

## **Submission to Tax Forum 2011**

### **Superannuated Commonwealth Officers' Association**

#### **1. Answers to discussion questions – Personal tax**

Q. Are there ways to further reduce disincentives to workforce participation?

A. Yes.

- Raise income tax thresholds;
- Make superannuation pensions from defined benefit funds a separate head of taxation so that persons in receipt of those pensions can enjoy the same tax advantages as other superannuants when they choose to earn extra income; and
- Raise the age limits for making both personal and employee superannuation contributions and raise the age limit for workers' compensation to the same age limit.

Q. Are there opportunities to make policy changes to further simplify taxpayers' interactions with the personal tax system?

A. Yes.

- Raise income tax thresholds; and
- Remove the requirement for persons over the age of 80 to submit a tax return – by then the Government will know all about their sources of income anyway.

Q. Should consideration be given to moving towards a more neutral and consistent tax system for savings?

A. Yes.

- Reduce or remove taxation of bank interest; and
- Keep dividend imputation.

Q. Are there opportunities to improve efficiency in the housing market with alternate tax settings and policies?

A. Yes.

- Abolish stamp duty on house purchases by people over the age of 70;
- Abolish stamp duty for first home buyers;
- Remove state and territory taxes on home and contents insurance policies;
- Reduce capital gains tax on property held for more than 10 years; and
- Find the money to do these things by raising taxes in other areas such as land taxes.

Q. Are there opportunities to improve the rules for superannuation during the drawdown phase?

A. Yes.

Remove the minimum drawdown requirements, or at least reduce them to take into account longer life expectancy.

## **2. Transfer Payments**

- The CPI in its present form is not a measure of increase in the cost of living, but is a measure of pure inflation, and is therefore provides inadequate indexation for Commonwealth superannuation payments and Centrelink payments such as Newstart.
- The Commonwealth Seniors Health Card (CSHC) income test thresholds should be increased to a more realistic level and indexed.
- All superannuation pensions should be excluded from the income test for the CSHC.
- The taper rate for the income test for the Age Pension should be returned to 40c in the dollar – that rate was set to compensate for the effects of the GST, and we still have the GST.

## **4. State taxes**

Q. Should States abolish insurance taxes? If so, how could the revenue be raised more efficiently?

A. Yes, States should abolish insurance taxes. The additional revenue could come from raising land tax.

## **5. Environmental and social issues**

Q. Are there aspects of other tax arrangement that create unintended incentives for adverse environmental outcomes, or ways in which governments could use specific taxes to ensure that people take appropriate accounts of environmental impacts on their decision making?

A. Yes.

- Income from feed-in tariffs should be tax-free even when the household produces more electricity than it consumes – otherwise the householder has less incentive to return electricity to the grid; and
- Levy a carbon tax on landlords with environmentally unsound buildings – that would give them an incentive to put in insulation, double-glazing, etc.

## **6. Tax system governance**

Q. How might the greater use of technology and improved coordination and management of information be used to improve taxpayers' experience with the tax and transfer system?

A. Provide a version of e-tax that can be used with a Macintosh.

Q. Are there better ways that institutional arrangements for the tax system can be used to improve taxpayers' experience of the tax system?

A. Yes.

- Provide more information in hard copy form, e.g. tax scales so that low-income elderly people without access to computers can work out their tax payable in advance so they know how much to save for;
- Put an index in the Tax Pack; and
- Abolish the Medicare Levy and the Medicare Levy Surcharge and raise tax rates to compensate for the lost revenue – that would save ten pages in the Tax Pack and one page in the Income Tax form.

**Further Comment**

The Tax Review did not consider the taxation of “untaxed” defined benefit superannuation pensions, even though it was one of the topics in the discussion paper for that review. The Matthews Review avoided any discussion of the topic, even though the terms of reference of that Review implied that it would have to be taken into account. It is time that some action is taken to rectify at least some of its unfair consequences by making superannuation payments from “untaxed” defined benefit funds a separate head of taxation and/or giving a Health Card to all Commonwealth and military superannuants (which used to be the case in the 1970s). The cost of doing either or both of these things would be quite modest, and the unfunded liability would not be affected (second order effects are not counted).