



# DEFENCE FORCE WELFARE ASSOCIATION NATIONAL OFFICE

*A member of the Alliance of Defence Service Organisations*

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## **MEDIA STATEMENT**

### **TAXATION OF MILITARY SUPER INVALIDITY BENEFITS**

Veterans who are medically discharged from the Australian Defence Force may receive Invalidation Benefits from their super scheme depending on extent of disability. For over 50 years, the Invalidation Benefit regimes have been designed to provide the same level of benefits to veterans and families for similar service and injury, regardless of the super scheme.

However, Veteran Invalidation Benefits are not all taxed the same way.

All Veteran Invalidation Benefits are reviewable and can be cancelled at any time up to the age of 55. The way the Invalidation Benefits are taxed should reflect that. The Federal Court, in the *Douglas Case*, confirmed this; however, the Government only applied the Court's decision to the Invalidation Benefits of older super schemes where payment started on/after 20 September 2007.

Other veteran Invalidation Benefits continue to be taxed as though they are permanent benefits.

For example, the tax paid on the same Invalidation Benefits of \$47,781 are:

- Older super scheme payments starting on/after 20 September 2007: \$0 tax
- Older super scheme payments starting before 20 September 2007: \$5,885 tax
- ADF Cover, introduced 1 July 2016 – all new and future enlistees: \$5,996 tax

The Royal Commission into Defence and Veteran Suicide recommended as urgent to harmonise veteran entitlements, and recognised that veterans medically discharged were most at risk. This unequal taxation goes against the intent of the Royal Commission, and of the original design.

It discriminates against Australia's newest and youngest ADF members at a time when attracting and retaining ADF Members is a priority for the Defence strategy.

No government would start out to design legislation that produces this inequitable outcome.

The legislation *Schedule 9 of the Treasury Laws Amendment (2022 No 4) Bill* addresses some issues but does not fix this problem – it entrenches unequal and unfair taxation treatment of injured veterans who receive the same Invalidation Benefits. In their haste, the Senate Economics Committee report totally ignored the veteran community submissions and evidence on this.

Schedule 9 - Taxation of military super benefits, must be withdrawn, given the consideration it deserves, and fixed to ensure all veteran super Invalidation Benefits receive the same tax treatment provided by the *Douglas Case*, regardless of which scheme or when payments commenced.

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