Committee Secretary
Standing Committee on Economics
PO Box 6021
Parliament House
Canberra ACT 2600

20 September 2018

Dear Committee Secretary,

Re: Inquiry into the implications of removing refundable franking credits

I write this submission as an individual taxpayer. My submission relates to the refund of excess franking credits I receive from my own personal equity investments, and from a franked distribution I receive from a testamentary trust. The refund of excess franking credits helps support my daily living expense requirements and allows me to financially support myself without applying for a government pension.

I am aged 52 years old. I have been suffering a chronic medical condition for the last 20 years. Until 4 years ago I was financially independent, working part-time in a professional role. However, as my chronic medical condition became worse, I found it necessary to cease working.

I am currently living on a cash income of approximately $23,000p.a. That income is mostly franked income. My taxable income for 2017/2018 was $38,000, upon which I received a refund of excess franking credits of $3,445. This refund resulted in an increase to my cash income to $26,445p.a.

Under the Labour Party's proposal to disallow the refund of excess franking credits, my total cash income will reduce by 13%. This amount is significant to me.

Furthermore, under the Labour Party's proposal, I would expect to sell down my equity savings each year to cover the loss of the refund of excess franking credits. As I sell down my equity savings, what little dividend income I receive will also reduce. I will also need to consider applying for a government pension.

In addition to making my submission as an individual, I also make this submission as the trustee of the testamentary trust from which I receive my franked distribution income. The testamentary trust was created under my grand-parent's will, and my father is the primary beneficiary. As such, my father determines the distribution of the trust each year.

The other current and potential beneficiaries of the testamentary trust, with the exception of my father, are all currently under the age of 65, and a number are in circumstances of disadvantage and need of financial assistance. In 2017/2018, for example two minor beneficiaries received distributions of $4,000 cash each towards their maintenance, upon which they received a refund of excess franking credits of $1,500 each. The children are being raised by a single parent under difficult circumstances. The loss of the refund of excess franking credits would be significant to them.

Furthermore, two other potential beneficiaries suffer permanent illnesses of significant disability. Both will be considering the application for a government pension within the next year or two. Whilst the receipt of a share in the distribution from the testamentary trust will not be significant enough to cover their financial requirements, it will provide them some additional support. And once again, the loss of refund of any excess franking credits would be significant to them.

In essence, the values I and my family hold are that we work hard, save hard, spend sensibly, provide for ourselves in retirement and provide for family members in need of financial assistance where possible.

It seems very unfair that under the Labour Party's proposal, myself and other members of my family under age 65, in circumstances of disadvantage, would be unable to claim our full franking credits, just because we are not able to earn a high enough taxable income.

Thank you for the opportunity to make a submission to your inquiry.