

2024 - 2025 PRE-BUDGET SUBMISSION
FEDERAL GOVERNMENT

***Superannuated Commonwealth Officers'
Association (WA) Inc.***

WA Self Funded Retirees Inc.



January 2024

State & Federal Advocates for Fully and Partly Self Funded Retirees

SUPERANNUATED COMMONWEALTH OFFICERS' ASSOCIATION (WA) Inc.

WESTERN AUSTRALIA SELF FUNDED RETIREES Inc.

Introduction:

Superannuated Commonwealth Officers' Association (WA) Inc. (SCOAWA), and Western Australia Self Funded Retirees Inc. (WASFR), are organisations registered under the Associations Incorporation Act (2015) of Western Australia. These two organisations have very similar backgrounds and have chosen to join together in lodging this submission with the Federal Government. Most members have had experience with similar organisations in the past and our primary objective is to protect and advance the interests of those retirees who have funded, in whole or in part, their own retirement. Note: Many of our members are in receipt of a part Age pension.

Although both are WA-based organisations, the Federal Government concessions that we seek will be of benefit to all retirees throughout Australia.

Most of our members are proud of their ability to provide for their advancing years, with some assistance from Government. However, many who strive to remain outside the Aged Pension system often experience reduced financial capabilities to fund their retirement. A greater level of Government assistance is required to help maintain their independence from the Centrelink Age Pension.

In particular, the delivery of increased health benefits and aged care services, including increased funding for Home Care Packages, are areas where the Government can be of greater assistance to all retirees.

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24 January 2024

Summary of Recommendations

Following is a summary of the recommendations included in this submission from Superannuated Commonwealth Officers' Association (WA) Inc. and Western Australia Self Funded Retirees Inc. We sincerely request that your full consideration be given to each of the issues raised.

Recommendation 1:

That the pre-1 July 1988 Taxation arrangements for the 1922/PNG/CSS/PSS Comsuper pensions be treated in the same manner as all other superannuation schemes.

Recommendation 2:

That Australian citizens, over the age of 65 and with a disability recognised under the current NDIS legislation, be accorded the same benefits (both financial and otherwise), as are accorded to those people under the age of 65. The simplest way for this to happen is for the NDIS legislation to be amended to include those aged over 65. If this is not practicable, then the Aged Care legislation should be amended so as to produce the desired outcome.

Recommendation 3:

That retirees be enabled to transfer funds into superannuation, at the prescribed contribution levels, irrespective of their age.

Recommendation 4:

That the "Work Test" applicable to retirees for personal concessional contributions to superannuation be abolished.

Recommendation 5:

That the Medicare and Pharmaceutical Benefits Scheme Safety Net thresholds for single retirees be restructured so that access for them becomes available at 65% of the levels applicable to couples.

Recommendation 6:

That Medicare establish a Senior Dental Benefits Scheme for people who live in residential aged care or for older persons in the community. For health workers and unpaid carers, training in oral health care, and AI screening for dental diseases should be made available via Primary Health Networks (PHNs).

Recommendation 7:

That the SAPTO Tax Offsets (currently \$2,230 for singles), be adjusted annually to account for increases in the cost of living, and that the SAPTO Rebate "shade out" income thresholds should be increased immediately so as to be equal to the Medicare Levy low income threshold. They should then be reviewed annually so as to always be equal to the Medicare Levy low income thresholds.

Recommendation 8:

That pensioners in receipt of the Centrelink Age pension be allowed to engage in paid employment with no corresponding reduction in their pension amount.

Recommendation 9:

That the components of a retiree's income derived from an untaxed superannuation scheme, and from other sources, be assessed separately for taxation purposes as is the case with a retiree who derives an income from a taxed superannuation scheme.

Rationales Underlying the Preceding Recommendations

Recommendation 1:

That the pre-1 July 1988 Taxation arrangements for the 1922/PNG/CSS/PSS Comsuper pensions be treated in the same manner as all other superannuation schemes.

There was no 15% tax on payments to superannuation schemes prior to 1 July 1988 - for both funded, and unfunded superannuation schemes. In order to ensure that contributors to unfunded schemes were not disadvantaged when withdrawing funds from their superannuation schemes, a procedure of applying funding credits was employed. Funding credits were granted to unfunded superannuation schemes so that contributions made after 1 July 1988 to fund benefits that accrued prior to 1 July 1988 are not taxed. This ensures equity with funded superannuation schemes which only pay tax on contributions as from 1 July 1988. Note: Tax free after 1 July 2007 for those aged over 60.

The Income Tax Assessment Act 1997 **does allow** unfunded superannuation schemes to utilise pre-1 July 1988 funding credits - theoretically, this includes coverage for the 1922/PNG/CSS/PSS schemes but the government has not yet acted to allow this to happen

- this avoids benefits that accrued before 1 July 1988 from being treated as untaxed benefits
 - even though no taxes were applied to both funded and unfunded superannuation schemes
- regulations could easily be made in accordance with section 307-200 of the Income Tax Assessment Act 1997 to specify that benefits that accrued in civilian Commonwealth superannuation schemes (1922/PNG/CSS/PSS), before 1 July 1988 be treated as element taxed in the fund
 - this would then allow recipients of unfunded Commonwealth superannuation schemes (1922/PNG/CSS/PSS), to be treated equally as recipients of other unfunded superannuation schemes in relation to benefits that accrued prior to 1 July 1988.

It should not be forgotten that the old 1922 and PNG schemes were closed in 1976, the CSS scheme was closed on 1 July 1990 and the PSS scheme was closed on 1 July 2005. There are only 1260 pensioners left in the old 1922 scheme, 56 in the old PNG scheme and a total of 167,653 in the CSS and PSS schemes. These are all old schemes but need to be brought into line with all the other superannuation schemes currently in operation. If this matter is not corrected, then 168,969 ex-Commonwealth employees will continue to pay tax for a period when there was no tax payable.

This is an important issue, is not difficult to implement and needs to be addressed asap.

Recommendation 2:

That Australian citizens, over the age of 65 and with a disability recognised under the current NDIS legislation, be accorded the same benefits (both financial and otherwise), as are accorded to those people under the age of 65. The simplest way for this to happen is for the NDIS legislation to be amended to include those aged over 65. If this is not practicable, then the Aged Care legislation should be amended so as to produce the desired outcome

The NDIS scheme commenced several pilot operations, in selected locations, in July 2013. The Medicare Levy was increased by an additional 0.5% in July 2014 purely to fund the NDIS. The current guidelines are quite clear that this scheme will not cover any person who contracts a recognised disability after reaching the age of 65. It is also a fact that, although not covered by the NDIS legislation, those taxpayers over the age of 65 will still be forced to pay this additional 0.5% Medicare Levy.

Current information is that those people who contract a disability before the age of 65 (and are covered by the NDIS), will be allowed to continue to be covered by the provisions of the NDIS after the age of 65, should they so choose.

An official response from the Federal Government indicates that the Government is relying on the capabilities of the Aged Care system to adequately cater for those over the age of 65. Unfortunately, the Aged Care system is struggling with inadequate funding and other resources and will be unable to cope with any additional burden. Recommendations from the Royal Commission into Aged Care Quality and Safety are slowly being examined.

A Media Release from the National President of Alzheimer's Australia in September 2013, called for the co-ordination of the two reforms under the oversight of a senior Minister. The comment was made "*The Aged Care system is aimed at frailty and residential care - not disability*".

In March 2013 a Senate Community Affairs Committee that enquired into the NDIS Bill, made the following recommendation

4.38 *The committee recommends that the Government, through COAG processes, identify mechanisms by which to provide adequate specialised disability support for people 65 and over who have disabilities not resulting from the natural process of ageing.*

As an organisation concerned with the welfare of elderly Australians, we request that strong consideration be given to including those unfortunate people, who contract a recognised disability after reaching the age of 65, within the limits of the NDIS.

If an extension of the NDIS legislation to include those aged over 65 is not possible, then the alternative is for the Aged Care legislation to be amended to provide the same benefits for those people who contract a recognised disability after reaching the age of 65 to the benefits afforded under the NDIS legislation for those under 65.

Recommendation 3:

That retirees be enabled to transfer funds into superannuation, at the prescribed contribution levels, irrespective of their age.

Those people over the age of 75, and still in the workforce, are now eligible to have the Superannuation Guarantee Levy (SGL), currently 11% of salary, paid into a recognised superannuation fund of their choice. However, anyone not employed is prohibited from contributing any funds into a superannuation fund if they are over the age of 75.

Many retirees over the age of 75 did not have the benefit of being able to contribute to superannuation during their working lives. They had to accumulate their retirement assets under various policy settings that could be restrictive and subject to change. Consequently (where they could), they invested in other assets such as property and shares but now find that they are denied the benefits from receiving a concessional income from a superannuation fund.

There are statutory limits on the amount of funds allowed to be transferred by a person into superannuation in any tax year and this request does not attempt to circumvent this requirement. It simply seeks to allow those over 75 years of age to be allowed to contribute funds into superannuation in the same manner as other people, of the same age, who happen to be in the workforce.

When a person, over the age of 55 years, chooses to sell their family home and (possibly), downsize to another property, they are allowed to place a maximum of \$300,000 into superannuation (\$600,000 for a couple). Note that there is no "Work Test" applicable, and there is no upper limit on their age. This lifting of the age discrimination factor should be extended to allow retirees to place funds into superannuation irrespective of their age.

It should be noted that this issue was one of the recommendations of the Henry Tax Report in 2009

“Recommendation # 20

The restriction on people aged 75 and over from making contributions should be removed.”

Recommendation 4:

That the “Work Test” applicable to retirees for personal concessional contributions to superannuation be abolished.

Retirees aged between 67 and 74 who wish to contribute personal concessional contributions to a superannuation fund are required to pass a “Work Test” before they are permitted to do so. In order to qualify, this “test” requires them to be “gainfully employed” for a minimum of 40 hours in any consecutive 30 day period throughout the relevant tax year. This “test” is considered to be an outdated, arbitrary hurdle with negligible practical value. It encourages the elderly to stretch the truth, or maybe even manipulate the circumstances with family or friends, wherever that may be possible.

Provided the funds involved are within the legal limitations regarding maximum amounts in force at the time, we request that this iniquitous restriction be abolished.

The government has already abolished this “Work Test” for non-concessional contributions to superannuation (currently \$110,000 pa), as from 1 July 2022 and it is inconceivable that this concession has not been extended to include concessional contributions (limited to \$27,500 pa).

Recommendation 5:

That the Medicare and Pharmaceutical Benefits Scheme (PBS) Safety Net thresholds for single retirees be restructured so that access for them becomes available at 65% of the levels applicable to couples/families.

Currently, a single retiree needs to spend the same amount on pharmaceutical prescriptions before reaching the Safety Net as does a couple. Once the designated Safety Net level is reached (in a 12 month period), then any additional prescriptions are either free (to a retiree with a Pensioner Concession Card), or drop to the concessional level applicable to Pensioners for those retirees not in possession of a PCC. A similar situation exists for the Medicare Safety Net.

There is obvious discrimination in that one person needs to incur the same total expenditure as does a couple before any concessional treatment is allowed. We therefore recommend that the Medicare and PBS Safety Nets for singles be set at 65% of the threshold requirement for couples.

Recommendation 6:

That Medicare establish a Senior Dental Benefits Scheme for people who live in residential aged care or for older persons in the community. For health workers and unpaid carers, training in oral health care, and AI screening for dental diseases should be made available via Primary Health Networks (PHNs).

Despite specific oral health recommendations from the Royal Commission into Aged Care Quality and Safety (2021), and the Select Commission into the Provision and Access of Dental Services in Australia (2023), there have been no programs or funding to improve oral health in Australia. Combined with disruptions from the COVID-19 pandemic, dental workforce shortages, long public waiting lists, high costs for private dental treatment, inequitable service delivery in regional, rural and remote areas, difficulties in access for Indigenous persons, high need for persons with a disability, poly-pharmacy and co-morbidities, and no data on dental needs, there is an urgent need for a federally funded oral health care training and screening program. Only 50% of Australians have a dental visit each year and state and territory dental services only reach 11% of their eligible populations.

For health workers and unpaid carers, training in oral health care should be made available via Primary

Health Networks (PHNs). More older persons are living longer and keeping more natural teeth with complex dental needs. Twice-daily oral health care not only improves oral health, it also improves general health, sense of wellbeing and self-esteem, and supports wider food choices and better nutrition. The medical consequences to poor oral health are a considerable cost to the Pharmaceutical Benefits scheme (PBS) and the Medicare Benefits Schedule (MBS).

Registered nurses, enrolled nurses, assistants in nursing and personal carers need to be upskilled and trained in best-practice oral health care that meets the complex dental needs of persons receiving care, best practice principles and aged care standards.

Recommendation 7:

That the SAPTO Tax Offsets (currently \$2,230 for singles), be adjusted annually to account for increases in the cost of living, and that the SAPTO Rebate “shade out” income thresholds should be increased immediately so as to be equal to the Medicare Levy low income threshold. They should then be reviewed annually so as to always be equal to the Medicare Levy low-income thresholds.

The Senior Australians Tax Offset (SATO), was introduced in the 2001 Federal Budget, and was backdated to commence from 1 July 2000. At that time, the maximum amount of Tax Offset was set at **\$2,230** for singles, and **\$1,602** for each member of a couple.

These amounts remain unchanged to the present day - 24 years later. In 2012 SATO was changed to SAPTO (Seniors and Pensioners Tax Offset) but the offsets remained the same i.e. \$2,230 and \$1,602 (for each member of a couple).

Changes have been made to the “shade-out” and “cut-out” thresholds for SAPTO over the years (note that these changes have not been made on a regular basis every year). In 2012-13 the “shade-out” threshold for SAPTO (for singles) was \$32,279, which was the same as for the Medicare Levy low-income threshold.

Recommendation 8:

That pensioners in receipt of the Centrelink Age pension be allowed to engage in paid employment with no corresponding reduction in their pension amount.

There are said to be close to 480,000 vacant positions throughout the country that have been, mainly, caused by the Covid 19 pandemic. Australia’s rate of unemployment is the lowest it has been for a number of years. Businesses everywhere are crying out for staff. There are over 2.5 million Age pensioners that could, in some cases, provide relief for some of these vacancies.

However, the current rules applicable to additional income for Age pensioners is preventing them from applying. The 50 cents penalty for each additional dollar earned (over the allowable \$454 per fortnight), needs to be reviewed. There is a campaign called *Let Pensioners Work* that calls for Age pensioners to be allowed to engage in paid employment without any reduction in their pension.

The recent increase in the Work Bonus to \$11,800 (from \$7,800), has now been made permanent. The additional \$154 per fortnight is of negligible value (? 2 - 3 hours per week).

Whilst not every Age pensioner would be capable, or would want to go back into the workforce, it has been claimed that even a modest increase in older people in the workforce of 5% would add almost \$48 billion to the economy in today’s terms (Deloitte Access Economics).

This is a simple request that will not be a cost of revenue to the government. In fact, the government will gain additional revenue through the additional income tax payable by pensioners.

This concept of allowing Age pensioners to work without any financial penalty being applied already exists in Canada and in New Zealand - which has 24.8% of Age pensioners in the workforce. It will not be taking employment away from the general public - it will be filling a shortfall that is being felt everywhere.

Recommendation 9:

That the components of a retiree's income that are derived from an untaxed superannuation scheme and from other sources, be assessed separately for taxation purposes as is the case with a retiree who derives an income from a taxed superannuation scheme.

Those retirees who obtain their income from a taxed superannuation scheme are treated differently, for taxation purposes, from retirees who obtain their income from an “*untaxed*” superannuation scheme i.e. a retired ex-Commonwealth, State or Defence Force employee. The pension component from a taxed superannuation scheme is disregarded when calculating the tax payable on total income i.e. it has a zero value. Any additional income from outside the superannuation fund is then assessed at normal taxation rates as if it were the sole income for taxation purposes (and so attracting lower marginal tax rates).

However, any pension received from an “*untaxed*” superannuation scheme is counted towards total income and any additional “outside superannuation” income is added to this amount, often involving a higher marginal tax rate. There is a concessional 10% tax offset (only from the “*untaxed*” pension element), but that does not prevent the higher marginal tax rate from still being applicable.

As an example, if an additional \$15,000 (separate to their superannuation pension), was received by an ABP/SMSF retiree, then they are subject to the \$18,200 tax free threshold, and would **pay no tax**

- in comparison, if a CSS/PSS pensioner receives additional income of \$15,000 it would be added to their normal pension amount and they would then pay tax at their marginal rate
 - quite likely at the 34.5% rate which equates to **\$5,175**.

It should also be noted that these retirees in receipt of a pension from an “*untaxed*” superannuation fund (i.e. the 1922/PNG/CSS/PSS pensioners), did not receive any tax concessions for payments into superannuation throughout their working life - the normal marginal tax rates applied (34.5% and 39%)

- in comparison, the general public paid their superannuation contributions before tax was calculated
 - they did not pay any Income tax on their contributions but were required to pay a 15% entry tax when placing money into their accounts - a very generous tax concession.

This anomaly was addressed in the Report of the Senate Economics Committee (February 2007), which recommended that the two types of income should be assessed separately.

“The Committee is of the view that the Government should reconsider the way in which total taxable income is classified for those in untaxed schemes. Instead of combining both a superannuation income stream and additional income to produce a total assessable income, the two types of income should be assessed separately.

This would enable additional income received by all superannuation income stream recipients to be assessed for tax purposes from a starting point of zero.”

“The Government should consider separately assessing, for taxation purposes, superannuation income streams and assessable income.” (Recommendation 4 in the above-mentioned report).