Submission for 2019 Federal Budget

Purpose

To make the Commonwealth Superannuation Schemes, such as the CSS, tax free and to index them at Average Weekly Ordinary Times Earnings (AWOTE), not Consumer Price Index (CPI).

Background

I have previously written to the Treasury Minister, (Minister O’Dwyer) responsible for superannuation matters. Asking that the Commonwealth Superannuation Scheme (CSS) and similar pensions for retired Commonwealth Officers be made tax free, just as private sector superannuation pensions are.

The Minister O’Dwyer’s responded on 24/1/2018 but her response (copy attached to this submission) contains several inaccuracies and omissions as detailed below.

• Taxation Of CSS pensions

Minister O’Dwyer advised that the Commonwealth had not paid any contributions nor paid any tax, it was only fair that tax be paid now by the recipient. Both of these assertions are false. I have attached to my submission, 2 documents which prove these assertions are false:

* The first document is page 9 from the 2015-16 annual report of the CSS. This page gives the relevant financial statements for the CSS for the 2015-16 year (earlier reports are not available and subsequent CSS annual reports do not contain financial statements.

This document shows that in that year the CSS received $19.682 million in Employer Contributions, this refutes the first of Minister O’Dwyer’s assertions that the employers did not make contributions. This document also shows that in that year the CSS incurred Income Tax Expense of $3.087 million which refutes the second of Minister O’Dywer’s assertions, ie that the CSS had not paid income tax. Please note that $3.087 million is 15% of the $19.682 million of employer contributions, the correct rate for employer superannuation contributions, ie Employer contributions were paid and tax was paid.

* The second document is an article from the Superannuated Commonwealth Officers Association which advises members of how the CSS operated. I draw your attention to the section headed “Why is your defined benefit pension taxed?” and to the words ”*Many CSS members are not aware that contributions are made to the Consolidated Revenue Fund on their behalf during their employment in the public service. The size of the contributions is determined by actuarial calculations based on the number of current pension receipts, their age and life expectancy and the size of their pension. Over the years, this has varied between 22% and 26% of salary.”*

That such payments were made by Commonwealth employers is also supported by a close acquaintance who was the CEO of several Commonwealth statutory authorities and who had to sign off on the accounts of each of these authorities. That person advises me that in each case their authority had to contribute to CSS about 20% of the salary of employees who were members of CSS and their understanding was that Commonwealth departments had to make similar contributions.

All of these confirm that employer contributions were made and the relevant tax was paid so pensions paid under this scheme should be tax free.

Minister O’Dwyer advised that CSS pensions receive a 10% tax offset, which is true but even with that tax offset I still lose around 1/3rd of my CSS pension in tax compared to proper superannuation pensions which lose $nil.

* Indexation of CSS and similar pensions

An additional issue is the indexation of the pensions which is currently at Consumer Price Index (typically 2% pa) whereas the Centrelink and some other pensions are indexed at AWOTE which is typically about 4%. I ask the Treasurer should not retired Commonwealth Officers, all of whom have served Australia well, be entitled to an indexation not less than that of Centrelink pensioners many of whom have not served Australia at all. I ask that the CSS be indexed at AWOTE and not CPI.

**Requested Action**

1. Make the CSS and similar pensions for Commonwealth officers tax free, and
2. Index the CSS and similar pensions at Average Weekly Earnings instead of CPI.

Thank you

William Adams