Summary of Zoom meeting held 16 March 2022

Taxation of CSS, PSS, Super SA and TASS superannuation pensions

These all have in common that at least the employer-funded component of the pension is taxed in the hands of the recipient as normal income with a 10% tax offset that can be used to reduce tax payable. The norm is for superannuation income streams to be tax-free after age 60.

The possible changes that have been suggested in connection with this are

1. The pensions should be tax free after 60 like other superannuation income streams without any reduction in the pension's gross amount
2. Only the fraction of the pension equal to the recipient's fraction of service completed before 1 July 1988 to be made tax free without any reduction in the pension's gross amount. The balance of the pension would be taxed as it is now.
3. People to be given the option of continuing with the existing pension or switching to a pension that is tax-free but has been reduced in its gross amount in proportion to the amount of service completed after 30 June 1988. This appears to be what has happened with NSW and Victorian pensions.

Of these possibilities, 2. appealed to all participants.

Taxation of non-superannuation income

The possibilities considered here were

1. Age pension income to be declared non-taxable, other income currently taxable to remain so.
2. All non-superannuation income to be taxed separately.

Possibility 2. was favored here.

In discussing this matter there was reference made to the possibility that the cost to tax revenue of the superannuation system could grow to such an extent that it forces a major restructuring of both the tax and age pension systems. Further discussion of this was considered to be beyond the scope of the advisory group.

It remains up to the different organisations representing the interests of people in receipt of defined benefit pensions to decide their own preferences and priorities. However, the views exchanged at the meeting show promise as far as future submissions being more in tune with each other than was the case recently as far as the two matters listed above are concerned.

Now consideration was given to what matters would be discussed at the next advisory group meeting. It was agreed that these would be

1. Lifting of the 10% cap on the tax-free amount for defined benefit pensions
2. Age-based factors for the valuation of defined benefit pensions for the transfer balance cap
3. Lifting of restrictions on making superannuation contributions after age 75.
4. Risks facing defined benefit pension recipients as economic recovery gets underway.

Ray Hickman, Convenor