

Responses to the Member Update email of 19th March, seeking opinions on the Labor Party plan to withhold refunds of franking credits

The following emails were received from AIA members:

Sent: Tuesday, 27 March 2018 2:52 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Labor franking credit proposal
Member number 987860
I disagree with the Labour credit proposal.
It would cost us approximately \$20,000 per year

MR

Sent: Monday, 26 March 2018 3:32 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Cc: Craig Laundry <Craig.Laundry.MP@aph.gov.au>
Subject: Labor changes to franking credits

I am strongly against the proposed changes to the franking credits program introduced by the Hawk government under then Treasurer Paul Keating. My reasons are as follows:

1. First and foremost governments must stop making changes to superannuation. It was bad enough that the Liberal government has introduced a cap of \$1.6million on the amount an individual can hold in the pension phase of their superannuation plan (although this did have some substance to stop the super rich from using the scheme), for Labor to now play the "rich" card for anyone who actually has \$1.6million in Super is simply ludicrous, who gives any government the right to determine what amount of money is deemed to earn the tag of being rich? However the most telling issue in this is that for those of us who have for the past 20 or more years planned our superannuation on the belief that the rules as stated would remain to now have the planning rug pulled from under us is simply theft by another name. If governments feel that they should change the rules then the new rules should only include those people in the future and exempt all those who have been following the rules.
2. The Labor opposition seems to have conveniently forgotten that all supernatants now have a \$1.6million cap on super, so it is ludicrous to be telling us that the so called "rich" are using super to make themselves even more well off as if we were all living the high life on this amount of money. If a person is aged over 70 with \$1.6 million in Super earning 3% interest (if they can get it) the capacity to live the high life is a joke. The only way that we can earn say 5-6% on our money is to take the risk of placing it in the share market or on corporate bonds and then only if we can use the franking credits on shares currently available to us.
3. The whole purpose of the Keating plan and the Fitzgerald report that was commissioned to look into better ways of getting people to save for retirement and to take the unsustainable burden from the public pension, was to offer incentives to do so, compulsory superannuation coupled with compensating for double taxing shareholders was a way to do this. To unwind this at this point in a persons life who no longer has the capacity to earn income from personal toil would be a travesty.
4. The numbers quoted by Labor for savings under their scheme needs to be carefully reviewed as it is very doubtful that this level of savings will be achieved as companies who pay 30% tax to get 100% franking credits will find other ways of compensating shareholders and pay less taxes.
5. This is a very flawed policy and a cynical way of once again using the "they are rich and lets get them" card to earn votes, more likely at the expense of the overall economic health of not only retirees but the nation.

DM

Sent: Sunday, 25 March 2018 3:23 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Re: The Labor proposal regarding Franking Credits

Hi

So my thoughts on Labor's plan to keep excess franking credits.

I do not agree. I feel it is robbery. Possibly Labor consider themselves to be Robin Hood.

In my understanding Labor does not want to refund any tax credit. In our case I would believe this to be \$9,100 refund to our SMSF plus \$3,000 refund to our personal accounts.

A total of over \$12,000 on our combined pension and dividend/interest income of approximately \$75,000 per annum.

If we desire to maintain our standard of living, that means we draw out over \$12,000 extra running down our savings sooner and become reliant on the Age pension earlier.

RR

ps. what next? Stop tax refunds altogether?

Sent: Saturday, 24 March 2018 3:30 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Labors Tax Proposal

Dear AIA

I very strongly disagree with the Labor proposal and very strongly agree with the Kalkman paper, that Labor's proposal needs to be stopped

thanks

RT, AIA Member

Sent: Wednesday, 21 March 2018 2:30 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Re: The Labor proposal regarding Franking Credits

AIA

I agree, wholeheartedly, with the view expressed by Jon Kalkman

This new Labor policy has all the hallmarks of previous Labor tax solutions eg Mining Tax. It is difficult to know whether this is a cynical exercise where they believe that any opposition will find the subject too complex to mount a strong defence argument or a simplistic, poorly thought-out solution to their future budgetary problems. It appears that they have no understanding of Superannuation, tax, retirement policy & consequences for future pension outlays. This proposal is full of unintended consequences.

Malcolm Turnbull, Morrison & the other lacklustre members of the government have not shown any ability or inclination to formulate a heavy & sustained attack on Labor's policies that will have a major impacts on the economy. The major problem for Australian citizens is that Liberal & Labor find that uncontrolled spending is a far easier life for politicians. Controlling spending and saying NO is inconsistent with them be reelected in the short term. Long term planning for Australia's future is beyond their imagination.

It is up to ordinary citizens, investors and that all organisations, impacted by these proposals, to wage a continuous campaign, to the next election, highlighting the impact of these simplistic measures on the long term plans of older Australians. Retirees and soon to be retired have followed government & opposition encouragement, for the last twenty years, to provide for their own retirement. They are now being penalised by these vandals.

I found a much more detailed report on the opposition proposals at: <https://www.livewiremarkets.com/wires/robbing-granny-in-the-name-of-paul>

Regards
BC

Sent: Wednesday, 21 March 2018 2:20 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: RE: The Labor proposal regarding Franking Credits

As a SMSF retiree I am very strongly against Labour's policy re franking credits and attach statement re this. It would be good if AIA took up the challenge.

KW

I am very strongly opposed to Mr Shorten and the Labour Party's new policy on no tax refund of franking credits in superannuation funds. It is grossly unfair to single out retirees who have saved for their retirement, often refraining from enjoying the "good life" and are self funded and have not been and are not a burden on the "public purse" to be faced with a substantial loss of their income particularly without past warning so that they could have arranged their finances differently.

I am an 83 year old divorced retiree living happily in a retirement village and owning a SMSF. I have 5 children, 11 grandchildren and another 4 "adopted" grandchildren. I support one of my sons who has a bipolar condition by providing him with a rent free unit and some regular money. I have worked consistently since age 16 years except for periods when my children were young. I have paid income tax to the Australian Government for virtually all of my life. I continued to work full time until I was about 70 years old and part time after this. As a result of hard work and my good health I accumulated money in my SMSF. I am unable to continue any further work and with my genetic background I will probably live another 17 years or so.

The changes proposed affect me significantly as my super assets are largely Australian shares with fully franked dividends as I thought it only proper to invest in Australia industry and my own Country. I am now not in a position to increase my income by working and I believe that I am entitled to a comfortable retirement free of money worries. Apart from the direct impact on my income (I calculate about 20%) there is a flow through effect on the value of my shares as Australians in future will direct their savings into real property not shares for their retirement. This will impact on an already overheated property market, particularly in capital cities like Sydney and Melbourne. I am aware that my present income will reduce with changes in the percentage of Company tax but this will have a much lower effect. Of course if I had had a crystal ball as to Labour's policy in years gone by I would have invested in real estate myself but I really did not have the capital and income to do this after a divorce. Yes, there are some retirees with large sums of monies in and out of super but the vast majority of retirees I know are in a financial position similar to mine or part pensioners, usually women, far worse than I am (through no fault of their own). On the figures quoted by the Liberal Party as to the number of full pensioners and part pensioners effected badly by the new policy the result will be that more people will be applying for full pensions and more part pensioners becoming full pensioners with the resultant additional spending by the Department of Social Security. At the very least the Labour Party should put a reasonable cap for the repayment of imputation credits to avoid this and other anomalies. Today's newspaper, The Australian, has an article which states that cracking down on the "black economy" could conservatively raise an extra revenue slightly less than the estimated amount from removing cash refunds for franking credits to retirees. Shame on Mr Shorten and the Labour Party. I will be asking my friends and extended family to make sure they do not vote labour at the next elections.

Sent: Wednesday, 21 March 2018 12:31 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Do not agree with Labor's proposal

John Kalkman's article is a very good summary of why the Labor Party's proposal re franking credits is so unfair. The fact that franking credits will be treated differently depending on your taxable income is not just. Please advocate against it.

JD

Sent: Wednesday, 21 March 2018 12:18 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Excess franking credits

Hi Graeme,

like most here with a substantial hurt to be caused if this theft goes ahead, I agree action is required.

A more accurate assessment will be possible when last year's tax figures are available, but that may be too long to wait for an effective strategy.

You can bet bandit Bill will ensure affected pensioners are compensated to avoid losing votes, but those between the part pension asset cutoff and \$1.6M are right in the firing line. I suspect most AIA members are in this bracket.

Obviously if it goes through we either change strategy and go for growth, but that's easier said than done, or just put up with a reduced income.

At least then the line can be used 'sorry, can't help out with the grandkids' education any more', which will have the benefit of drawing more supporters appreciating the gravity of the situation and possibly draw votes away from the Labor Party.

best regards
DO

Sent: Wednesday, 21 March 2018 9:37 AM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Labor Franking Credits

Good Morning Graeme

I look at the Dividends as income just the same as rental income or interest from an investment. Considering all the tax concession connected with a super fund and being over 60 I do not have a problem with not getting the franking credits back.

I would rather pay some tax and have services available from the government, if everyone only thinks of themselves and not the community as a whole with the need for a government to have resources to provide services we will be worse off.

Thanks for taking the time to get a variety of opinions.

Thanks
MM

Sent: Tuesday, 20 March 2018 11:28 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Labor Proposal on Franking Credits

I would appreciate any lobbying the AIA can do to stop this proposal.

Labour are often talking about being fair but I think this is anything but fair. It takes the same amount per dollar invested from the very wealthy as it does from someone with a handful of shares. I don't understand how this can be considered fair. I also don't understand how they can have a different tax treatment on dividend income as compared to any other type of income, I think for everything else you add up all your income, calculate the tax amount and you either pay some extra tax or get a refund if you have paid too much. To treat dividends differently is simply a grab for more money.

I have foregone income for many years so I could salary sacrifice as much as possible into super to ensure I was self-sufficient in retirement, and now the goal posts are changing a year out from my retirement. All politicians should be told in the loudest way possible to keep their hands off money which we have invested under the rules that they set down to look after ourselves in retirement. To be told it will only effect the rich is just an insult, it seems in Labour's mind anyone who has made sacrifices to plan for their retirement should be attacked for being wealthy.

Regards,
CW

Sent: Tuesday, 20 March 2018 5:35 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Franking Credits

I'm totally opposed to the idea, I don't believe it will go very far, but all the employees that pay super and have no idea what's in their account (which is most young people) need to be educated that this is hit them as well as all the SMSF.

I believe with the right publicity and lobbying, Shorten move onto some other stupid idea.

If they keep changing super rules why/how can the younger generation trust them.

Thanks
GE

Sent: Tuesday, 20 March 2018 4:40 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Re: The Labor proposal regarding Franking Credits

Thank you for forwarding this.
Jon's article is extremely well thought out and delivered simply and eloquently.
I am outraged by the proposal and am sure many members will support anything the AIA as a group can do to lobby the Government.

Regards,
AV (AIA Member)

Sent: Tuesday, 20 March 2018 4:37 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Franking Credits Theft

I have read the article about the proposed theft of our Franking Credits by Bill Shorten. This is just plain theft. This is overpaid tax that is rightly returned to us and to retain it is just theft. Why don't they use the same argument and retain all tax refunds? Or why not just stop people at random in the street and empty

their wallets? You can use all their arguments that the budget must be balanced and it would only affect a small number of Australians.

Please unleash WW3 on their heads.

Cheers

KM

Sent: Tuesday, 13 March 2018 11:44 AM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Bill Shorten's new policy

Hello .

I have read about Bill Shortens ALP policy on franking credits and low income earners not being able to receive a cash refund of the franking credits.

I would like to know

“What will be the point of buying fully franked dividend shares if you are a on a very low income?”

What do you think

Regards

LC

Sent: Tuesday, 20 March 2018 4:30 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Re: The Labor proposal regarding Franking Credits

I disagree with the Labour proposal.

Regards

KM

Sent: Tuesday, 20 March 2018 4:21 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Labor's Proposed Excess Franking Credits Appropriation

We totally disagree with and totally oppose this politically inspired proposal because it:

- would further increases the government's income to allow even more wasteful spending, instead of reducing the existing spending waste. We have to live within our means and this principle should likewise apply to all government!
- is the ultimate in a bullying attack by a political party / possible future government, particularly targeting those in retirement who are aged and thus deemed to be an ineffective political minority! Also retirees have little recourse available due to age and already structured investments!
- is intended to reduce the growth of and number of SMSF's whose competition is the union / industry based and large (bank owned) superannuation funds who would not lose the franking credits. That situation is totally unfair!
- is the blatant appropriation of double taxation refunds belonging to shareholders.
- is premature as to the effect upon retirees and others. The effect of the very recent superannuation changes has not yet been realised by retirees in terms of income decrease nor by the government in terms of government income increase!
- will further reduce the income of those partially or fully self funding their retirement, particularly when life expectancy is increasing.

- will increase the aged pension numbers in an increasingly overloaded aged pension system. Previously stated and long standing government policy was to reduce the dependency on the aged pension system due to an ageing population!
- will further destroy stability, confidence and long term planning in the superannuation and tax systems through ongoing tinkering and non reform. This proposal would be a third imposition on retirees and superannuation investors!
- will significantly disrupt the sharemarket with regard to investment in franked shares.

Regards
RE & PE

Sent: Tuesday, 20 March 2018 3:33 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Cc: general@nationalseniors.com.au
Subject: Re: The Labor proposal regarding Franking Credits

Thank you for the opportunity for a brief response on this issue. I have read the excellent treatise from Jon Kalkman on the subject. I do not have much to add except to note that people like myself a self funded retiree and part pensioner are treated as *collateral damage* by Bill Shorten and the Labor party. The spokespersons for the Labor party on this issue emphasise the small numbers (according to them) of people affected as though that makes it right. It may be right in political terms in that the number of votes lost are predicted by the Labor party to be minimal but since when have the ethics of a proposed course of action been judged by the number of people affected. I understand that mentioning politics and ethics in the one sentence is something of an oxymoron and in that regard the confected outrage of the conservative government on this issue does not impress me either given that they were the government that reduced the assets test thereby dealing another body blow to self funded retirees and pensioners. The eventual outcome of this issue will be affected by the numbers game on the other side, our side if I may call it that. Self funded retirees are many and growing rapidly. One way to marshal our resources would be for different organisations representing older people to work together for a common objective. For example, I am also a member of National Seniors an organisation whose objectives on this issue would be basically identical. By joining together we may garner sufficient resources to, if not stand our own candidates at the next federal election, at least obtain commitments from independent senators to oppose this proposal so that it will never see the light of day.

RM

Sent: Tuesday, 20 March 2018 2:18 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Labor's change to franking credits

I have read both articles and consider this move by the Opposition very unfair. I do not believe their budget saving figures as recent changes to super now have a \$1.6 million limit on an account with tax free benefits. Any amount over this would incur a 15% tax and the franking credits could be used to off-set the tax payable. People who are wealthy would seek to find other ways of investing capital to save on tax. It is unfair that the policy is targeting low income earners who are trying to stay out of the Government system and remain independent. Pensioners and part Pensioners are specifically targeted and would lose that "extra" income which may have been spent on discretionary products and keeping the economy flowing. Small balanced SMSFs also are targeted.

Mr Shorten's comment he will not let the pensioner suffer is absurd and how can he compensate fairly with cash payments. He will find that more people will go on a full pension and how does this save the Government money. I would have thought putting a cap on the amount of franking credits in cash would have been more logical.

My husband and I are self funded retirees with a SMSF of under one million dollars. We do not consider ourselves rich but we are proud that we are able to support ourselves and not rely on Government benefits. And yes I am angry that Mr Shorten is dividing Australia into two categories the rich and the

poor. He pays little attention to those Australians who are in the middle and have worked hard and saved for many years to make their retirement self-funded.

Regards
MT

Sent: Tuesday, 20 March 2018 1:05 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Proposed Franking Credit Changes

NO way should this be allowed by either party!!!!!!!!!!!!!!!

As a Self-Funded retired couple we are fully disenchanted by both political parties – Labour in particular.

About 6 years before we retired, when I was 63 years old, we realised that the pension would not sustain our moderate lifestyle and that we had to save and invest to secure some additional income to fund our retirement. As Liberal voters and a couple who have worked our entire lives, we also thought at the time that we should not be a burden on this GREAT country of ours and should try to self-fund our retirement. As a consequence, we saved like blazes, invested what we could afford and indeed did retire as Self-Funded retirees. Between our superannuation and investments, we managed to accumulate approximately \$860,000 and started our own SMSF. With the addition of a small part pension, when I turned 65, this gave us an income (with Franking Credits) of approximately \$70,000 and our annual expenses were approximately \$68,000. So, after busting various parts of our body for most of our lives and in particular the last 6 years of our working life, we almost accomplished what we set out to do – mainly self-fund our retirement and not be much of a burden on our government.

Then in 2016, our marvellous Liberal government, who we had supported all our voting lives, changed the rules and reduced the asset limit for pension qualification. Gone was our small pension payment of approximately \$6,000 per year. Never mind, we managed to swallow that, get over our anger, adjust our lifestyle a little and began to live with the change in full belief that NO government would mess with the rules again. Very naive we know, but after all, we were Self-Funded retirees and now NOT a burden on our government. Surely any future Labour government would not mess with the modest assets we had worked for??? Wrong again!!!!

Now Mr Shorten and his Labour Party “cannot see the forest for the trees” and plan to make a ‘Tax Grab’ on Franking Credits. Unfortunately, I suspect a large portion of the people who vote Labour and have little knowledge of how this change will affect their superannuation savings and consequently their retirement, think this is a good idea and will only catch the super-rich. As most of our assets are invested in Fully Franked Shares, we have calculated that this change will impact our income by approximately \$16,000 per year. The end result, as our expenses have gone up a little since we retired in 2012 is, Income approximately \$56,000 - Expenses approximately \$71,000. Obviously, we are VERY OPPOSED to these changes and would like our association to take some VERY STRONG action.

Our Plan, should the changes take effect:-

- We give up, obviously working hard all your life and trying to fund your own retirement does not pay dividends.
- NEVER support Labour and do all we can to discourage everyone we know to do the same.
- Forget about funding our own retirement and spend enough of our savings on overseas trips etc. to come under the Asset Limit so we can receive a generous pension from the government to replace the \$16,000 they have taken from us.

Thanks for letting us have our say.

PL & GL

Sent: Tuesday, 20 March 2018 11:29 AM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Franking credit proposal by Shorten

Hi Graeme,

Thank you for providing members of AIA the opportunity of commenting on the Franking Credit proposal by Shorten. I thought the article by Jon Kalkman was very good especially the case A and case B examples he gave. I do agree with Jon regarding the fairness of the current rules on how franking credits should be treated however I believe the real issue is not franking credits but rather the tax advantage of having investment in a super fund. My view is that the current tax treatment of super funds in retirement phase is overly generous. As a retiree I believe I should pay some tax on my investment income in my SMSF but at a lower level than someone with their investment outside of super ie there should be some incentive for people to establish a super fund aimed at providing for their own retirement rather than seeking the aged pension. The Henry review recommended an examination of the whole superannuation system rather than the current piecemeal tinkering. The \$1.6m cap does target the more wealthy SMSF members but the tax on funds above the cap is still only 15%. On average we are all living longer which costs the country heaps so retirees should be helping to pay some of these costs.

Best wishes,

MN (aged 81 and with a SMSF)

Sent: Tuesday, 20 March 2018 10:44 AM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Labor policy on franking credits

I read with interest the article by Jon Kalkman regarding the Labor Party's plan to no longer allow franking credits as a cash refund to people who are in a low tax environment including SMSFs.

My husband and I have saved hard all our lives and made sacrifices to provide an income for ourselves and to live independently from the aged pension so that we are not a burden to the taxpayer. We have paid taxes on our contributions into our Super Fund and we have also paid 15% tax on the earnings of the fund as well as 10% Capital Gains Tax on any profit from share sales in our Super Fund.

Why should we be discriminated against and not be entitled to a legitimate tax refund that others are entitled to?

This policy will reduce our income in our Super Fund by at least 20% which will have a big impact on the income of our Super Fund and what we can draw down as a pension

We are becoming sick of all the rules changes to Superannuation which are making it impossible for the younger generation to make decisions about the financial security of their Super in the long term. We have 2 sons in their late 30s and they have become cynical about saving in Super for their retirement and it is becoming more difficult to convince them that having Superannuation is a worthwhile savings strategy for retirement. Therefore, the decision by the Labor Party to not allow people in Super to get a legitimate tax refund is extremely short sighted as it will have big implications for the cost of the aged pension in years to come. If all the incentives for saving and paying pensions in a SMSF environment are removed and the stability of the Super environment becomes insecure then people will not simply not use it.

Also, I am offended and incensed by Bill Shorten's and the Labor Party's constant references to self-funded retirees as "wealthy" and the determination to create some type of class warfare in Australia. I thought we had all moved on from that destructive rhetoric.

Regards

RB & KB

Sent: Tuesday, 20 March 2018 9:17 AM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Labor fiddling with Super

This is not an issue of whether imputation credit cash backs are a good thing or a bad thing. Pensioners (Government funded, self funded,) plan their retirement based on the rules of the day. If the rules keep changing there is no were for them to go. Government of both persuasions continue to fiddle and we are losing faith.

BB

Sent: Tuesday, 20 March 2018 8:26 AM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Disagree with Labor

Thank you for your article Graeme Bottrill, I, and my wife, are directors of our own SMSF. I have paid tax all my life and still work. I completely disagree with the labour "money Grab"policy. You are also no doubt aware that both Mt Turnbull and Mr Shorten DO have offshore fundsand so it won't affect them at all. How dare they try and triple tax us for saving the government money and working hard to fund our own retirement. Hands off Labour !!

SK

Sent: Tuesday, 20 March 2018 7:33 AM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Labour Proposal on Franking Credits

Good morning,

Having seen some of the discussions around the Labour proposal it is obvious that the general public/ financial illiterates have no real idea what this proposal really means.

I saw a little of Q&A last night before turning off as the conversation was pretty pointless. There was a "millennial" on the panel, a lady associated with BuzzFeed – who obviously had no idea but was picking up the inequity story. This I think is possibly the hub of the matter.

To my thinking it is inequitable for someone who is in a taxable position to take advantage of franking credits whilst those who have a low taxable income under the Labour proposal miss out.

As to SMSFs/super being tax free for retirement incomes after age 60 – well this is a separate question.

For equity purposes, what would the impact be to allow franking credits be applied/ refunded as today, but possibly have a cap in place. A cap would then really target high wealth individuals [I will not turn my mind as to the implications for such a targeting].

Looking at caps in place today, a SMSF TBAR of \$1.6mill fully invested in Australian equity shares earning an average dividend of 4% would generate \$64,000 in dividends and potentially \$27,428 in franking credits. From my understanding the \$1.6mill has been more or less accepted as the benchmark in the political debate.

So what would an appropriate cap be – well I would say \$27K, but that is open to argument. However I believe a cap of some level would be the equitable way to implement.

The debate however is becoming a debate of envy and jealousy of "favourable" times. But who knows what is in front of us.

Hopefully advocacy can result in an equitable positioning of the debate.

Regards
DW

Sent: Monday, 19 March 2018 11:14 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Labor's plan to cancel refunds of imputation credits

The purpose, indeed the sole purpose, if I remember correctly, of a superannuation fund, is to provide an income in retirement. A complying fund benefits from a range of tax concessions, which concessions are presumably intended to help a fund provide a better, or reasonable, or comfortable, retirement, but not a luxurious one, as they are funded by tax foregone from the public purse. Like so many other aspects of taxation, there should be caps or limits in place, or there should be a progressive scale. If \$1.6 million has been set as the amount that can be transferred into a tax-free pension account, we might take that as the cap of a "very comfortable" pension account, in which cash refunds of excess franking credits would be allowed. A less generous position might say that a 'balanced' fund might hypothetically have up to 50% in equities, most commonly fully franked 'income' stocks, attracting about 2% in franking credits, thus providing up to \$16,000 in franking credits. In this example the assumed dividend income would be about \$50,000, and if the other \$800,000 of the fund was invested in low income/low risk investments yielding 3.5% or \$28,000, the total income would then be \$94,000, tax free for each member of a SMSF, which I believe most voters would consider a very reasonable pension, and an amount above which no further tax concessions should apply. A cap such as this would allow the majority of SMSFs to preserve this 'benefit', as well as most or all full pension or part pension recipients. Refunds of imputation credits must be allowed to continue, but only up to a reasonable limit. I would like the political debate to move on to a discussion of what is the reasonable limit.

SR

Sent: Monday, 19 March 2018 9:51 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Labor party new tax proposal

I strongly disagree with the Labor Party new tax proposal. I was a classroom teacher who thought salary sacrificing for 23 years would enable me to have a self-sufficient lifestyle when I retired. Franking credits play a big part in this. It annoys me that the rules are forever being changed. My goal was that I would not need to go on the pension. This change makes no sense to me. I hope AIA will consider taking action on this unfair proposal.

Yours sincerely,
MG

Sent: Monday, 19 March 2018 9:48 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Re: The Labor proposal regarding Franking Credits

Dear President,
We disagree strongly with the labor proposal.
If it comes to pass ,this will be the second occasion this ad hoc taxing of Superannuation participants,(be they in accumulation mode via current super saver employees or retirees attempting to manage and maximise their pension duration),will be targeted by both sides of the House, as a means of offsetting thier budget costs.
The conventional wisdom is that we, as a group,are unlikely to offer sufficient resistance to result in any signifanct voting backlash-especially the SMSF bloc.

It would appear that the common maxim of “save for tomorrow today” adopted by baby boomers, and earlier, no longer applies.

If AIA does not believe that this issue is one that is not part of their charter, I fail to see any point in AIA sponsoring presentations and work shops on long term investment.

Why bother, if successive Governments continue to plunder the savings efforts, (already tax paid), of superannuants.

Please AIA...stand up and be counted. There is a principle at stake here.

TB

Sent: Monday, 19 March 2018 9:39 PM

To: Chris Kesting <Chris.Kesting@investors.asn.au>

Subject: Re: The Labor proposal regarding Franking Credits

Response to Proposed Change in Franking Credits.

My wife and I are both retired and have just enough in assets to not qualify for the aged pension.

At the suggestion of our accountant we recently withdrew lump sums from super to top up individual shareholdings so as to maximise the return of franking credits to supplement the pension paid by our SMSF.

We have both worked and paid taxes all our lives to find ourselves not entitled to any aged pension which is bad enough, but to propose such a major change to a system designed to help people provide for their own retirement is manifestly unfair.

I have even talked to my wife about leaving Australia to move to a country that would offer a vastly more cost effective lifestyle for retirees although that is not being seriously considered as yet. Our politicians seem increasingly incapable of making rational economic decisions and seem only intent on keeping themselves in office. Labour have always had my support, but no longer can I vote for that party.

Yours Sincerely
GH

Sent: Monday, 19 March 2018 9:17 PM

To: Chris Kesting <Chris.Kesting@investors.asn.au>

Subject: FW: The Labor proposal regarding Franking Credits

Dear Graeme,

Many thanks for the AIA article on Labour's Plan to keep excess franking credits.

In context, I am working, have shares and will retire within the next 5 years. While this change will not affect me because I am working, it will reduce my income through taxing my passive income more.

I naturally oppose to this for the following fundamental reasons:

1. Changes in taxing investments structures has to stop as it depletes the confidence in investors
2. Changes in taxing investments if implemented should not take effect for 1 generation i.e. 25 years at best or 10 years at worst to allow
 - a. Investors to restructure their portfolio (whether in good or bad times)
 - b. Discourages Governments from making tax changes and having the taxpayer just 'suck it up'

3. The Government continues to worry about the baby boomers retiring and their increase pension liability, however they continue to implement policy which depletes the worker with saving for their retirement and becoming a self-funded retiree. Examples are:
- a. This proposed tax
 - b. Reduction in the Superannuation additional contributions limit
 - c. Taxing superannuation for withdrawal before the age of 60
 - d. Proposed increase in GST
 - e. GST implementation by the Federal Government, and the States retaining their State Taxes which was to be abolished i.e. payroll tax, land tax,

Regards,
AT

Sent: Monday, 19 March 2018 8:53 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: The Labor proposal regarding Franking Credits
Importance: High

Hi,

Totally disagree with the abhorrent proposal from Labour. Work all your life; and already Liberals have lowered the Pension Assets limits. Never expected to get a Pension, but now this.

I hope the AIA are vocal on this matter.

Cheers
GS

Sent: Monday, 19 March 2018 8:10 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Dividend imputation

Strongly oppose the Shorten plan. I see it as a cynical grab for the savings of middle class retirees, in the belief that the majority of voters won't understand what is happening. Also won't affect the very rich adversely. I would like the AIA to oppose this vigorously.

NB

Sent: Monday, 19 March 2018 8:07 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: RE: The Labor proposal regarding Franking Credits

Dear Graeme,

I am very pleased to see AIA taking an interest in this issue.

It will be a major concern to most older and retired Australians.

The AIA should definitely take a position on behalf of its members (and all older Australians) and lobby hard for us.

When this cash refund for excess franking credits was discussed in Federal Parliament 17 Feb 2000 the Labor shadow treasurer Simon Crean said

"We have no difficulty in supporting the proposal because it is our policy. It builds on the major reforms accomplished by Labor almost 15 years ago(the introduction of dividend imputation) and it improves the current taxation situation faced by low-income investors, especially retired Australians."

Everyone should be aware of this Original Labor position and current Labor/Bill Shorten should not try to change it.

I think Jon Kolkman's article is excellent especially para 1-4 where he explains dividend imputation.

Brian Spier's article is OK don't like his categories high& low net worth individuals and he doesn't explain that most shareholders have paid 30% tax to the ATO on Dividends prior to receiving them. If this tax paid is not used to pay tax it should be refunded as is the case with PAYE.

I wish you good success

BC

Sent: Monday, 19 March 2018 7:08 PM

To: Chris Kesting <Chris.Kesting@investors.asn.au>

Subject: Re: The Labor proposal regarding Franking Credits

I am not in favour of it!!!

CP & JP

Sent: Monday, 19 March 2018 7:07 PM

To: Chris Kesting <Chris.Kesting@investors.asn.au>

Subject: Labor plan to keep dividend credits

Thanks for the article which I agree with.

I strongly disagree with Labor's proposed plan and believe it is unfair and a cynical move to tax those who have saved and invested for their retirement.

In our case (my wife and myself both retired) it would reduce income from our limited super and small share portfolio.

GE

AIA member

Sent: Monday, 19 March 2018 6:52 PM

To: Chris Kesting <Chris.Kesting@investors.asn.au>

Subject: RE: The Labor proposal regarding Franking Credits

Dear Mr Bottrill,

Thanks for your email. Attached is a copy of my reply to Mr Shorten the day the policy was announced.

As a result of that email I was contacted by a journo from The Australian – the ensuing article can be found at <https://www.theaustralian.com.au/national-affairs/the-real-impact-of-labors-tax-hit-on-pensioners/news-story/06a9ed042f6e5d66bd2f85555af9ba17>

The key policy issue from my perspective is this - if the Opposition (or Government) doesn't like imputation then address that as a policy issue, but don't simply cherry pick a group of investors just because they've arranged their affairs in a particular way.

Needless to say I have received no response from Mr Shorten's office.

Regards, PC

Sent: Monday, 19 March 2018 6:40 PM

To: Chris Kesting <Chris.Kesting@investors.asn.au>

Subject: RE: The Labor proposal regarding Franking Credits

I strongly disagree with Labour's proposal regarding Franking Credits.

To me, it looks like 'rob from the poor to pay the rich'.

That is, while govt lowers company tax, large portions of the profits of which are paid in director's pay deals, Australian shareholders get to fund the scam partly by loss of franking credits.

It looks a clever plan as the scope of issues involved will not be explained by the media when it comes to sell the arrangement to voters.

Kind regards, P

Sent: Monday, 19 March 2018 6:18 PM

To: Chris Kesting <Chris.Kesting@investors.asn.au>

Subject: Labor Proposal - Member Feedback

This proposed policy change, whose known details appear discriminatory and proportionally disadvantage those taxpayers least able to manage this decrease in their (and the country's) standard of living, and will unavoidably add pressure to the public purse for the total costs of the Australian citizens pension income, should be resisted with as much effort as the AIA can muster.

My comments:

- The tenth paragraph of the Kalkman article is not widely observed or its equity ramifications widely understood.
- The typical SMSF member or pensioner might not have enough additional income to pay income tax, but still pays tax again (GST) on just about all their income as it is necessarily wholly expended in pension mode.
- This follows another inequitable retrospective change, which was to define that the purpose of the pension is not to supplement an individual's other income, but to be a safety net only – ie Super is to reduce the need to take a pension as a right.
- Is this just the latest attempt to close down SMSFs without saying so, so to move the balances (and ongoing fees) across into the Retail and even Industry Funds, the latter who are also under persistent organised attack?
- Higher wealth individuals one way or another have been assisted in the generation of their wealth by the public physical and justice infrastructure paid for by income taxes from previous working lives/generations, including of those currently in pension mode.

However Politics is 'what is possible' as we know, so how about the compromise of just applying the change to those individuals' funds (and fewer 'rich' voters) with more than the \$1.6M balance - which administration trigger already exists?

– those with under \$1.6M, (many more and less advantaged voters) should still be entitled to the current cash-back system, to better support those citizens most in need while still obtaining this supposedly necessary additional tax grab, from those better positioned to pay.

JF & RF

Sent: Monday, 19 March 2018 5:05 PM

To: Chris Kesting <Chris.Kesting@investors.asn.au>

Subject: Labor's Proposal re Franking Credits

Strongly disagree

MW & MW

Sent: Monday, 19 March 2018 4:46 PM

To: Chris Kesting <Chris.Kesting@investors.asn.au>

Subject: Labours Franking policy

Greetings

Having read the majority of articles that cover the Topic the policy will only be enacted should Labour be successful at the next election and have the legislation passed by both Houses, a long road before that occurs.

Waiting until after the lectionaries would not allow members views to be put to Labour.

I am of the opinion the Board should consider lobbying against the proposal as soon as possible putting forward the view to Grandfather the existing Methodology for a number of years to give those that are currently collecting the refunds a time window to plan and set in train new Investment pathways.

Perhaps the lobbying could extend to seeking that companies could pay dividends untaxed and that recipients pay the tax where income puts them into taxable incomes. This would permit those recipients receiving dividends into SMSFs in pension phase the whole of the dividend monies.

Furthermore SMSF trustees could look to invest in both Growth stocks, overseas stocks that do not pay franking credits with the dividends or Australian equities that do not pay tax and do not have franking credits to pass on.

TF

Sent: Monday, 19 March 2018 4:46 PM

To: Chris Kesting <Chris.Kesting@investors.asn.au>

Subject: Labour's plan to keep excess franking credits

Thank you for the opportunity to be heard in relation to Labour's tax proposals.

It is a great shame that Labour is not taking the opportunity to look at real tax reform by simplifying the process and as a result freeing up our taxes for greater use. Instead the Party is already discussing complicated controls that will ultimately eat away at the proposed savings made.

We are self funded retirees who just qualify for a small pension under the Assets ruling, so any compensation in the form of a higher pension would not register under Centrelink calculations. We require all the tax credits we can earn just to live, and as our investment capital is shrinking, it is getting very difficult to keep up with inflation. We have already downsized our house and now only have one car, there is really no other way we can create more capital as health issues do not allow either of us to return to the work force.

Neither of us is in favour of this tax proposal and feel very saddened that after so many years of contributing to our lovely country in many ways and the efforts we have made to still contribute by not being a financial burden, are obviously not appreciated or understood by the current Labour politicians and their members. We wish to add our thoughts to the AIA submission and hope that this proposal by Labour is dropped very soon.

With thanks,
MG and AG

Sent: Monday, 19 March 2018 4:43 PM

To: Chris Kesting <Chris.Kesting@investors.asn.au>

Subject: Labor plan to stop refunds of excess franing credits

My comments on proposed Labor changes to dividend imputation which cancel the crediting of franking credits where this would result in a tax refund (with particular regard to SMSFs in pension mode).

It is difficult to see any logic in the aversion to tax refunds under this particular circumstance as tax refunds of excess tax paid happen all the time, probably to virtually every PAYG tax payer in Australia. The large

refunds being bandied about as justification could have only ever applied in very few circumstances and the restriction this year to \$1.6m for pension accounts make these a thing of the past.

The principle that tax paid is netted off against tax due and the difference is paid/refunded is well established and obviously fair. Imputation credits, which are simply the tax already paid on a dividend distribution, should not be treated any differently.

The tax treatment of up to \$1.6m of superannuation in pension mode is favourable at zero tax payable on income earned. This means that, under this new scheme, the imputation credit is valueless, essentially taxing the dividends at the company tax rate. If the fund in pension mode is invested in a balanced asset mix (about 50% Australian shares), this new treatment is equivalent to the 15% tax on overall earnings and completely negates the concession.

The value of a \$70 dividend is \$100 to an entity with sufficient other taxable income, but only \$70 to a fund in pension mode - this seems to break every principle of equity. The practical effect is to make franked dividends far less attractive to one class of investor versus another and introduces unnecessary bias. The SMSF might be forced to a strategy of selling investments prior to dividends to allow others to take advantage of the difference, given that any capital gain is still subject to zero tax. It is also foreseeable that financial institutions could create products that take advantage of this arbitrage to provide some benefits. In any event, one should assume that changing tax in such a manner will force behavioural changes and the anticipated revenue is unlikely to eventuate given that there are still many ways for the full value of the imputation credits to be used. While this will cost SMSFs money and will reduce their returns, it seems probable that this will result in very little additional tax retained for whatever schemes the Labor party thinks it will fund.

If a fund has a mixture of accounts in accumulation mode and pension mode with many more in accumulation, the imputation credits can be applied across the whole fund. This leads to a different tax treatment to a pensioner with funds in an SMSF (with no accumulation accounts) as against a pensioner with identical investments in a large retail or industry fund with many other members with accumulation accounts – this is completely unfair. One has to be suspicious that advantaging these funds is the intention of the Labor party given their union links and the union involvement in these funds.

The underlying problem is the overly complex Australian tax system with interactions that result in possibly unexpected outcomes. Dividend imputation is a typical instance with complexity rather than simplification at the heart of the system. A company has two possible sources of funds – debt and equity. It must pay interest on debt and must repay it; it has the option to pay dividends to equity holders and never repays it. However, the payments to the different investors are treated differently as interest is deducted as a business expense by the company and attracts full taxation in the individual investor's hands, whereas we have the complex imputation scheme for dividends.

The simple, fair solution is to allow distributions to equity holders as a deductible expense to the company as if they were interest and tax these fully as part of the recipient's income. This levels the playing field for international and domestic investors, removes the bias within a company for one form of capital over another and is far less complex to understand and to administer. Given that both companies and individuals pay tax on a PAYG basis this should not impact tax timings. This would also have the effect of a substantial drop in the notional tax rates of companies and would make Australia a far more attractive destination for overseas investments.

TR

Sent: Monday, 19 March 2018 4:30 PM
To: Chris Kesting <Chris.Kesting@investors.asn.au>
Subject: Franking Credit Comment

Responding to your call for comments on Labor's proposed change.

First up, I'm one of the lucky ones as I have a high income from various sources, including an SMSF, and therefore am only very minimally affected.

However I have an extremely strong view, if I understand it's operation correctly, that this proposal will adversely impact far too many people at the lower end of the income scale. I do accept that there are some fairly wealthy people who, by legally well structured arrangements, may be impacted but in targeting them a great number of 'ordinary' taxpayers will also be impacted, the group least able to absorb such imposts.

It feels like a very poorly framed proposal being promoted as targeting the 'rich' in the hope that those most ill affected will believe such stories until it is too late.

The spin and the reality appear to be a long way apart.

I hope you mount a campaign to oppose this proposal on behalf of those who cannot, for whatever reason.

Yours faithfully,

DL

Sent: Monday, 19 March 2018 4:27 PM

To: Chris Kesting <Chris.Kesting@investors.asn.au>

Subject: I disagree with Labour s proposal to stop refunding excess franking credits

Regards

AM

Sent: Monday, 19 March 2018 4:15 PM

To: Chris Kesting <Chris.Kesting@investors.asn.au>

Subject: Imputation Credits

I disagree with the Labour Party proposal.

For many taxpayers it will be back to the double taxation of company profits

Your sincerely,

DG

Sent: Monday, 19 March 2018 4:02 PM

To: Chris Kesting <Chris.Kesting@investors.asn.au>

Subject: Labor proposal

Hi

I totally disagree with Shorten's proposal re franking credits.

Regards

GW & RW
