

Tax Review White Paper Submission 2015

I am a taxpayer and will continue to be until the day I die. I believe this gives me an entitlement to comment about what I believe is a discriminatory tax system, a claim made by anyone felt disadvantaged.

I am the recipient of a Commonwealth Superannuation Scheme pension having worked for the Department of Immigration for over thirty years. I resigned my position nine years ago at the age of 54 and carried my Lump sum until I was 55 at which time I nominated to take the pension. I received a partial lump sum, which I rolled into an annuity and continue to receive a cost of living indexed pension.

A friend, with whom I worked, and who had exactly the same circumstances as I did resigned and took a lump sum when he retired. He put a large amount on his mortgage, to pay it off, and then went on a partially paid aged pension. My tax is probably going to support his choices to spend his income rather than pay off his mortgage while he was working.

He could afford new cars and cable TV while I could not despite the fact he had no children and I had two, who went to private catholic schools. I could have had a better lifestyle but chose to look after myself when I retired rather than rely on the taxpayer. I believe this is the right approach.

I mentioned discrimination not because of these issues but because, while working overseas I met my wife and we married and resided in Australia until I retired and then moved overseas to reside, so we could be close to her family. I don't mind that I pay for my children's' education, our health and dental and have no aged rebates for being an aged retiree for utilities, for travel on public transport or don't receive a concession card to use when I return to Australia on holidays, basically no concessions.

It was our choice to live overseas. What I find discriminatory is I do not receive the tax free threshold on any of my Australian paid pension. Why? My friend who lives in Australia, and did exactly the same as I did, but chose to live off the taxpayer, is advantaged twofold. He receives a partial pension because he spent his money and he receives the tax free threshold while I lose 32.5 cents in every dollar of my super pension paid by money I already paid tax on!

I have taken the following from the ATO website:

If you're an Australian resident, the first \$18,200 you earn is tax-free. This is called the tax-free threshold. If you are a foreign resident, you pay tax from the first dollar of taxable income.

- The difference residency makes

Australian residents

If you're an Australian resident for tax purposes, you:

- need to declare income earned from anywhere in the world in your tax return
- are entitled to the tax-free threshold
- can claim tax offsets
- generally have lower tax rates than a foreign resident.

Foreign residents

If you're a foreign resident for tax purposes, you:

- need only declare income you derived in Australia
- don't have to declare interest income if withholding tax has already been deducted
- are not entitled to the tax-free threshold (that is, you pay tax on any assessable income you earn in Australia)
- can't claim most tax offsets
- don't pay the Medicare levy.

Why is there a difference? It may be different if I was still working, but I am retired and cannot work in the country of our abode due to local laws as I am a retiree. I don't have a reduced tax rate as described above. I have no other income and continue to keep myself and my children completely without Australian government assistance yet I am held to a different standard than my Australian counterpart.

I believe all these issues combine to compound the problem and discriminate against my family even though we are Australian.

While writing I would like to raise a couple of other issues which I believe need to be addressed.

I believe people who are on a pension living overseas should pay the Medicare levy. Why? When I am older we may decide, once our children leave to university, that my wife and I return to Australia. Being older I am more likely to require medical care. I should be paying towards that probability. At the moment I pay Private Health cover overseas (but hope I don't use it.)

At age 60, or over, most Health Insurance companies will not accept a request for cover as this age group is high risk. I am covered through my wife's employer although I have to make an annual membership contribution of about A\$750. As she earns local wages, her income is negligible, however, her work as a teacher keeps her engaged outside the home and gives her an interest but the health cover is one of the advantages of her continuing to work. Soon she will also retire and at

that time we may return to Australia as our youngest will be leaving home this year. We should be paying for that possibility especially given the aging population in Australia and drain on the system which may eventuate.

We were covered by private cover until we left Australia so I would start cover again if I return but that would not cover all costs in the case of any major ongoing health problem, nor PBS subsidies.

The committee needs to be cognisant of these issues and possibilities when deciding on future tax provisions.

One more thing, no one should be able to touch their super until they retire and even then it should be used for their ongoing support. My friend should not have been allowed to live life above his income then use the pension. He had sufficient funds to have a good retirement without a pension from the government if he had been required to use his funds appropriately. If you let people access their money early you can just wait for the Banks, Accountants, Lawyers and others to line up with new schemes to take the money which would, and should, go to keeping a person in retirement.

With respect to the first issue, we are beginning to be a global community and the Government tax policies are beginning to address this.

Look at how the large companies have used this to lower their tax and the changes just announced in the Budget paper to address this by making changes to HECS so Australians working overseas repay their debt and, further, the changes to working holiday makers paying tax without allowing them the tax free threshold and charging GST for digital purchases from overseas. All moves in the right direction.

The government is serious about getting to a sustainable budget with less interest being paid on overseas loans. As this is the case the public should be educated about the future for their children and grandchildren if we continue to go backwards. I believe the people of Australia are generally not selfish and will appreciate the need for an increase in a broad based community tax as has occurred in New Zealand. The debt needs to be paid down as soon as possible to assure a better future. Self reliance through saving should be taught in the schools through a "Skills for Life" program which may include business as one of its components.

I am a self supporting retiree with a below average weekly income as set out below in the Australian Bureau of Statistics Table 1. There should be a means test to decide whether the individual should be eligible for the threshold, it should not be based on the residency test.

Last financial year 2013 - 2014 I had a taxable income of about \$67000 and paid tax of approximately \$15000 as per current tax scale (See Table 2 below). I received just over \$6700 as Superannuation and annuity tax offset.

From 8 Jan 2015 my CSS net fortnightly income was adjusted to about \$2000, \$580 being deducted fortnightly for tax.

As indicated this is below the Full-time adult average weekly total earnings and trend of average earnings according to the Australian Bureau of Statistics. (See Table 1 below)

From ABS Website:

Table 1: Average Weekly Earnings, Key Figures, Australia, November 2014

	November 2014 Nov 2013 to Nov 2014
	\$ % change
Trend(a) Full-time adult average weekly ordinary time earnings	1 476.30 2.7
Full-time adult average weekly total earnings	1 539.40 2.7
All employees average weekly total earnings	1 128.90 1.3
Original Full-time adult average weekly ordinary time earnings	1 477.00 2.8
Full-time adult average weekly total earnings	1 542.40 2.8
All employees average weekly total earnings	1 128.70 1.3

(From ATO Website) : **Table 2**

Taxable income	Tax on this income
0 – \$18,200	Nil
\$18,201 – \$37,000	19c for each \$1 over \$18,200
\$37,001 – \$80,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$80,001 – \$180,000	\$17,547 plus 37c for each \$1 over \$80,000
\$180,001 and over	\$54,547 plus 45c for each \$1 over \$180,000

I continue to contribute each and every year because I chose to not be a liability like many others. I made extra super contributions rather than take holidays, or eat out, or have a more up to date TV,

or cable, or a new car. The point I'm trying to make is that because I decided to be self sufficient and made life more difficult for my family I get punished while those who spent their money, or decided not to live more frugally are advantaged, in more than one way, not just by virtue of the tax free threshold. There needs to be some accountability on those who make such choices and it is not up to society (or people like me) to subsidise their selfish choices. People need to work or put away for themselves in their retirement. As for the issue of living overseas and the tax free threshold, as mentioned, I believe it should be allowed on the basis of income not residence as the determining factor.

While I am only one person I am sure I speak for many who have chosen to live abroad and see no reason why, when they saved to look after themselves, they are dealt with differently to those who have become a burden on society.

I take exception too, that some overseas residents who are Australian receive a government pension even though they did not contribute 30 plus years to the tax system and use Australian citizenship, gained through a relatively short stay in Australia, to be subsidised by those who will contribute all their lives. This also needs to be addressed. Those that have not contributed should not be subsidised by the tax payer in a disproportionate manner to their contribution or period of residence in Australia. As I indicated I feel discriminated against because of the current rules.

I look forward to the outcome of the tax review and trust it takes into account global and digital issues so as to preserve a buoyant and progressive Australian society into the future.

Regards

Bruce Sant