

26 September 2017

Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Senators

Submission to the Senate Economics Legislation Committee in relation to the Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No.2) Bill 2017

SCOA Australia Incorporated (SCOA Australia), formerly the Superannuated Commonwealth Officers' Association (Federal Council) Inc., agrees that it is desirable to enable employees under workplace determinations or enterprise agreements to choose the superannuation fund for their compulsory employer contributions.

SCOA Australia also agrees that the Superannuation Guarantee (Administration) Act 1992 should be amended to ensure that an individual's salary sacrifice contributions cannot be used to reduce an employer's minimum superannuation guarantee (SG) contributions.

However, SCOA Australia is disappointed that nothing has been done to rectify the anomalous taxation treatment of defined benefit Commonwealth superannuation pensions. Because the Federal Government chose not to pay our employer contributions into a separate fund, but into consolidated revenue, it did not pay tax on those contributions. The Commonwealth then pays Commonwealth superannuation pensions out of the Consolidated Revenue Fund and by so doing it denies its former employees the benefits available to state superannuation pensioners, such as allowing access to pre-1988 tax credits.

As a result, Commonwealth superannuation pensions are subject to income tax, with a 10% tax offset for pensions of less than \$100,000 per annum.

If Commonwealth superannuation pensioners have taxable income from any other source, that income is taxed at their marginal tax rate. This is unfair – why should they pay extra tax on their other income just because the Federal Government did not pay tax on the employer contributions?

There is a simple, fair solution: Commonwealth superannuation pensions should be declared to be a separate head of taxation.



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More recently, the Government has decided that Commonwealth civilian superannuation pensions such as the 1922 Act, CSS and PSS should be subject to the 10% cap on the proportion of a superannuation pension that can be excluded from the income test for the age pension, even though those pensions are all contributory pensions, and the Government has access to a database that could be used to demonstrate that in almost all cases the tax-free portion of the pension had been purchased using the members' own contributions.

Thank you for considering our submission.

Yours sincerely



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