

**From:** s 22  
**To:** [Maloney, Matthew](#)  
**Cc:** s 22  
**Subject:** [DLM=For-Official-Use-Only]  
**Date:** Tuesday, 27 March 2018 1:26:13 PM

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Hi All,

In addition to those couple of queries we spoke about earlier Matthew, grateful if you could please fact-check the following example before 2pm:

- One couple has assets worth \$837,001, excluding their own home. These assets include shareholdings in company X, through which they receive fully franked dividends of \$10,000 per year. As they are not eligible for the pension, under Labor's retiree tax policy, they would not be entitled to receive any refund of franking credits on those dividends. Another couple has assets worth \$837,000, excluding their own home. These assets include the same shareholdings in company X and the same dividend entitlement. As this couple is eligible for the pension, under Labor's retiree tax policy, they are also therefore eligible to receive refunds of franking credits, potentially worth up to \$3,000 per year.
- \$1 worth of assets means the difference between accessing \$3,000 worth of refunds.

Kind Regards,

s 22

**Adviser – Superannuation**

**Office of the Hon Kelly O'Dwyer MP**

Minister for Revenue and Financial Services

Minister for Women

Minister Assisting the Prime Minister for the Public Service

Parliament House, Canberra ACT 2600

p (02) 6277 7930 | m s 22 | e s 22 [@treasury.gov.au](mailto:s 22@treasury.gov.au)

**From:** [Maloney, Matthew](#)  
**To:** s 22  
**Cc:** [Fraser, John \(Secretary\)](#); [Mrakovcic, Maryanne](#); [Thompson, Rachel](#); [RG TAD SES](#); s 22  
[Jeremenko, Robert](#); s 22  
**Subject:** Franking Credit Refundability - requests from today [SEC=PROTECTED]  
**Date:** Tuesday, 27 March 2018 6:21:54 PM

s 22

Just to wrap-up where we landed with franking credit refund requests today. There are still have a few outstanding requests which we will progress tomorrow.

We have prioritised these requests ahead of other tasks s 22 .

I have summarised all the requests below (responses in blue).

Let me know if you need anything further.

Regards

**Matthew Maloney**  
 Principal Adviser  
 Tax Analysis Division  
 The Treasury, Langton Crescent, Parkes ACT 2600  
 phone: +61 2 6263 2556  
 email: [matthew.maloney@treasury.gov.au](mailto:matthew.maloney@treasury.gov.au)

1) You requested the proportion of SMSF holders who are pensioners?

Around 24,000 of the 910,000 SMSF accounts (2.6 per cent) are held by individuals receiving pension income.

2) Distributional information on account balances during pension phase.

Table provided - (below). More distributional information on account balances to follow.

Table 1

|                     | Individuals with assets in pension phase |                |                |                       |                |                |
|---------------------|--|----------------|----------------|-----------------------|----------------|----------------|
|                     | Total account balance                    |                |                | Total pension balance |                |                |
|                     | Balance range                            | Median         | Mean           | Balance range         | Median         | Mean           |
| <b>1st quintile</b> | 0-85,000                                 | 49,000         | 46,000         | 0-75,000              | 44,000         | 41,000         |
| <b>2nd quintile</b> | 85,000 - 155,000                         | 118,000        | 119,000        | 75,000-140,000        | 106,000        | 107,000        |
| <b>3rd quintile</b> | 155,000 - 265,000                        | 205,000        | 207,000        | 140,000-240,000       | 184,000        | 185,000        |
| <b>4th quintile</b> | 265,000 - 480,000                        | 354,000        | 360,000        | 240,000-430,000       | 315,000        | 321,000        |
| <b>5th quintile</b> | >480,000                                 | 706,000        | 870,000        | >430,000              | 629,000        | 766,000        |
| <b>Total</b>        |  | <b>205,000</b> | <b>321,000</b> |                       | <b>184,000</b> | <b>284,000</b> |

3) Cameo fact check – completed.

One couple has assets worth \$837,001, excluding their own home. These assets include shareholdings in company X, through which they receive fully franked dividends of \$10,000 per year. As they are not eligible for the pension, under Labor’s retiree tax policy, they would not be entitled to receive any refund of franking

credits on those dividends. Another couple has assets worth \$837,000, excluding their own home. These assets include the same shareholdings in company X and the same dividend entitlement. As this couple is eligible for the pension, under Labor's retiree tax policy, they are also therefore eligible to receive refunds of franking credits, potentially worth up to \$3,000 per year.

\$1 worth of assets means the difference between accessing \$3,000 worth of refunds.

4) Confirm that the total number of SMSF funds claiming franking credit refunds in the most recently available year is approx. 200,000 (as provided previously) and provide a breakdown of:

- the proportion of these funds that have pensioners as members and the proportion that don't;

Around 200,000 SMSFs received a franking credit refund in SMSFs, of these around 10,000 had a member who received pension income, i.e. around 95 per cent of SMSFs receiving refunds do not have a pensioner as a member.

- The number of these funds without pensioners as members but who have members with balances above \$1.6 million; and

- the total value of franking credits refunded to those SMSFs who have members with balances above \$1.6 million (as discussed yesterday evening);

The number of individuals in receipt of franking credit refunds for the most recently available year – excluding pensioners (presume approximately 900,000?)

- Provide a breakdown of these individuals by age, state, gender and taxable income.

\* To be completed.

5) Fact check on APRA fund impacts document.

**s 22** has responded on this fact check.

**From:** [Maloney, Matthew](#)  
**To:** s 22  
**Cc:** s 22, s 22, [RG TAD SES](#); s 22, [Mrakovcic, Maryanne](#)  
**Subject:** RE: Urgent fact-check [DLM=For-Official-Use-Only]  
**Date:** Wednesday, 28 March 2018 1:36:32 PM

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Hi s 22,

Appreciate you need these quickly. Some comments below.

- an elderly, self-funded retire earning \$18,000 a year, with \$2,300 in dividends, who paid tax all their life. The Labor party will pocket their \$700 tax refund.

The calculation is correct (\$2,300 dividend with around a \$700 credit) but I would imagine this person would not be self-funded and would likely be on the age pension and eligible for a refund under the modified policy.

- How about an average income earner, still working and on \$70,000 a year, who has invested \$10,000 in Australian shares. The Labor party would pocket their \$1,000 tax refund too.

I don't think this is correct. I don't think someone earning \$70k a year in salary and wages would end up in a situation where there are getting a refund of imputation credits (probably paying \$14k in tax). These would be used to offset that tax liability. Also we don't know what the dividend is from a \$10k investment (\$1,000 franking credit seems high).

Regards

**Matthew Maloney**

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**From:** s 22  
**Sent:** Wednesday, 28 March 2018 1:25 PM  
**To:** Maloney, Matthew  
**Cc:** s 22  
**Subject:** Urgent fact-check [DLM=For-Official-Use-Only]  
**Importance:** High

Hi Matthew, s 22

Grateful if you could please do an urgent fact-check of the following cameos (needed asap and before 1:40pm) – note, dividends all assumed to be fully franked:

- an elderly, self-funded retire earning \$18,000 a year, with \$2,300 in dividends, who paid tax all their life. The Labor party will pocket their \$700 tax refund.
- How about an average income earner, still working and on \$70,000 a year, who has invested \$10,000 in Australian shares. The Labor party would pocket their \$1,000 tax

refund too.

Kind Regards,

s 22

**Adviser – Superannuation**

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**From:** s 22  
**To:** s 22  
**Cc:** s 22; [QTB](#); [Tsr DLOs](#); [RG TAD SES](#); s 22  
**Subject:** RE: QTB update by 10:30 am Monday - refundable franking credits [DLM=For-Official-Use-Only]  
**Date:** Monday, 13 August 2018 10:37:00 AM

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H s 22

The QTB in the folder has been updated with a quote from the AFR article, there are no further updates.

We note that the substance of the quote may not necessarily reflect the actual impacts across the population. The article reports the results are based on a web poll initiated by a petition against the proposal and so they should be interpreted with caution.

Thanks

s

BITU, TAD

s 22

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**From:** Maloney, Matthew  
**Sent:** Monday, 13 August 2018 8:20 AM  
**To:** s 22  
**Cc:** s 22  
**Subject:** Fwd: QTB update by 10:30 am Monday - refundable franking credits [DLM=For-Official-Use-Only]

And there was this one. He wanted to reference an article.

Sent from my iPhone

Begin forwarded message:

**From:** "s 22" <s 22@treasury.gov.au>  
**Date:** 11 August 2018 at 5:08:04 pm AEST  
**To:** "s 22" <s 22@TREASURY.GOV.AU>  
**Cc:** QTB <[QTB@TREASURY.GOV.AU](mailto:QTB@TREASURY.GOV.AU)>, Tsr DLOs <[TsrDLOs@TREASURY.GOV.AU](mailto:TsrDLOs@TREASURY.GOV.AU)>, "s 22" <s 22@treasury.gov.au>, RG TAD SES <[RGTADSES@TREASURY.GOV.AU](mailto:RGTADSES@TREASURY.GOV.AU)>, "s 22" <s 22@TREASURY.GOV.AU>, "s 22" <s 22@treasury.gov.au>  
**Subject:** QTB update by 10:30 am Monday - refundable franking credits [DLM=For-Official-Use-Only]

Hi s 22

By 10:30am Monday, can TAD please update the refundable franking credits QTB. As part of the update, please incorporate the media over the weekend including the article in today's AFR by Joanna Mather – might best fit in the quotes section.

Please track changes (don't worry about the sidebars)

Thanks

s 22

s 22

Adviser (tax) to the Hon Scott Morrison MP

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SMTreasurerSignature (3)



## ABOLITION OF TAX REFUNDS FOR FRANKING CREDITS

FOI 2454 -  
Document 5

### TOP LINES:

- When Labor originally announced its retiree tax, the Shadow Treasurer assured us "this is a well-targeted measure" and "that Labor's reforms are carefully designed. Labor's reforms are properly designed, and Labor's reforms are sensible". What a slamming indictment of this Opposition's economic credentials that their 'sensible, well-targeted' policy lasted less than a fortnight – and still has holes right through it! This debacle is up there with the mining tax as far as Labor's greatest hits go.
- Despite their backflip, Labor are still reaching into the pockets of around 900,000 Australians, including low-income earners and self-funded retirees, who will miss out on refunds of their own tax.
- Labor's 'pensioner guarantee' does nothing to protect pensioners who benefit from franking credit refunds to their APRA regulated super fund, or to their SMSFs if a member after 28 March 2018.
- 96% of the individuals impacted by Labor's retiree tax have taxable income of less than \$87,000.
- Labor's retiree tax favours millionaires, as they are allowed to retain access to the full benefit of their franking credits. It's those with lower incomes who miss out.
- Labor's retiree tax will also punish aspirational, self-reliant Australians who have worked hard to support themselves, instead all but directing them to move on to the pension.
- Labor's retiree tax will distort investment decisions, discouraging investment in Australian companies in favour of other investments like real estate. Bill Shorten and Chris Bowen need to explain why they want first home buyers to compete with retirees in the property market.
- Citi Research has indicated the policy would diminish demand for Australian shares relative to other investments and the major banks' valuation could be impacted by as much as five to ten per cent by the change.
- Labor's retiree tax is a cruel strike against self-managed super funds to benefit the union aligned industry fund sector.
- The Shadow Treasurer claims Labor's policy costing takes account of the Government's transfer balance cap and other behavioural changes – the rest of us are very sceptical. He could of course prove it by releasing his costings.
- Bill Shorten has now announced more than \$200 billion worth of higher taxes.

### COALITION ACTION:

- In 2000, the then Howard government changed the dividend imputation system to allow for imputation/franking credits to be refunded through passage of the New Business Tax System (Miscellaneous Act (No. 1) 2000 - with ALP support. Doing so meant taxpayers with tax rates below the company tax rate could receive a refund of excess franking credits obtained from franked dividends.
- In the 2016-17 Budget, the Government passed a range of reforms to improve the fairness, sustainability, flexibility and integrity of the superannuation system. This included the introduction of a \$1.6 million transfer balance cap (TBC) from 1 July 2017. The TBC limits superannuation account balances that can be transferred to the tax free retirement phase, such that earnings on the excess balances will now pay 15% tax.

|                    |             |                |                 |
|--------------------|-------------|----------------|-----------------|
| QTB Number:        | QB18-000199 | QTB Category:  | Taxation        |
| Contact Officer:   | s 22        | Date and time: | 17/09/18        |
| Contact Number:    | s 22        | Next update:   |                 |
| Office Responsible | TSR         | Adviser        | s 22 13/08/2018 |



## KEY FACTS AND FIGURES:

- When corporate tax entities distribute to shareholders profits on which income tax has already been paid – such as when a company pays a dividend to its shareholders – they have the option of passing on, or 'imputing', credits for the tax. This is called 'franking' the distribution. The franking credits are attached to the distribution and can be used by the recipients as tax offsets. For domestic investors, shareholders pay tax on dividend income at their marginal rate with refunds available, through franking credits, where shareholders' tax rates are below the corporate rate.
- Although the recipients are taxed on the full amount of the profit represented by the distribution and the attached franking credits, they are allowed a credit for the tax already paid by the corporate tax entity. This prevents double taxation – that is, the taxation of profits when earned by a corporate tax entity, and again when a recipient receives a distribution.
- On 13 March 2018, Labor announced that they would prevent individuals, super funds and self-managed super funds from being able to have excess franking credits refunded to them (tax exempt entities will continue to receive refunds). On 27 March 2018 Labour revised its policy, announcing that pensioners and SMSFs with members receiving the pension at the time of announcement will also continue to have access to refundable franking credits.
  - The ALP claim their policy will save \$10.7 billion over the forward estimates and \$55.7 billion over the decade, as costed by the Parliamentary Budget Office.

### IMPACT ON INDIVIDUALS (Treasury analysis of ATO 2015-16 data)

| Taxable Income       | Number of Individuals impacted <sup>^</sup> | Percentage of total individuals impacted | Franking Credits refunded (\$AUD million) |
|----------------------|---|--|---|
| Less than \$18,200   | 540,000                                     | 60%                                      | 470                                       |
| \$18,201 - \$37,000  | 220,000                                     | 24%                                      | 605                                       |
| \$37,001 - \$87,000  | 105,000                                     | 12%                                      | 590                                       |
| \$87,001 - \$180,000 | 31,000                                      | 3.4%                                     | 230                                       |
| \$180,000+           | 5,000                                       | 0.6%                                     | 135                                       |
| TOTAL                | 901,000                                     | 100%                                     | 2,030                                     |

<sup>^</sup> These figures **exclude** pensioners consistent with Labor's 27 March 2018 policy announcement

- In total, approximately **900,000** Australians face losing their refunded franking credits as a result of the policy.
- Just **over 45%** of these individuals are **65 years or older**.
- The policy will also overwhelmingly hit low and middle income earners, with **84% of the individuals impacted on taxable incomes of less than \$37,000, and 96% of the individuals impacted on taxable incomes below \$87,000**.
- In terms of value, whilst **74% of all franking credits are received by those in the top two income brackets, 82% of the value of all refunded franking credits denied under Labor's policy go to individuals on taxable incomes below \$87,000**.

### IMPACT ON SMSFs AND OTHER SUPERANNUATION FUNDS (Treasury analysis of ATO 2015-16 data)

- Even excluding pensioners with SMSFs pre-28 March, 200,000 SMSFs containing 365,000 member accounts will lose their refunded franking credits as a result of the policy.
- 2,013 APRA regulated superannuation funds containing 2.6 million member accounts will lose approximately \$300 million a year in refunded franking credits as a result of the policy. This includes 50 large APRA regulated superannuation funds, of which 30 are retail funds and 2 are industry funds.

|                  |             |               |             |
|------------------|-------------|---------------|-------------|
| QTB Number:      | QB18-000199 | QTB Category: | Taxation    |
| Contact Officer: | s 22        | Adviser       | s 7/05/2018 |

## ALP REBUTTAL

- The ALP's proposal will make qualifying for the Age Pension even more attractive for retirees, who will otherwise lose their refunds under this proposal. Retirees who rely on franking credits as part of their retirement income strategy may be encouraged to restructure their affairs so they are eligible for the Age Pension. This will make the Age Pension more expensive for the Government.

### Claims and Responses

#### "Half the value of all refunded franking credits flow to the top 10% of SMSFs"

- This is a complete fiction. The value of franking credits refunded to the entire SMSF population represents less than half the total value of all refunded franking credits.

#### "This policy will stop people from claiming \$2.5 million in refunds when they didn't pay tax"

- Even if that did occur – and we haven't seen the evidence to suggest it has – the Government's introduction of the TBC from 1 July 2017 means any super balance above \$1.6 million must now pay tax of 15% on its earnings from amounts above \$1.6 million.

#### "This policy is about closing down a tax loophole used by the wealthy"

- Refunding franking credits is not a tax loophole, it is a deliberate policy design which enjoyed bipartisan support upon its passage through Parliament – Labor even adopted it as party policy for the 1998 election. From Labor's 1998 policy "A Fairer Tax System":

*"Labor will now complete the implementation of the imputation system by allowing excess credits to be refunded to resident Australian shareholders, complying superannuation funds and registered charitable organisations.*

*This reform will benefit many low income retired Australians, including full rate pensioners who are not otherwise embraced by the taxation system. Many thousands of pensioners who have modest investments in public companies currently obtain no tax benefit from the franked dividends they receive: the full value of those credits will now flow through to the pensioner shareholders."*

- The Government has already taken steps to address the sustainability of the super system by introducing the TBC. This will effectively halve the benefit of franking credit refunds for any SMSFs or super balances over \$1.6 million.
- Labor's policy actually benefits high income earners by allowing them to continue to offset the full value of their franking credits, but stops those on lower incomes from being able to do the same by having the tax they've already paid as shareholders refunded to them.

#### "Using taxable incomes to determine who is impacted by this policy is misleading, as tax free income from superannuation isn't included in these amounts"

- Close to half a million Australians who receive franking credit refunds have no superannuation income. The data also shows that most retirees draw less than \$50,000 a year from their SMSF accounts. These are the 'fat cats' that Bill Shorten wants to hit.
- The Government's transfer balance cap means those with super balances above \$1.6 million will now be paying tax on earnings above that amount, which reduces the refundability of dividend imputation credits flowing to those with these higher balances. Labor are essentially taking money from pensioners to try and fix something the Government has already addressed.
- It's also worth remembering that people drawing down on their superannuation have already paid tax on those amounts when contributing them to their super, again on earnings in the accumulation phase and, if they have amounts above \$1.6 million, on earnings during their retirement as well.

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| QTB Number:      | QB18-000199 | QTB Category: | Taxation    |
| Contact Officer: | s 22        | Adviser       | s 7/05/2018 |

## BACKGROUND

- The ALP first announced its policy to deny franking credit refunds on 13 March 2018.
  - On 27 March the ALP revised its policy, continuing to allow franking credit refunds to pensioners and SMSFs with members receiving the pension at the time of announcement.
  - This revision has decreased the revenue impact of the policy by \$700 million over the forward estimates and \$3.3 billion over the medium-term, as costed by the Parliamentary Budget Office.
- Several associations have formed the “Alliance for a Fairer Retirement System” in response to Labor’s retiree tax proposal. The Alliance commissioned a report from Rice Warner which discusses some potential behavioural responses and the possibility that the projected revenues will not eventuate if the costing has not factored these responses in.
  - The associations are the Australian Shareholders’ Association, Australian Listed Investment Companies Association, National Seniors Australia, SMSF Association, Self-managed Independent Superannuation Funds Association and Stockbrokers & Financial Advisers Association.
- On 12 September 2018, Citi Research released a report titled *Australian Political Uncertainty: Implications for the Economy and Stocks*. The report examines potential economic impacts of Labor policies, with the removal of franking credit refundability considered one of the three most significant Labor policies that could impact companies.

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| QTB Number:      | QB18-000199 | QTB Category: | Taxation    |
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## KEY QUOTES:

“The dividend imputation scheme that we're talking about reforming goes to the top end of town.”  
Bill Shorten, Doorstop, Sydney, 13 March 2018

[*Journalist: is your policy specifically going to impact pensioners?*]

“No, it's specifically going to impact people who receive cash bonuses, who don't pay any tax. So this is people who receive cash payments from the government, even though they're paying no tax. So they're getting a refund on tax they haven't even paid. So this isn't going to increase taxes.”  
Bill Shorten, Doorstop, Sydney, 13 March 2018

“The fact of the matter is that Labor's reforms are carefully designed. Labor's reforms are properly designed, and Labor's reforms are sensible, adding to the budget bottom line.”  
Chris Bowen, Doorstop, Sydney, 13 March 2018

“So this is a well-targeted measure. As I said, I understand that people who will no longer receive their refunds will be unhappy, but importantly nobody will be receiving a tax bill.”  
Chris Bowen, Radio Interview ABC AM with Sabra Lane, 13 March 2018

“I've looked at the numbers, Kieran. It looks very much to be as though this is skewed to the top end.”  
Andrew Leigh, TV Interview Sky AM Agenda with Kieran Gilbert, 13 March 2018

“We will make sure that pensioners are ok, full stop.”  
Bill Shorten, Today Show, 14 March 2018

“Double taxation should be avoided, that's the right model”  
Chris Bowen, FSC BT Political Series Breakfast, Q&A Portion, 4 April 2018

[*Leigh Sales (at fourth time of asking): Protecting pensioners is not the same thing as saying there is no pensioner who will be worse off*]  
“I believe we will protect pensioners and if you are receiving a pension now you won't be worse off”  
Bill Shorten, 7:30 (ABC), 9 April 2018

“Labor has pushed this ill-conceived policy by claiming it would only hurt the rich and deliver significant savings for the government. Far from being 'rich', 69 per cent who completed our poll earn \$90,000 or less a year and 53 per cent would be forced to reduce their family's living standard and quality of life in order to accommodate the loss of income.”  
Geoff Wilson, Wilson Asset Management quoted in the Australian Financial Review, 11 August 2018

“What disturbs me is that I don't think people understand how crippling these changes will be to people who have abided by all the laws for the last 10 or 20 years of their lives, a Government is just going to change the whole environment, effectively move the goal posts.”  
Geoff Wilson, Wilson Asset Management quoted in the Australian Financial Review, 27 September 2018

“The most quantifiable impact [of Labor's policies] is the removal of franking credit refunds... the banks valuation could be impacted by 5%-10% with changes in franking.”  
Citi Research on the implications of proposed ALP policies, Pg. 1, 12 September 2018

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| QTB Number:      | QB18-000199 | QTB Category: | Taxation    |
| Contact Officer: | s 22        | Adviser       | s 7/05/2018 |

## EXAMPLES OF AUSTRALIANS HIT BY LABOR'S RETIREE TAX

900,000 Australians will miss out on refunds of their own tax under Labor's retiree tax policy.

- This is a cradle to grave tax policy that will hit low to middle income Australians.
- At least 440,000 of those hit are pre-retirement Australians (they are neither drawing from superannuation, nor old enough to qualify for the age pension). They include small business owners and farmers, who have saved a portfolio of shares to see them through the lean years when their business is less profitable. These Australians are left high and dry by Labor's irresponsible policy.
- 50,000 of the Australians who will miss out are under the age of 30. This will deny aspirational young Australians who may be on lower incomes but have worked hard, saved hard and invested in shares. It will deny parents, grandparents, aunts and uncles who had thriftily saved and gifted shares to their next generation; setting them up to buy their first car, put a deposit on their first house, support them whilst studying or build a nest egg for their children.

200,000 SMSFs containing 365,000 member accounts will lose their refunded franking credits as a result of the policy.

2,013 APRA regulated funds looking after the retirement savings of 2.6 million member accounts will also be impacted by the loss of refunded franking credits. This means at least hundreds of thousands of Australians with APRA-regulated superannuation funds would be negatively impacted.

- Over the 10 years Labor has costed its policy, these APRA-regulated superannuation funds would lose an estimated \$3.75 billion of members' retirement savings.

Make no mistake, pensioners will still be impacted, despite Labor's laughable 'pensioner's guarantee'.

- Any pensioners who take up a self-managed super fund after 28 March, or SMSF members who become pensioners after 28 March, will be hit by Labor's retiree tax.
- Pensioners who hold an account with APRA funds may also be impacted by Labor's retiree tax.

Almost 60,000 self-funded Australian retirees, who are not yet old enough to receive the age pension, would be hit by Labor's retiree tax.

A retiree couple of pension age, but who have income of \$40,000 each would not qualify for the pension and would be hit by Labor's retiree tax. If all their income is sourced from fully franked dividends through their self-managed super fund, they stand to lose 30 per cent of their yearly income.

Similarly, an individual of pension age with income of \$52,000 a year would not qualify for the pension and would be hit by Labor's retiree tax.

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## QUESTIONS FOR LABOR TO ANSWER

What happens to the more than 122,000 retired couples with a self-managed super fund? What if one partner is on a pension and passes away? If the other partner is not on a Government pension, would they too be hit by Labor's retiree tax and stand to lose thousands of dollars a year – on top of the loss of a loved one?

What about the 30,000 Australian residents who receive refunds of their franking credits and are also in receipt of a foreign Government pension? Does Labor's 'guarantee' protect these pensioners too?

Should someone who misses out on eligibility for the pension by just a few dollars' worth of income decide to work less so as to not be hit by Labor's retiree tax? Why should the matter of a few dollars' worth of earnings or assets dictate their eligibility for potentially thousands of dollars' worth of franking credit refunds? What's the effective marginal tax rate of those extra few dollars?

What about the situation in which an individual becomes eligible for the pension part way through the year, or begins the year eligible for the pension and ceases to be eligible half way through? How does this policy impact them? Will they be forced to turn to accountants and advisers to sort out their affairs? What if it costs them more than \$3,000 to figure it out? Under Labor's other policies, wouldn't they be prevented from claiming this in their taxes? How is that fair? What about a 40 year old investment banker, let's call him James, who earns one million dollars a year and has \$100,000 of earnings in fully franked dividends from Company X. Can Labor confirm that he would still be able to use all of his franking credits to reduce his tax bill?

How about Joan, a 75 year old self-funded retiree, who earns \$20,000 a year from her SMSF and has \$5,000 in fully franked dividends also from Company X. Can Labor confirm that Joan, unlike James, is no longer allowed to use her franking credits?

How about Bill, a 30 year old builder who earns \$30,000 a year, has \$6,000 in fully franked dividends and pays his taxes. Can Labor confirm that Bill will also not be able to use the full value of his franking credits?

I thought Labor's policy only targeted those who didn't pay tax?

What about the impact of the policy more broadly, on asset allocations and investment decisions? Rice Warner has pointed to behavioural responses to the retiree tax including individuals and SMSFs shifting away from Australian shares and in to less appropriate assets, weakening our domestic capital market. Are Labor that anti-business they would seek to change investment strategies, including sending investment offshore, rather than keeping it with our biggest, dividend paying companies?

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|------------------|-------------|---------------|-------------|
| QTB Number:      | QB18-000199 | QTB Category: | Taxation    |
| Contact Officer: | s 22        | Adviser       | s 7/05/2018 |

From: [Maloney, Matthew](#)  
 To: s 22  
 Cc: RG IAD SES; s 22  
 Subject: Franking credit analysis - for TO  
 Date: Sunday, 8 April 2018 3:29:54 PM

Hi s 22

Just to update you on where we got to at the end of the week. We have focussed our efforts on creating a dataset designed to answer questions on the population receiving franking credit refunds as both individuals and members of an SMSF. Within SMSFs franking credits are refunded at the fund level however we have allocated these to member accounts based on the proportions of the total SMSF balance to estimate the notional benefit of franking credit refunds to individual members. This will hopefully provide a more complete analysis of the affected population. Age pension recipients have been excluded given their exemption from the ALP policy.

Since completion of this dataset, we have only been able to undertake some preliminary analysis (below) with more to follow next week.

Within the dataset we have segmented the population into under/over 55 (the preservation age in the dataset), super balances below and above the comfortable level (\$545,000 – includes balances in SMSFs and APRA) and if the individual has a super account in pension phase. Looking at the franking credit refunds across individuals and SMSFs, the majority go to individuals over 55 with a super balance above \$545,000. In particular, this group is attributed with over 80 per cent of the refunds to SMSFs.

The refunds received by individuals are spread more evenly across our categories. In particular, we wish to look further into the 208,000 individuals over the age of 55 that appear to have no superannuation balance and are collectively receiving \$480 million in refunds from franking credits.

We can discuss further at 10am tomorrow and we can update you on the progress we have made on answering the questions in the QTB.

Refund values

| Age          | Super balance   | Pension phase? | Refund as individual (\$m) | Refund in SMSF (\$m) | Total refunds (ind and SMSF) (\$m) |
|--------------|-----------------|----------------|----------------------------|----------------------|------------------------------------|
| 55 or over   | Zero            | No             | 480                        | 0                    | 480                                |
| 55 or over   | Under \$545,000 | No             | 210                        | 30                   | 240                                |
| 55 or over   | Under \$545,000 | Yes            | 220                        | 220                  | 450                                |
| 55 or over   | Over \$545,000  | No             | 50                         | 80                   | 130                                |
| 55 or over   | Over \$545,000  | Yes            | 350                        | 2,110                | 2,460                              |
| Under 55     | Zero            | No             | 140                        | 0                    | 140                                |
| Under 55     | Under \$545,000 | No             | 400                        | 40                   | 440                                |
| Under 55     | Over \$545,000  | No             | 20                         | 50                   | 60                                 |
| <b>Total</b> |                 |                | <b>1,870</b>               | <b>2,530</b>         | <b>4,400</b>                       |

Counts of refund recipients

| Age          | Super balance   | Pension phase? | Refund as individual (no.) | Refund in SMSF (no.) | Total refunds (ind and SMSF) (no.) |
|--------------|-----------------|----------------|----------------------------|----------------------|------------------------------------|
| 55 or over   | Zero            | No             | 208,000                    | 0                    | 208,000                            |
| 55 or over   | Under \$545,000 | No             | 144,000                    | 27,000               | 166,000                            |
| 55 or over   | Under \$545,000 | Yes            | 141,000                    | 80,000               | 196,000                            |
| 55 or over   | Over \$545,000  | No             | 14,000                     | 15,000               | 26,000                             |
| 55 or over   | Over \$545,000  | Yes            | 96,000                     | 147,000              | 189,000                            |
| Under 55     | Zero            | No             | 49,000                     | 0                    | 49,000                             |
| Under 55     | Under \$545,000 | No             | 218,000                    | 53,000               | 265,000                            |
| Under 55     | Over \$545,000  | No             | 3,000                      | 9,000                | 11,000                             |
| <b>Total</b> |                 |                | <b>873,000</b>             | <b>331,000</b>       | <b>1,110,000</b>                   |

Regards

Matt

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