

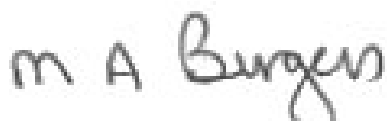
payments for anyone who retires or leaves employment during the financial year in question.

We can only assume that these are unintended consequences and that the Gillard Labor Government would not have meant to cut the retirement savings and other benefits of workers through this levy. This seems to be confirmed by Ministerial references to the levy amounting to around a cup of coffee a week for the average worker. In addition, the Government is actively working to increase the retirement incomes of working families with the move to boost the superannuation guarantee from 9 to 12% amongst other improvements to super that are underway. Hitting workers' retirement savings and other employment benefits is not consistent with the positive things the Government is doing on superannuation and fair work provisions.

To overcome these problems, the PFA proposes that the Income Tax Rates Amendment (Temporary Flood Reconstruction Levy) Bill 2011 be amended so that superannuation lump sums, transition to retirement payments and other worker entitlements and benefits are not affected by the levy.

We would be prepared to give evidence to the Committee if that is appropriate.

Yours sincerely

A handwritten signature in black ink that reads "m A Burgess". The signature is written in a cursive, lowercase style.

Mark Burgess
Chief Executive Officer

Attachment

Cc: The Hon Wayne Swan, Treasurer
The Hon Bill Shorten, Minister for Financial Services and Superannuation

SUPERANNUATION

Retirees face large slug on lump-sum payments

LANAI VASEK
JOE KELLY

OLDER Australians planning their retirement next year could be forced to pay thousands of dollars in tax on superannuation payouts as a result of Labor's \$1.8 billion flood levy.

Payments would apply to retirees between the ages of 55 and 60 who receive their superannuation in a lump sum.

It will also hit those who are on transitional employment and receive part of their superannuation as a pension to supplement their salary.

Revelations of the loophole in Labor's flood levy came as the opposition launched an attack in question time on Julia Gillard, presenting the Prime Minister with the story of a police officer retiring next year who will pay an extra \$6590 in tax on his super lump sum payment of \$698,038 due to the flood levy.

The 57-year-old policeman — who has worked with the NSW police force for more than 30 years and has a wife and two children — wrote to his local member, Russell

Matheson, who represents the marginal western Sydney electorate of Macarthur, on Tuesday to express his anger over Labor's levy.

"Should this additional tax be introduced in the manner currently being reported, I believe I and probably many others like me will be penalised as a result of choosing the wrong year to retire," he said.

In question time yesterday, Ms Gillard said the way the levy was structured was "the right thing to do".

"That is how we structure burdens in our society," she said. "We structure burdens on the basis that people who have the capacity to pay more, should pay more."

Lump-sum superannuation payments for over 60s are not taxed, and a person who was doing a transition to retirement pension, in a way that reduced their taxable income below \$50,000, would not pay any levy.

Opposition Treasury spokesman Joe Hockey said yesterday's disclosure revealed that Labor's claim the flood levy would cost Australians only a cup of coffee a week was "in tatters".