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Submission – RE: Proposed tax free status for joint life annuities purchased with superannuation monies

The plan to simplify and streamline superannuation does not appear to include **lifetime annuities purchased with ordinary monies**.

Recommendation:

Existing lifetime annuities purchased with ordinary monies be treated the same as annuities purchased with Eligible Termination Payments.

Example.

Joe retires in 1991 with \$100,000 ETP. On the advice of his financial specialist, he purchases a \$50,000 lifetime annuity for himself. With the remaining \$50,000 he purchases a lifetime annuity for his spouse after paying lump sum tax. His spouse passes away some time later. Joe is the reversionary annuitant. However, this money is now treated as ordinary money and Joe pays tax on the amount he earns from this annuity.

If Joe had invested his spouse's \$50,000 in his own name, the remaining funds would still be regarded as part of his ETP and, under the new proposed rules, Joe would be entitled to receive amounts from the annuity tax free.

Joe is being penalised for providing for his spouse. This recommendation would see the small number of existing funds holders in this category treated the same as others and rewarded rather than being punished for their provision for future needs.

It would seem only fair and equitable to give these annuities tax free status, especially so if the purchase money only became ordinary money after lump sum tax was paid on an eligible termination payment by a retiree, to purchase the annuity for a spouse who had no superannuation.

Yours sincerely,



W L Vernon.

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