Submission to the House of Representatives Standing Committee on Economics

Inquiry into the implications of removing refundable franking credits

I know there are many thousands of people, of which I am one, who have already been affected by the unfair reduction in franking credits in the 2017/2018 tax year.

Effectively an increase in taxation for superannuants, due to the $1.6 million limit imposed on “tax free” income.

We will be further significantly disadvantaged if the refunding of franking credits is abolished.

I am presenting my particular circumstances to you as just one example of the effects of such a policy.

- I am 76 years of age and single.
- Joined the workforce at 23 years of age.
- Still in full time professional employment.
- On retirement at age 78 I will have been paying tax on my employment income for 55 years.
- I have met all the regulations in establishing and maintaining a self-managed superannuation fund.
- I have paid capital gains tax on transferring investments into this fund.
- Tax will also be paid on death when the Fund is transferred to my Estate.
- My expectation was that my retirement income would replace my professional income.
- On this basis I assumed that my preferred lifestyle would continue.

- However, the changes already introduced have reduced my superannuation income by 10%, as my superannuation fund balance is over the $1.6 million.
- Incidentally, the 10% equates to my contributions last year to public institutions in Sydney.
- These may have to go.
Looking ahead, if the Labour Party’s proposal to remove refundable franking credits is introduced, my superannuation income (my only source of income in retirement) would be further reduced.

I have calculated that together with the 10% reduction already in place, my income would be reduced by 26% in total.

This therefore would be a 26% Income Tax Rate, imposed in the last few years of my life.

As I spend all my income this would result in an unexpected and significant change in my lifestyle.

This was not envisaged as little as two years ago when planning for retirement.

I would not be prepared to adjust to this situation brought about by increased taxation and would have no means of increasing my income to compensate.

It is highly unlikely that I would be employed again at aged 78.

Under these circumstances I would probably make arrangements to end my life, rather than live in reduced circumstances.

I would not be eligible for, apply for, or accept, a government pension.

September 23, 2018