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Retirement Income Review Secretariat  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Sir,

**Retirement Income Review Consultation Paper**

I read on page 9 of the RIR Consultation Paper, '*The appropriate role of voluntary savings within the broader retirement income system has never been settled*' and welcome the opportunity to participate in this process.

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**Voluntary Savings**

By any standards the current system of taxing Income from Voluntary Savings is unfair.

The facts are, a single person with Income from Voluntary Savings is subject to the provisions of the Senior and Pensioners Tax Offset Scheme (SAPTO), a complicated regressive tax offset that in my view can never deliver equity.

A person with Income from Voluntary Savings of \$45,000 a year in 2020 will be liable to pay \$6,172 Income Tax and a further \$900 Medicare Levy, less the SAPTO Tax Offset of \$639.12 leaving him with only \$38,567.

Another person with \$45,000 income from Superannuation pays no Income Tax or Medicare Levy and retains all of his \$45,000.

If this was repeated without change for the next twenty years, the first person will have paid out \$123,440 Income Tax and the other none.

SAPTO offers to the first person with Income from Voluntary Savings, a tax-offset of 1.4%, and the second with Superannuation a 100% tax-offset.

It's time for the Government to recognize all Income from Retirement Savings equally.

This proposal could stimulate the economy and reward many who have sacrificed so much to achieve self-reliance.

Therefore, I suggest the replacement of SAPTO with a Tax-Free Threshold on all Income from Voluntary Savings in line with the taxation benefits provided to Compulsory and Voluntary Superannuation account holders.

Making this change to Income from Voluntary Savings will not alter the current arrangements for Income from Superannuation.

In order to maintain the integrity of this proposal, only the income derived from Capital and/or Assets less than \$1.6m would be eligible for the proposed Tax-Free status in line with the current rules for income from Superannuation.

<b>Superannuation Account Holder with a \$1.6m balance</b>	
1 <sup>st</sup> Example	Superannuation Account Holder with a \$1.6m balance would be excluded any benefits.in line with current rules for income from Superannuation.

<b>Superannuation Account Holder with \$800,000 balance in Superannuation and a further \$800,000 in Voluntary Savings.</b>		
2 <sup>nd</sup> Example	a	Income from the \$800,000 Superannuation Account would be treated in line with current rules for Income from Superannuation.
	b	Income from the \$800,000 Voluntary Savings would be eligible up to the Tax-Free Threshold
	c	Any further Income the \$800,000 Voluntary Savings greater than the tax-free threshold would be taxed at the Marginal Rate.

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**If changes to Voluntary Savings are accepted, it may be necessary to make two further changes.**

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**Rebalancing and improving the effectiveness of the Three Pillars.**

I propose moving Voluntary Superannuation from Pillar three to pillar two with Compulsory Superannuation.

Both offer generous Tax Concessions, and both have stringent integrity provisions neither of which apply to Income from Voluntary Savings.

Making this change will allow for a wider range of options when taxing Income from Voluntary Savings.

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**Creating a new class of income.**

Currently our tax system is built on three Individual tax rates, Australian Residents, Foreign Residents, Working Holiday Makers, each have varying income tax rates and varying amounts of tax payable in every dollar depending on the persons circumstances.

With almost four million Australians over 65 years of age it is time we consider the establishment of a fourth Individual Tax Rate focused solely on Income from Retirement Savings.

My definition of Income from Voluntary Savings includes Bank Interest, Term Deposit Interest, Rental Income, Capital Gains, Dividends and Franking Credits but not Wages or Director-Fees etc.

Currently the tax office has a record of most if not all the information it would require to carry-out this task.

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Taxation should be both Vertically and Horizontally fair, by accepting this proposal you be making this one step closer.

Your Sincerely,  
Neil Devitt