

LETTERS

An attack on hard-working savers and job creators

• The Australian, 12:00AM March 15, 2018

I am a 75-year-old self-funded retiree, and had been a small-business owner. I employed staff and paid my taxes for well over 50 years, and saved up for our eventual retirement (“Tax grab to hit lowest incomes”, 14/3). I recently had my part-pension taken away when the Coalition reduced the assets test upper limit in an earlier budget.

Because there is very little return on bank deposit interest, I purchased shares in an attempt to finance our day-to-day living. We live quite frugally. Regretfully I am not in a position to continue to work, and have depended on the dividends from those shares and the imputed credit refunds from the tax office, which have been our main source of income.

Now I am described as one of Bill Shorten’s targeted “rich millionaires”. Have he and his cohort ever put their assets on the line to fund a business and keep employees in a job?

David Stephen, Mudgeeraba, Qld

When I was heading it (1979-1984) the Treasury was well aware that our then approach to taxing dividends, paid out of profits already subjected to company tax, was double taxation. However, given the large budget deficit bequeathed to us by the Whitlam Government, the revenue loss involved in correcting that injustice could not then be contemplated.

Paul Keating’s 1985 announcement that dividend imputation relief would be introduced was therefore entirely correct. Although by then I had left the Treasury, I assumed that the then still parlous (though improving) state of the budget accounted for his failure to follow through his own logic by providing tax refunds in cases where dividend recipients had no (or insufficient) other taxable income against which to offset their credits. This continuing injustice was finally rectified by Peter Costello after the budget had been brought back into surplus.

Mr Shorten’s policy on what are now called franking credits will therefore restore that injustice.

John Stone, Lane Cove, NSW

Bill Shorten’s announcement that retirees will no longer be able to cash out franking credits represents an unprecedented attack not only on the older generations but current generations paying compulsory super. Almost all Australians who have had compulsory superannuation contributions deducted from their wages will have their retirement pensions reduced typically by 15-20 per cent (the value of franking credits to typical accounts), irrespective of whether the superannuation is held in self-managed funds, private sector funds or not-for-profit funds (including union funds). The few unaffected will include those on defined benefit schemes, including politicians and public servants.

Douglas Taylor, Tugun, Qld

Imputation as implemented by the Hawke Government was never intended to provide cash refunds to shareholders of tax paid by a company. Indeed, I know of no other tax system that does.

Labor's proposal merely restores that situation; it does not amount to double tax, or even a single tax. How could it? The proposal is predicated on the shareholder having no tax liability against which the franking credits can be applied.

Shareholders have organised their affairs to take advantage of the Howard/Costello extension to the imputation system; they can equally organise their affairs to ensure they have no excess franking credits in a particular year. The government's own corporate tax rate reduction policy goes in the same direction as Mr Shorten's imputation policy; not only reducing payments to shareholders with excess franking credits, but actually increasing tax for all other shareholders on their dividend income.

Richard Edmonds, Sydney, NSW

Mr Shorten portrays self-funded retirees as rich. The truth is many actually have modest pension account balances barely making more than the age pension and relying on imputation credits to make it liveable. The extremely low interest rates designed to protect the income of employed people have meant retirees have had to suffer a very large pay cut.

Because of this, many have invested in shares for the franked dividend and are now going to suffer a pay cut again at a time when government is seeking wages growth. Why pursue independently generated pension? Will Mr Shorten only be happy when all the aged are living on the government pension?

R. Digby, Maitland, NSW