



Superannuated
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The Editor
Australian Financial Review
GPO Box 506
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Dear Sir

Megan Foley's AFR article of 22 November, *Simplified super calls for strategic response*, says that taxes on superannuation payouts, whether taken as a lump sum or a pension, will be scrapped from July 1 2007. Further in her article Megan says, "Given the tax-free treatment of all superannuation benefits for those over 60, there isn't much incentive to take a lump sum...."

Megan is correct in what she has said about the taxation of superannuation from 1 July next year insofar as superannuation from **taxed** superannuation funds is concerned.

Unfortunately there appears to be a misunderstanding with some journalists and other financial commentators regarding the tax treatment of superannuation from an **untaxed** source. Superannuation from such sources is subject to tax at normal marginal tax rates. However, under the new *Simpler Super* arrangements, recipients of Commonwealth and Defence superannuation pensions who are 60 or more years, will receive some tax relief. The Government has provided this relief in the form of a 10% tax offset.

Whilst the 10% tax offset was welcomed by our Association, many of the almost 200,000 Commonwealth and Defence superannuants will receive little if any tax relief from the tax offset. This is because they receive such a low superannuation pension, (averaging \$20,649 pa), that they currently pay no or little tax due to the Low Income Tax Offset or the Senior Australian Tax Offset.

Further, Commonwealth and Defence superannuants will have their total tax liability assessed by having to count income from **both** superannuation and non superannuation sources. This will not be the case for members of taxed superannuation funds because the new *Simpler Super* arrangements will require them to pay tax at the marginal tax rate, applicable only to their non superannuation income.

The Government knows it can, at a very affordable cost, provide some financial relief to Commonwealth and Defence superannuants, by granting them the same wage-based pension indexation enjoyed by other pensioners funded from the public purse. Two Senate Committees have recommended this change but the Government chooses to discriminate. If approved, that change would help lift the average Commonwealth and Defence pension to somewhere closer to the combined married rate of Age Pension - hardly a big ask.

Yours sincerely

John Coleman
Federal Secretary