



(For Immediate Release)

MEDIA RELEASE

12 May 2010

BUDGET TAX BENEFITS WELCOME BUT WON'T COVER LOSSES FROM CPI INDEXATION

Most Commonwealth superannuants will welcome the Federal Budget income tax changes, but the benefit will not make up for the loss of purchasing power which they continue to endure due to inadequate pension indexation and unfair taxation of their superannuation pensions. This will result in an ongoing decline in their standard of living.

SCOA's Federal President, Dr Annette Barbetti said, "Several hundred thousand former Federal Government and Defence Force employees will be very disappointed to find that the Budget has not addressed the problem with the indexation of their pensions; a problem that has been well documented by three Senate Inquiries, including 29 Senators; a problem Kevin Rudd promised to fix, in the run to the last federal election."

Commonwealth and Defence Force pensions are indexed by the CPI. Dr Barbetti, a former Australian Bureau of Statistics (ABS) statistician, said, "The ABS says that the CPI is neither a purchasing power nor a cost of living measure. That is why it was scrapped as the main means of indexing the Age Pension more than a decade ago."

Dr Barbetti said that the problem with the CPI is that the observed shelf prices are adjusted (usually downwards) for technological changes in various products such as houses, computers, audio-visual equipment and motor cars. The problem with this is that consumers have to pay the shelf price; they often cannot purchase the item without the improvement. For example, according to the CPI, the average price of motor cars has increased by a little over 7% in the past twenty years. However the real average price has increased by much more than this, but the CPI price has been significantly discounted to reflect improvements such as air bags, CD players and stability control.

SCOA welcomes the increase in the low-income tax offset, the increases in the tax-free thresholds for low income earners and the 50% tax discount on interest on savings and deposits of up to \$1000. However, these measures will in most cases not make up for losses due to CPI indexation, and do not go far enough to help struggling Commonwealth superannuants whose pensions average less than the combined married rate of Age Pension, and often support both members of a couple. Further, they will not compensate for the unfair taxation treatment of these superannuation pensions.

"Commonwealth superannuants expected better from Kevin Rudd. They know too well that in the past twenty years retired Federal MPs' pensions have increased at exactly twice the rate, (140%) of theirs (70%). Many of them will demonstrate their anger on polling day", Dr Barbetti said.

Ends.

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