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18 March 2008

The Hon Jenny Macklin
Minister for Families, Housing, Community Services and Indigenous Affairs
Parliament House
CANBERRA ACT 2600

Dear Minister

RECOGNITION FOR AGE PENSION PURPOSES OF UNDEDUCTED PURCHASE PRICE OF FOREIGN PENSIONS

We are each recipients of foreign pensions from the UK and France, as well as Commonwealth age pensions. The whole amount of those foreign pensions is treated as income for purposes of determining the age pension. This contrasts with treatment of the pension that we receive from our Australian superannuation fund, where there is recognition of its undeducted purchase price.

The position adopted for age pension purposes also differs from that applicable to determination of taxable income, where the latter is reduced to the extent of any undeducted purchase price related to foreign pensions. We have recently obtained private rulings from the Australian Taxation Office which have quantified in our case the allowable tax deductions. The outcome is significant in monetary terms, as we judge it would also be for age pension purposes if the principle were accepted of recognising undeducted purchase price related to foreign pensions.

Our contention is that it is neither reasonable nor equitable to differentiate in determining age pension entitlements between the treatment of domestic and foreign superannuation pensions nor that it is reasonable or equitable for different policies to apply to taxation treatment and age pension determination of foreign pension income. Accordingly we request that this issue be considered and specifically that future calculation of the age pension allow for any undeducted purchase price of foreign pensions recognised for income tax assessment. It is to be noted that a rigorous standard of documentary proof applies to the process for obtaining private rulings in this regard.

We are copying this letter to COTA Over 50s, of which we are members, so that it may consider making a general representation on behalf of other recipients of foreign pensions.

Your considered response will be appreciated.

Yours sincerely

P E M Standish

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