



Received 29-10-18

PRIME MINISTER

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22 OCT 2018

Mr Peter Illidge
President
SCOA Australia Incorporated
PO Box 107
MAWSON ACT 2607

Dear Mr Illidge

Thank you for your letter dated 27 August 2018 with your message of congratulations on my election as Prime Minister, and your comments regarding the taxation of Commonwealth defined benefit schemes and related pensions.

In relation to indexation of the pension, Commonwealth civilian defined benefit pensions have many benefits, including that they are indexed lifetime pensions and are available to relatively few Australians. Among these, a percentage of the pension is payable for the lifetime of an eligible partner on the death of a member, which is also indexed, and Commonwealth civilian defined benefit pensions do not bear any investment risk during the payment of their pension. A superannuation pension purchased in the private sector would usually cease once the funds used to purchase it are exhausted.

While sympathetic to the difficulties that some superannuants face in living on a fixed income, the Government considers that the Commonwealth civilian defined benefit schemes compare favourably with superannuation arrangements in the general community. The Government therefore intends to maintain the current indexation arrangements for the pensions paid from these schemes.

In relation to taxation of the pension, employer-funded superannuation benefits paid from an untaxed source are subject to tax. To remove the tax on these benefits would mean that members of these untaxed schemes would pay no tax at all on this part of their superannuation. This would greatly advantage members of these schemes relative to the 90 per cent of Australians who have paid contributions and earnings tax on their benefits while they were accumulating in the fund.

As you are probably aware, any after-tax contributions which were made towards your benefit while you were working will be received tax free in retirement. Moreover, any part of a benefit paid from an untaxed scheme that has been taxed in the fund is also tax free when paid to a person aged 60 or over. Depending on the level and composition of their income, some members of untaxed funds may pay no tax.

The above arrangements are designed to ensure that a similar level of tax is paid on benefits received from taxed and untaxed funds, taking into account the fact that members of taxed funds have paid tax on contributions and investment earnings, whereas members of untaxed funds have not. The Government believes that current taxation arrangements for members of taxed and untaxed funds are broadly equitable.

Thank you for your support and correspondence.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Scott Morrison', written in a cursive style.

SCOTT MORRISON