



2 November 2018

Committee Secretary
Standing Committee on Economics
PO Box 6021
Parliament House
Canberra ACT 2600

By email - economics.reps@aph.gov.au

Dear Committee Members

Inquiry into the Implications of Removing Refundable Franking Credits

SISFA welcomes the Inquiry into the Implications of Removing Refundable Franking Credits (the Inquiry) and the opportunity to set out our views on the proposal to remove refundable franking credits.

SISFA is a member of The Alliance for a Fairer Retirement System (the Alliance) and is a signatory to the Alliance's submission to the Inquiry dated 2 November 2018.

As such, SISFA's own submission effectively takes the form of that of the Alliance (a copy of which is attached), with the addition of the following observations:

- The proposal is regressive (inequitable) and goes against the progressive (fair) nature of the income tax system. Examples include:
 - A high-income earner on a 27.5%/30% or more tax rate will receive the full benefit of a franking credit while a self-funded retiree or worker on a modest income and a tax rate of less than 27.5%/30% will not.
 - A high balance member in an APRA-regulated superannuation fund will receive the benefit of franking credits while a modest balance member in a self managed superannuation fund will not.
- There is the potential for a distorting impact on capital management as the cost of equity would rise (because some investors would be double-taxed) and debt financing may become relatively more attractive - arguably leading to riskier financing strategies by corporations.
- Even taxpayers with superannuation in the accumulation phase who have not yet retired will be affected. Their 15% tax rate would become 30% in relation to any franked dividends. The long-term cumulative impact on the pool of future savings could be huge.



If you have any questions in relation to this submission, please contact Michael Lorimer

Yours faithfully

Michael Lorimer Managing Director	Chris Balalovski Director and Chair