



Appendix C – Treasurer’s letter

Letter received 19 September 2018

Dear Chair,

I am writing to request that the House of Representatives Standing Committee on Economics undertake an inquiry into refundable franking credits.

Refundable franking credits have been a long standing feature of our tax system and investors, including retirees have made long term retirement saving decisions based on continuing to receive refundable franking credits. There is significant concern and uncertainty within the community following the announcement by the Labor party they will increase taxes on retirees and other savers by removing refundable franking credits.

I therefore ask that the Committee inquire into and report on the use of refundable franking credits, their benefits and the implications of their removal, including:

- analysis of who receives refundable franking credits, the opportunities it provides to offer alternative savings and investment vehicles to low and middle income earners, and the impact it has on lowering tax bills
- consideration of how refundable franking credits support tax principles, particularly implications for tax neutrality, removal of double taxation and fairness
- if refundable franking credits are removed; who it would impact and how and the implications from expected behavioural change by investors, including for
 - increased dependence on the pension

- stress and complexity it will cause for Australians, including older Australians to adjust their investments
- if there are carve outs applied, what this might mean for additional complexity, uncertainty and fairness
- reduced incentives to save and distortions to which asset classes are invested in and funds are used, and
- the reliability of providing a sustainable revenue base over the longer term.

I request that the Committee completes its inquiry during the current term of Parliament.

Yours sincerely

JOSH FRYDENBERG