

January 11, 2007

Committee Secretary  
Senate Economics Committee  
Department of the Senate  
PO Box 6100  
Parliament House  
**Canberra 2600**      **email: [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)**

Dear Sir / Madam

***Taxation Laws Amendment (Simplified Superannuation) Bill Package.***

I recently have been made aware of your committee's work in relation the above-captioned proposed legislation, and this letter is to put before the committee a few points for consideration in relation the proposed treatment of DFRDB superannuation recipients under the proposed legislation.

My interest in this matter flows from my being a former infantry officer and a veteran of the Indonesian Confrontation and Vietnam campaigns. After I resigned from the Army in 1975, with a DFRDB pension, I became a public accountant and registered tax agent and have practised in those areas for thirty and twenty-three years respectively.

My attention was directed to this matter by an item in the January 2007 DFRDB *Pension Update # 9*, which advises, *inter alia*, that DFRDB superannuation benefits are to be excluded from the tax-free status being accorded to all private superannuation beneficiaries, because the "...DFRB and DFRDB Schemes are unfunded superannuation schemes as their funds are drawn from an unfunded source ( Consolidated Revenue)." We are to be "...eligible for a 10% taxation offset..." in lieu, the item advises.

The preceding claim is patently untrue, because I, and all other members of DFRDB members, paid a set percentage of their salary as personal contributions, so at least the DFRDB is a partially-funded scheme. This is acknowledged in a letter dated July 14, 2006 from the Treasurer, Hon Peter Costello, to Hon Phillip Ruddock, who had written on behalf of a veteran constituent, and which has been circulated, quite widely, in the veteran community.

The government pays superannuation benefits to all eligible DFRDB members from Consolidated Revenue, where our contributions were lodged, fortnightly, during our service. In The Treasurer's letter cited above, he states that "[b]enefits paid from an untaxed source [Consolidated Revenue] would still be taxed under the Government's plan. To remove the tax on these benefits would mean that members of these funds would pay no tax on this part of their superannuation. This would be an unfair advantage to members who have not paid contributions or earnings tax that 90 per cent of Australians have paid on their benefits."

As I understand it from my involvement in the field, taxation on contributions to and investment earnings of superannuation funds did not start until 1988. Consequently, any advantage to pre-1988 DFRDB members, such as me, as foreshadowed by the Treasurer, in his letter cited above, is imaginary. We were, in fact, disadvantaged by the compulsion to

join DFRB then DFRDB when we could have been in private superannuation schemes, which were earning strong returns on funds invested, while our contributions were applied for the benefit of the wider community, interest free, through ongoing government programmes.

I have considerable respect for the Treasurer, as a practitioner in the accounting and tax areas, for the improvements made to superannuation in general in recent years and the present changes are further excellent improvements. However, in the case of DFRDB beneficiaries, such as me, it seems that he may have been inadequately advised.

Further, it might be put, that if there were any advantage to DFRDB members then this surely would be some measure of compensation to members for the interest-free use of their money for 20 to 40 years depending on their length of service. In my case 23 years.

I wish the committee every success in addressing the complex matters to be considered, and thank you for receiving this submission.

With best wishes,

Yours faithfully,

**R Michael Gill** BCom, BA, MPA, MLitSt, psc, JP(Cdec)

**Copy:-**

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