

# Fury over tax on staggered compo

**Katherine Towers**

Doctors, lawyers, insurers and seriously injured accident victims attacked the Federal Government yesterday for failing to deliver promised tax breaks for structured compensation settlements, warning that the decision could mean higher premiums and an increased burden to the taxpayer.

Members of high-profile lobby organisation the Structured Settlement Group, who include the unlikely alliance of doctors, lawyers, and insurers, said they had been given a strong indication by the Federal Government that the Budget would ease the tax rules penalising people who accepted periodic payments as part of a compensation arrangement.

As structured settlement payments are taxed as income, and lump sums are not, most seriously injured people take the lump sum.

The group had anticipated that the Government would amend the tax laws to exempt periodic payments from income tax.

SSG's manager, Ms Jane Ferguson, said that after 18 months of intense lobbying, the group was "extremely disappointed" that its proposal had been rejected for no apparent reason.

"Removing the tax disincentive to periodic payments not only helps accident victims, but also ensures that the taxpayers don't have to carry the burden of providing welfare when lump-sum compensation runs out," she said.

"Not only will all Australians have to pay higher premiums, but their taxes will



**Ms Judie Stephens with her orphaned grandson Jackson and his guide dog Samantha.**

Photo: MICHEL BUNN

continue to be used to support accident victims who have already used their compensation that was intended to last for their lifetime."

Despite a spokesman for the assistant Treasurer, Mr Rod Kemp, telling *The Australian Financial Review* yesterday that the Government would continue to consider the issue, the senior tax adviser to the minister, Ms Julianne Jaques, refused to guarantee to the SSG that the Federal Government would act on the matter.

Ms Judie Stephens, grandmother of six-year-old quadriplegic Jackson Stubbs, has been asking the Government to introduce tax breaks for structured settlements since Jackson, who is blind and brain damaged, became orphaned in a car accident at three months old.

Ms Stephens said she was "devastated" and had delayed settling Jackson's compensation matter because she was waiting for the introduction of tax breaks for structured settlements.

"I'm absolutely furious that the Government has dared to deny seriously injured people like Jackson the opportunity for proper financial management," she said.

"What do they think, that people get catastrophically injured just for the money?"

The president of the Law Council of Australia, Dr Gordon Hughes, said lawyers would continue to encourage accident victims to accept lump-sum payouts, while Dr Bruce Barraclough, president of the Royal Australasian College of Surgeons, said the failure by the Government to

clarify the situation meant more accident victims would fall back onto social security when their lump sums ran out.

General manager of the Motor Accident Authority of NSW and chairman of SSG, Mr David Bowen, said it was "horrendous" when catastrophically injured people used their lump-sum settlements and were forced back onto welfare.

"I'm extremely disappointed with the Federal Government, but mostly I'm perplexed," he said.

NRMA Insurance spokesman Mr Mark Lever said lump-sum payments should be spent on the care of the victim, but often were not.

"It's heartbreaking when it's finally resolved, the victims are given a cheque and then the money is squandered," he said.

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