the next generations .
b) A  disincentive  for  lower / middle  income retirees to provide for their retirement above the assets level for a full pension.

Our Superannuation system  is a defined contribution scheme , which in the past has supplemented either a part or full pension . We should also be giving incentives for  people to save additional monies either through super  or outside of super to give a better  income in retirement and ideally fully self funded .

Under this system it is the individuals   responsibility especially on middle /higher incomes earners to save over a lifetime to get retirement incomes above the pension rate. The pension  is not a system that should provide a %  of retirement income as such , but is there to stop people living in poverty.

**1)** A couple on a full means tested pension of $36,000 and who have assets just below the $394,500 Assets test for a full pension and the majority of this high returning pension returning 5% ( minimum draw down for 65 to 75 yrs) and own their own home outright will not live in poverty . This is the sweet spot returning over $50,000 per year.
A pension is assessed on lowest value for Assets Test & Income test .
The deemed income test cut in at about $324,400 ,It is now Approx $70,000 below Assets test.
You are indexing the assets test but the Income test does not go up . $70,000 is a lot for a modest car , old furniture etc . This is higher for a single person. The Assets test quickly takes over as assets increase.

Couples who have assets over the $860,000 ( pension and benefits cut off point ) with say income assets $800,000 by 5% return = $40,000. This group is massively disadvantaged in terms of income **and loss of benefits** and would have to with draw capital to get same disposable income . They loose over a lifetime well over $685,000 in pension & benefits.( calculated 2016) This a no go area where there is no incentive to save to be fully self funded .

There are many articles which states "people would be better off ( in terms of annual income) by running down A/C balances and become eligible to receive the age pension rather than living a lifetime below the pension income"
For couples and especially singles still paying higher house payments or paying market rent would have lower disposable income than a couple on full pension and Assets just below $394,000

Currently An average worker, say yearly income $60,000 67 yrs old retiring who has had super and worked continually since compulsory super in 1992 would probably have up to 4 times annual salary plus some savings . For a couple -Full pension , assets below $394,000.

If the superannuation Guarantee increases from 9.5% to 12% and retirees will be contributing for longer period over time. This does not guarantee that the **entitlement** mentality of receiving a full pension will change without incentives or changes.

A couple with $1,000,000 invested to have the equivalent of the pension would have to get 3.6% interest to equal the pension **but without benefits**.
Older people are more conservative and try not to take risks in share market which they may not understand and try to retain capital for future emergencies , health issues, retirement village , nursing home which may be term deposits. The capital has less value over time and income does not increase when inflation erodes the value of their capital .

There is a big push for retirees with Term Deposits to invest in other assets like shares . This has helped drive the share market as they try to get into the market . Only time will tell if this is good or a share price correction could turn some of these investors into part pension due to losses.

The current taper rate for a couple , which reduces the pension to zero at $860,000 **and a loss of benefits** ,which starts from $394,500 is a massive disincentive to save above the $394,500 where you get a **Full Index yearly pension** with all the benefits. The $860,000 is a big stepping point where there is no pension and the double whammy of no benefits. ( Difference Of only $465,000)

## The taper rate has to change for Fairness and proportionality.

The $394,500 Assets for a couple, where you get the full pension is very generous. In some ways it encourages people to manipulate their affairs so they get a full pension.
This could be **lowered** , but only if the taper rate is **substantially** expanded so that the upper limit is much higher than the $860,000

The system has to reward **Work and savings** by providing incentives in terms of income in retirement to encourage people to be Fully funded retirees.

**2)** The current system allows you to take your superannuation Tax free at 60 years if you stop work ,then go out and flutter your money away ,gifting large amounts before the 5 year rule , until 68 where you apply for a full pension for a couple with assets at the sweet spot $394,500
Concessional superannuation savings ,where there has been a tax concession ,should be used for your life expectancy.
The tax free point should be changed to 5 years before the Age pension age.
You should be also looking at also making the Preservation age the same.

There may have to be special provisions for Medical grounds or where someone has worked in heavy manual work and could not continue doing this. There is also the case for older retiree who can not get jobs in their later working years. If older workers say someone who is over say 55 and stuck on new start and not eligible for a pension should be able to draw the difference from their super to at least match the pension .

The question also has to be asked should the total **Concessional** amount of superannuation withdrawn at Retirement be fully tax free if it is not put in a pension product .The Super guarantee and salary sacrifice have tax concessions and should be used for retirement products.

A better system would be say Maximum Concessional withdrawal $100,000 which is Taxed at 15% (if not put in a pension product.)
Concessional components of a pension at death if not passed to a dependant is taxed at death at 15% + Medicare

The Current system of taxing Concessional components of a pension at death passing to a non dependant child if a **disincentive** to keep money in a pension in later life or if you have a lower life expectancy.

**A defacto Death Tax**

**The anti detriment provision was removed a couple of years ago .**

I appreciate that the prime reason for super is for your retirement and not for passing onto the next generation. If you died early after retirement it would be nice to think that your sacrifice in saving for super is passed to the next generation.
**It is time to reassess this tax which is a disincentive to having your money in a pension especially if you are not going to live long enough use all your Concessional Super**.

**Remove this Tax and you wont require the re-contribution strategy.**

A lot simpler**.** A bigger incentive to stay in Pension Mode

There is a short timeframe At retirement where you can withdraw super and re-contribute using the bring forward rule to change some of the super to a Non concessional component .

Someone with only$300,000 Concessional contributions can withdraw and put the lot back in as a Non Concessional amount
Someone with $300,000 Concessional contributions and has $300,000 Non Concessional , withdraws $300,000 (which is proportional $150,000 Concessional $150,000 Non Concessional ) and re-contributes will still have $150,000 Concessional Contributions which will evoke the Death Tax when passed to a Non dependant child if you die early.

**Remove this Tax and you wont require the re-contribution strategy.**
A lot simpler**.** A bigger incentive to stay in Pension Mode

**No death tax ,which is the same as someone who takes their money out of super or pension before death or at retirement.**

**3)** For people with higher super pension up to $1.6 Million currently pay no tax and a couple can have up to $3.2 Million and each has a tax fee threshold outside of super for other income.
A pension for a couple is not doubled so why should the $1.6M
The 1.6M was based on what assets we required to get $80,000 income based on 5% return which is quite generous.

**4)** The Minister for Social Services sets the <u>**deeming rate**</u> based on expert advice about what the markets are doing
What usually happens is the threshold at which the higher deeming rate begins is indexed in line with the Consumer price index in July each year .

Last year there was a small token amount from 3.25% to 3%. How many reductions have we had in the cash rate
Couples are first assessed under the income test $324,000 which is $ 70,000 below the Assets test $394,500
Singles are first assessed under the income test $185,000 which is $77,950 below the Assets test $263,250
This is to big a gap.
A lower Deeming rate of say 2.5% would narrow this gap
A very modest car , furniture etc for lower income earners would not come anywhere near this amount.
<u>**Refer to attachment 1 Deeming Rates**</u>
letter sent to Minister for Social Security dated 9th April 2019

**5)** Retirees are a large component of the economy by them spending money .
**Low interest rates** has a lot of retirees reducing their spending so that they have something in case something goes wrong eg medical issues , retirement living.

The reserve Bank Governor Philip Lowe's approach to continually lowering the **cash rate** in itself in part for the retracting economy. This is something to address and think about.

**6)** <u>**Capital Gains Tax**</u>
Retirees at present have record lower returns from term deposits , lower dividend returns on shares , lower returns from rental properties ,partly due to the State Government driving up valuations so they can push more people into paying land tax.
A retiree with $1,000,000 is working hard to get a reasonably safe return

If you have shares or property there comes a time due to the markets that you have to sell.
If you sell a share , pay Capital gains tax  the amount to reinvest is less which will probably  give you lower returns. A disincentive for older retirees to rebalance there share portfolio . Lots of older retiree wont sell for this reason.
This is bad enough when you get a 50% CGT discount
The recent proposal by Labour to reduce the discount to 25%  would  stifle rebalancing your shares.

**Refer attachment 2**
**Capital Gains Tax** letter to Treasurer dated 10 April 2019
which gives an example showing loss of capital for 50% discount  15.29% and for 25% discount loss of capital to reinvest 22.94%
For the reasons listed , No attempt should be made to reduce the CGT discount for shares and the same applies for Property.

This applies to all age  groups in the community , First home buyers who are investing to get a deposit quicker, The average family taking a leap out of  bank accounts with low returns . Essentially everyone.

**7)** It is usually not until later years after you educate and bring up your children , Substantially pay off your house that you have the chance to utilise Salary Sacrifice or add Non Concessional Contributions to your Super. This is usually 10 to 15 years before the pension age.
In the future with higher Superannuation Guarantee over a longer period will see higher balances , but probably not enough to be a fully funded worker on average  income.
This is why it is imperative that policies and incentives encourage people to make the extra effort  be a fully self funded retiree.

**8)** **Retirement Living**

This is not a one size fits all type solution .This is a complex problem to solve which may have to be address separately.

A lot of  retirees  wish to remain in their own home , however in later  years ,their situation changes , such as health and they consider or by necessity  move into a retirement Village or Nursing Home.
The move into these require an asset to get reasonable accommodation. In later life after Superannuation and savings  is depleted which may only be their principal place of residence. This is compounded when they first go into a

Retirement village with entry and exit fees Then there is the compounding problem of later in life , having enough money to get into reasonable Nursing Home.
Un controlled Home Equity release early in retirement can result in not having enough assets to get the better health care they may require in later life.
The problem is middle lower income earners and especially if their children don't have a higher income , would like to leave their house to their children to give them a start at home ownership.

See attachment 3 dated 9th August 2016

**9) <u>Principal place of residence accessed as an Assets test for Pension</u>**

**In principal the <u>average</u> family home should be exempt from the Pension Assets test** .

In saying that is it fair that someone that lives in the outer suburbs in a modest home say $600,000 with a $850,000 in other assets and does not get a pension (Total $ 1,450,000),
as apposed to someone who lives in harbour house/ unit which is valued in the millions and has assets below 380,000 and gets a full pension say $3,000,000 +$380,000 ( Total $3,380,000)

The problem is that if you included the high value house in the assets test for the pension they would have no income unless they sold their house and moved into a low value place in the suburbs . Should someone be forced to move in this situation?.

Another option would be to let them stay , pay the pension . The pension amount paid + nominal interest to be taken out of the estate when they leave or die.

The option would lessen the reasons to stay in their current residence at all cost just so they get a full pension

The problem is trusting new Government policy which can seem reasonable at the time , however over time everyone will be draw into the net.

Would you trust the Government incorporating the family home into the assets test for the pension. NO

**Refer Attachment 4**
**Assets test for Home/ Pension – letter dated 3rd December 2015**

## 10) Capital Gains tax on Family Home

The government is from time to time touting that the Family home should be subject to Capital Gains . This would be disastrous not only older Australians but all Australians.

The **average** family home should never be subject to Capital gains Tax whenever it is sold .

Granted someone who purchased 40 years ago could have gain of more than 30 times.

If someone had to relocate in later life it would be disastrous after paying Capital Gains , Stamp Duty , Agent Fees , Moving Costs

$1 Million Gain -50 % disc 33%tax $165,000 Cap Gain Tax +Stamp duty , Agent fees , would be over $200,000 . This means they would have to substantially downgrade .

Reasons for moving can be

- Getting New Job
- Getting older and moving closer to family for support . Less need for Government to provide a nursing home spot.
- Moving due to transport needs or due to other problems in their area.
- Downsizing after family has left home.
- Becoming too old to properly maintain their existing home.

**Refer to Attachment No 5** Capital Gains tax on Family home letter dated 11 November 2015

## 11) Fairness & Proportionality

A good example of entitlement mentality was a article written by Gregory Melleuish Associate Professor , School of History and Politics , University of Wollongong dated June 2 2016 and was also published in Ässociation of Independant Retirees' Baby Boomer Bulletin No 44

Refer attachment No 10 Letter dated 11 September 2016 and attached article which also mentions **Negative Gearing on the last page**

**12 Couple verses Single**

Over the years I have seen both family and Neighbours who were on a pension ( home owner ) said they could survive on the pension with some small assets . This changed when one spouse died and they were forced onto a single pension . Nearly the same water, electricity, car etc and they then found it hard. They could also have a lower single pension now due to revised assets /income test If a couple or single person was still paying off their home ( depending on the repayments) would be harder .

A couple or single paying **market rent** in say Sydney even with rent assistance Could be doing it hard.

I would not like to be a single woman paying market rent with little assets behind me . This is something that should be addressed separately regarding suitable accommodation options.

**<u>13) Does the current system encourage older Australians to work past retirement age</u>**.

Yes - if your assets are below the $394,500 for a couple where extra savings will not affect a full pension **entitlement.**

Yes - If your assets are above the $860,000 as you have already lost your pension .

**Probably NO** - If your assets are between the $394,000 & $860,000 Couple
$263,250 & $572,500 Single

**<u>14) Pension</u>**

There are lots of legitimate reasons why some people did not have the opportunity or desire to save additional money for retirement.

This could be health reasons , looking after sick spouse / ageing sick parents / handicapped children /own disabilities , the list goes on .

There should always be a pension that caters for these people so they don't have to live in poverty. Unfortunately for those who have not saved additional savings for their retirement, will miss some of the niceties of life.

For those who had the opportunity to add to their savings and wasted it or could not be bothered to work I have little sympathy.

## 15) Drawdown Rate for Pension

There has been a push to increase the drawdown rate in Pension Mode to give higher returns. This will deplete the account balance much earlier . This would put people on part pensions much earlier.
People are expected to live longer and are concerned that they have sufficient assets to cater for later medical needs , retirement home , nursing home.

## 16) Private Health Insurance

Although outside the Superannuation Review ,This is a considerable cost to retirees . We pay $4,000 just for Hospital Cover . All dental and other costs are paid at full rate.
It is items like the above that add to daily costs
A few years ago you could claim costs as a rebate of 20% for amounts over $2060 for excess medical , prescriptions ,dental . **No Longer Available** .
Another budget savings which affects Self Funded Retirees and the general worker.

**17) The task of balancing Adequacy , Equity , Sustainability & Cohesion for all groups is a monumental task and I hope that this review is not influenced by current budget restraints which always seems to drive the Governments agenda , but really looks to the future of Superannuation.**

Submitted by Greg White

Please consider the following attachments as part of this submission

**Attachment 1 Deeming Rates**

9th April 2019

Alex Hawke MP /Local Member ---for forwarding to

Appropriate Minister for Social Security –

**Deeming Rates**

At the last meeting of the AIR I attended it was raised again that that they had been lobbying for lowering of the deeming rates for retiree's which is falling on deaf ears.

The rate of 3.25% for Over $85,000 for a couple is inappropriate for the current markets especially considering what interest rates banks are paying.

A property investor in Sydney with 1 house would be lucky to get a nett 1.75% return if they fully owned the property . After Land tax which has been pushed much higher over the last years the returns would be much lower . An average Sydney property would excluded any one for a pension based on assets test. The lowering of the taper rate a few years ago has seen to this .

Equity markets for older people is a greater risk for a potential higher return .

Eg CBA Shares commonly held by retiree's April 2017 $87.70 April 2019 $70.67 Capital loss. I could give many other examples . It takes may dividends to make up this capital loss.

Another GFC event that happened in 2008 would substantially impact on retirement savings of unsophisticated older investors people especially those on higher risk assets trying to get higher returns .

The Minister apparently sets these rates which is appropriate for the current market conditions.

**It is time that the deeming rates are changed to reflect the current market conditions . You are only changing the indexed asset value thresholds.**

**This is not good enough**

I have attached my previous letters on this subject for reference .

Regards Greg White (02)

**attachment No 2** **Capital Gains Tax**

[redacted]

[redacted]

10th April 2019

Alex Hawke MP /Local Member

for forwarding to

The Hon Josh Fryenberg -- Treasurer

# Capital Gains Tax

Once a month I attend Australian Investors Association Discussion Group where it is obvious that there is a group who do not trade shares unless market conditions considerably change .

One of the reasons is the loss of capital which is available to reinvest .

Lets take CBA Share purchased when issued and sold now

Assume 50% CGT discount 33.3 Tax bracket

Assume Sold $65.40
Purchased 5.40
Profit $60.00
Taxable amount $30
**Tax $10**
Amount to reinvest $55.4
**Loss of capital 15.29%**

Assume 25% CGT discount 33.33% Tax bracket

Assume Sold $65.4
Purchase $5.40
Profit $60.00
Taxablle Amount $45.00
**Tax $15**
Amount to reinvest $50.4
**Loss of capital 22.94%**

If you reinvest this amount which had a 25% discount , to get a share dividend at the same rate as CBA then you would get only a 77% return as opposed to the 50% discount of 84.7%

Prior to the discount method the cost base was indexed in line with inflation and the tax rate was paid on the average for 5 years . **This was done so you would not be in the above situation .**

The 25% CGT discount is a huge disincentive for the Mums & Dads to sell shares or even property before retirement **where they could be on a lower tax rate or even no tax** .

**This does not help the government cash flow now.**

This is an issue you should be putting out there which would highlight what the Labour proposal would do to the average Mum & Dad investor.

Also attached is my previous letter dated 3rd August 2017 for reference

Regards Greg White (02)[redacted]

[redacted]

**Attachment No 3 Retirement Living**

9th August 2016

Alex Hawke MP /Local Member

for forwarding to

The Hon Minister for this Portfolio

**Retirement Living**

Being a 70 year old I have looked at some retirement villages and at the advantages /Disadvantages of downsizing to a retirement Village or other accommodation .

People look at downsizing for the usual reasons such as neighbourhood issues /noise , home maintenance , security , social life etc

I read recently only about 5% of Australian Seniors currently live in retirement village where in the United States it is about 13% of over 65s .

There is now a lot of companies looking at potential areas where money can be made , and one of these is Retirement Villages .

Retirement villages are spruiking the lifestyle , but the problem is that all people cannot afford the price of a similar quality unit ,to what they have in their existing home.

A lot of Australians would like to pass on their home to their children and most accept that their superannuation and savings will generally be depleted by the time they live to the average age .

At present about 1/3 own their own home ,1/3 are paying it off and 1/3 are renters.

It is predicted that the amount of people owning their own hone in 20 years will be substantially less than now and I can see why older people would like to leave their children something so they have a chance of getting into the housing Market.

The problem with retirement villages is that they have High Entry Price and a high Departure fees of 30% which some call Deferred Management fees. This substantially reduces the capital at sale which is passed to the estate and with some also wanting 50% of the capital gain . OK this is a business run for profit of the owners and not for the residents ,however alternative options must be available.

These are OK for the better off in our community, but not for everyone.

The ongoing charges are also high . My daughter was looking for her in laws and the fee for 2 people in that village for a 2 B/R unit was $418 per fortnight . OK This includes Council, water and insurance . This is typically a more expensive living option and is too high for a pensioner with limited other income /savings.

I know of 2 different couples who have had to relocate from the Retirement Village they were in . One from Sydney to a country town as they could not afford to stay here . The other relocated to Campbelltown for the same reason. In both cases reluctantly away from family.

The next option is :-

**Downsizing** – If I sell my house and re buy a smaller house in the same area ,after stamp duty agent fees etc, there would be little left over. So do I downsize to say Mount Druitt to an old rundown place so I have some equity left over –NO

I would prefer to close to Family and Grandchildren which we regularly see and currently look after.

In the area that I live it would be very hard to find a liveable house for under $1M .

I personally know of people who have upsized to put their assets into the family home just before retirement so they can get the full pension so the house can be passed on to their children. Yes this has to be addressed .

Some people genuinely have to move into a higher priced area , so that they can be looked after by family or closer to particular medical facilities.

I can see the irony where some people live in a modest home and the rest of their assets are assessed for pension eligibility , where other people live in multi Million dollar homes and get a full pension .

**Institutions that provide retirement will strive to maximise their returns however there should be other alternatives out there where there are say villas for over 55's close to shops who look after themselves and not stuck with large departure fees. Over time properties increase in value**

**Is the Government looking for more alternatives for the gap between Retirement Village Living and staying in your own home.**

Your news letters encourages people to contact you, if you have any issues or concerns. Hence this letter.

Regards Greg White Tel Home (02)[redacted]

**Attachment No 4** Assets Test for Home/Pension

3rd December 2015

Alex Hawke MP Assistant to Treasurer /Local Member

for forwarding to

The Hon Scott Morrison MP -- Treasurer

**Assets test for Home /Pension**

The following is letter I found in the Sydney Morning Herald 7th November 2015

**"Ëuthanasia solution --** Seems older citizens are on an alarming increase and responsible for Australia's pension blow –out; for selfishly enjoying the homes we spent 30 years paying off; refusing to lose money and community by downsizing into shoddy-built apartments and thereby depriving the state of stamp duty ; for the increase in Alzheimer's and dementia patients or just growing old necessitating the provision of more home care and /or nursing homes. Sounds like it's time for the euthanasia debate to get under way."

**The way it is coming across when I listen to recent radio reports is that Older people are an unnecessarily drain on the budget .**

The Government is floating the idea that the family home should be treated as an asset. The other option is they should downsize .

**Downsizing** – If I sell my house and re buy a smaller house in the same area ,after stamp duty agent fees etc there would be little left over. So do I downsize to say Mount Druitt to an old rundown place so I have some equity left over –NO

A 65 year old can live in their home for 20 years or more before the need to go into a nursing home .

I am not going away from Family and Grandchildren which we regularly look after.

**Equity in Home included in assets** The area I live in it would be very hard to find a liveable house for under $1M .

Using an extreme scenario that the government assessed the value to be $823,000 which is the new proposed limit for No Pension - If there is no other income then it would be the Soup Kitchen.

I personally know of people who have upsized to put their assets into the family home just before retirement so they can get the pension. Yes this has to be addressed .

Some people may genuinely have to move into a higher priced area , so that they can be looked after by family or closer to particular medical facilities.

The problem is trying to find a value for the family home which is exempt before the home is assessed for the assets test.

For Sydney this would have to start at say $1.5M minimum , indexed

For Darwin or Adelaide the average house price would be much lower

So is there to be different exempt values for different areas ?

I can see the irony where some people live in a modest home and the rest of their assets are assessed for pension eligibility , where other people live in multi Million dollar homes and get a full pension .

Yes these people should be assessed ( value less exempt amount –say $1.5M for Sydney ) where the loss of pension comes out of the future sale of the property.

The problem with Governments is that they start reasonably , then over time try to bring more people into the net

**This is something that should ,over time leave out the average household from this assets test on their home.**

The issues to start with would be taking away Negative Gearing for high income earners .

Losses should be applied against capital gains when they sell the properties.

**No this wont happen because it effects too many politicians**.

Any changes should not include Grandfathering Provisions .

**The same rule for all.**

Your news letter and previous replies encourages people to contact you, if you have any issues or concerns. Hence this letter.

Regards Greg White

Tel Home (02) [redacted] Work (02) [redacted] Mon, Tue & Thur only 7.30am to 12pm

**Attachment No 5** Capital Gains Tax on Family Home

11th November 2015

Alex Hawke MP Assistant to Treasurer /Local Member

for forwarding to

The Hon Scott Morrison MP Treasurer

**Capital Gains tax on Family Home**

The family home as such should never be subject to Capital gains Tax when sold

People sell houses for many reasons eg

Having to change locations such as getting a different job.

Getting older and moving closer to family

Having to move due to problems in the area

Down sizing in older age due to maintenance on property

If people move they are already financial disadvantaged due to stamp duty and agent fees ,solicitor costs ,moving costs .

As such Capital gains Taxing would be disastrous for these people

There are areas that could be explored such as areas that have substantial zoning changes eg Residential to High Rise Zoning

A zoning change from residential zoning to say Town Houses or villas does not invoke any real change in value for the average size house block in developed areas

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This is a different case where properties are rezoned to High Rise especially where the zoning are not like the old days of 3 stories but up to 22 stories and medium density now proposed up to 6 stories.

A good example is the rezoning along the North West Rail link (Castle Hill , Epping ) where the Hill Shire Council just sold approx 14,000 sq metres for $140 M ( This equates to approx 10M per 1,000metre sq house block Massive Capital gain

I think a fair way would be for land rezoned to High Rise would be

Maximum value of house in this area with Residential Zoning **plus say 10% to cover unknowns** and the amount above this value is subject to Capital gains Tax

People will still have the capital gains taxed at 50% if they have held for 1 year

Eg based on Hills Shire council recent sale values

| | |
|---|---|
| SALE Price | $10,000,000 |
| Less maximum house value say | -$1,400,000 |
| Less 10% house valuation –contingency | -$140,000 |
| Less agent fee say 1 % | -$100,000 |
| Less Solicitor fees and development fees say | -$100,000 |
| Amount Subject to Capital Gains Tax | $8,260,000 |
| Discount amount subject to capital Gains tax | $4,130,000 |
| Capital Gains Tax at marginal Tax Rate 47c/ $ | **$1,941,100** |

Net gain over max House value- $6,319,000 which is still good to owner

At present I can purchase a house I think will be rezoned high rise , live in it for a year and not pay Capital gains TAX as it is the principal place of residence .

This should also apply to people who have properties in self managed Superannuation funds where they wait to sell, until it goes into pension mode where these is no tax . There is no reason if proposed capital gains tax on high rise properties was adopted then this should apply to this group as well.

This is currently a good lurk for people with self managed super funds.

This could also be applied to farmlands which are developed for housing development.

The Government should be game enough to back date changes in this area

**There should be no grandfathering of this change . The same rule for everyone**

Your news letter and previous replies encourages people to contact you, if you have any issues or concerns. Hence this letter.

Regards Greg White

Tel Home (02) [redacted] Work (02) [redacted] Mon, Tue & Thur only 7.30am to 12pm

Attachment No 6  Firness and Proportionality

[redacted]

11th September   2016

Hon Alex Hawke   our elected Local Member

for forwarding   to            The Hon Scott Morrison MP   --   Treasurer

**Fairness  as Proportionality**

I have written a number of letters to you  over the last 12 months regarding superannuation changes,  and  the disincentive to save to be a self funded retiree as opposed to going for the "**annuity"**  known as the Full Aged Pension , which is indexed annually "with assets not exceeding $375,000

What we need is inducements for people to save additional monies in their lifetime  to lower the need for the government to fund age pensions.

I have attached an article from 'Association of Independent Retirees' Baby Boomer Bulletin No 44  which was written by Gregory Melleuish Associate Professor, School of History and Politics, University of Wollongong about superannuation changes that were done in the name of fairness.

The liberal government has taken a very left view in regards to superannuation  and apparently does not want the Little Red Hens  but rather more Rats and Cats  where everybody  is the same, and not rewarded for the work and effort .

The attached letter epitomises what has happened  **and there should be a  debate about what is 'fair and reasonable'** before the debate on Superannuation continues ,both past changes and proposed changes and also Negative gearing which is mentioned on the last page.

Regards  Greg  White          Tel  Home (02)[redacted]

# Unclear about Fairness, Australia's major parties focus on Expediency

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Gregory Melleuish, Associate Professor, School of History and Politics, University of Wollongong.

Scott Morrison said the government's changes to superannuation were done in the name of fairness. Both of Australia's major parties have variously used "fairness" to describe key policies and in their election pitches. Labor leader Bill Shorten emphasised the concept in Sunday's first leaders' debate, while Treasurer Scott Morrison said the superannuation changes announced in the May budget were done in the name of fairness.

This harks back to a good old Australian tradition where things are judged by whether they are "fair and reasonable".

The only problem with an appeal to fairness is there is no single understanding of what the word means. In The Righteous Mind, social psychologist Jonathan Haidt distinguished between two fundamentally different ways in which the word fairness is used.

For people on the Left, fairness means equality; ensuring goods are distributed so the poor and disadvantaged are helped. For the Right, fairness means proportionality. This means if someone does the work and puts in the effort, they should be rewarded accordingly.

Fairness as proportionality is best summed up by the story of The Little Red Hen, apparently a favourite of former British Prime Minister Margaret Thatcher.

In this story, the Little Red Hen sets about planting grain, then harvesting it, milling it and eventually baking bread. At each stage she asks the Rat and the Cat for help and they decline – except when the bread is finally baked. They then volunteer to help eat it, at which stage the Little Red Hen says she shall eat it herself.

Fairness as proportionality focuses both on reward for effort and the problem of the free rider, the person who has an "entitlement" mentality; they should get something even though they do nothing. Such people do exist, and it is unfair for them to be rewarded for someone else's effort.

That there are people in genuine need does not exclude the reality of free riders, although in practice it may be difficult at times to distinguish between the two groups.

The real problem is how to reconcile these two ideas of fairness as they would appear to be in conflict. No-one would wish to see people starve or live a miserable life. But, at the same time, no-one would wish to see individuals work hard only to have their earnings plundered by the government to provide for people some of whom are free riders, who expect to take without giving.

## *'Fairness' in Australian politics*

Australia's two sides of politics are defined by which idea of fairness they give priority.

Neither side seeks one definition to the exclusion of the other. Labor generally considers fairness as equality to have priority; the Liberals are in favour of fairness as proportionality. Labor looks primarily to the concerns of those who struggle in this world; the Liberals are concerned primarily to reward effort.

Returning to Morrison's superannuation policy, the puzzling thing for most Liberal supporters is that it appears to be an expression of the ideal of fairness as equality, and that it is a slap in the face for those who see fairness in terms of proportionality.

The changes have sent the message that Morrison and the government do not favour the Little Red Hens of this world. By implication, they are thus more interested in the Rats and the Cats – the free riders.

This is a matter of great importance for this country. If Australia is both to be a prosperous place and to embody the ideal of being "fair and reasonable", then our leaders need to have a proper understanding of what fairness means. At present, such an understanding is missing.

There is very little informed discussion about what is meant by "fairness". Yet, as Haidt has argued in the American case, it is fundamental for understanding political values.

In the absence of a proper debate, what Australians seem to get is expediency: political parties do what is easiest and least likely – at least on the surface – to lose votes.

The Liberal Party is supported largely by those who give precedence to fairness as proportionality. On this basis they should be the party that applies what is best described as the "Little Red Hen test". They should be able to communicate clearly what that notion of fairness means with regard to particular policies.

## *A better debate*

Consider two policy issues.

The first is eligibility for the pension. It is difficult to see how someone who has had their house grow massively in value over the years has done anything, in terms of real effort, to earn that increase. They have not grown the wheat, nor harvested it, nor made the bread.

On that basis, there would appear to be no reason for not including the value of a residence when assessing eligibility for the pension.

The second is the case of negative gearing. Again, it is difficult to see how using the tax system to lose money so that one can make capital gains would pass the Little Red Hen test. It is closer to manipulating the system so that one can make a windfall.

We need a proper debate about the meaning of fairness in this country. It is odd that a Liberal-led government does not seem to understand, or appreciate, that fairness as proportionality is a real form of fairness and that to trample on it risks losing the support of many of its natural constituency.

Expediency currently seems to be trumping principle in our political life. The public will continue to despise the political class until such time as it returns to discussing fairness, in its many meanings, as the basis of what policies they seek to implement.

## From Donkey Votes to Dog Whistles