Date

The Hon./Senator Your Name

Parliament House Postal Address

Canberra ACT 2600 Postal Address

Dear Insert Name,

**OPPOSITION TO THE AUSTRALIAN LABOR PARTY’S FRANKING CREDIT POLICY**

I am writing to you to voice my strong opposition to the Australian Labor Party’s proposal to disallow refunds of franking credits. This proposed policy will severely damage the retirement plans of many Australians who have prudently saved for retirement through an SMSF and planned for refundable franking credits.

The current franking credit rules make sure that taxpayers receiving company profits will be taxed at their marginal tax rate on this income. This company tax paid on their behalf is credited to taxpayers to reduce their tax bill by the amount of tax the company has already paid. Where the taxpayer has a low or zero tax rate, such as an SMSF, this results in the tax paid by the company being refunded to them. This ensures that they are taxed appropriately on the income they receive from investing in Australian companies. This is a fair result under out tax system and is not a “loophole” or a “rort”.

For SMSFs that are in retirement phase and have a zero-tax rate, the Labor policy will effectively impose a 30 per cent tax on profits received from Australian company shares they own. This is an unfair outcome for people in retirement phase, and a targeted tax on a popular asset class which is not replicated anywhere else in the Australian financial system.

The refunding of excess franking credits has been a long-standing feature of the Australian tax system, having been introduced with bipartisan support in 2000. This has seen people saving for retirement factor in having franking credit refunds as part of their retirement income. Changing this treatment of franking credits is another example of unfairly shifting the goal posts for people in retirement.

In addition, Labor’s announced Pensioner Guarantee does not protect SMSF members who are self-sufficient and do not already receive the Age Pension. Potentially, self-funded retirees are worse off than people with less savings but with access to refundable franking credits and a part pension. This reduces the incentive to save for retirement and is at odds with the sensible goal of encouraging people to not rely on the Age Pension.

The Pensioner Guarantee also creates an unequitable two-tiered approach for SMSFs. SMSFs with a member receiving a part Age Pension on or before 28 March 2018 will have their franking credit refunds protected but SMSFs that may have a member begin receiving the Age Pension after this date will not.

I oppose this policy on the basis that it treats people who have worked hard to save for retirement through an SMSF unfairly and has a severely detrimental effect on their income in retirement.

Yours sincerely

Your Name