Association of Independent Retirees (A.I.R.) Limited
ACN 102 164 385

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MEDIA RELEASE

Retirees reject further attacks on hard won tax concessions

The Association of Independent Retirees (A.I.R.) rejects calls by the Grattan Institute on the Government to cut tax concessions for senior Australians.

In its report, the Grattan Institute proposes that seniors should pay the same tax rates as younger workers on the same income. This would be achieved by eliminating the higher Medicare Levy income threshold and higher private health insurance rebates available to older Australians and restricting the Seniors and Pensioners Tax Offset (SAPTO) to full Age Pension recipients only.

It is claimed that these changes to SAPTO and the Medicare levy income threshold would increase tax revenue by about $700 million a year, while reducing the private health insurance rebate for seniors to the same as younger Australians would gain about $250 million a year.

This attack on the incomes of retirees comes in the wake of the reduced asset thresholds that will remove or reduce the government age pensions for 300,000 partly self-funded retirees from 1 January 2017 and the significant reduction of superannuation tax concessions from 1 July 2017.

Like the higher pension asset thresholds and superannuation tax concessions introduced by the Howard Government, it is argued that SAPTO, higher Medicare levy income thresholds and private health insurance rebates are no longer affordable. Of course, this ignores the fact that tax offsets encourage people to save for their retirement thereby reducing the rapidly growing Government Age Pension budget expenditure.

Apparently, age-based tax concessions are not considered good public policy, but age-based pension payments are the cornerstone of our retirement incomes policy. If we are serious about removing age-based tax concessions then we should not discriminate against self-funded retirees and abolish SAPTO completely. All senior Australians would then pay the same tax rates as younger Australians with this simpler policy yielding an additional $250 million per year.

While aligning the tax rates of senior and younger Australians seems equitable on the surface, income in retirement and while working is very different. Income for fully or partly self-funded retirees is based on returns from capital invested. Investment returns have reduced significantly in recent years and capital has been drawdown faster to make up the difference. With reduced income comes reduced income tax.

In retirement, investment capital cannot be replenished and when investment assets are sold to fund retirement income, capital gains tax is payable.

For younger workers, income is based on personal exertion, generally increases over time and is not dependent on investment markets. In addition, a range variety of work related tax deductions are available to younger workers that are not available to retirees.

Rather than taking a piecemeal approach to increasing tax revenue from retirees, A.I.R. recommends the Government adopts a holistic approach to Budget repair by completing the tax green paper process that should address GST on all on-line purchases, the cash economy, income tax deductions and the use of international tax havens.

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The Association of Independent Retirees (A.I.R.) Ltd is a member-driven national, not for profit, non-political organisation which works to advance and protect the interests and independent lifestyle of Australians in retirement. A.I.R. seeks to secure recognition and equity for Australians who, through their diligence and careful management, fully or partly self-fund their own retirement needs.

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