



Media Release

13 March 2018

Labor's unfair tax grab will hit everyone with super - all 12 million of us

Bill Shorten says his plan to deny dividend tax refunds to super savers will mainly hit self-managed funds.

In fact it will make all 12 million Australians in superannuation funds worse off.

Labor's plan is not fair and it's not transparent.

It fails the test of fairness because it will benefit taxpayers on higher incomes at the expense of those on lower incomes. Taxpayers with an effective average tax rate of 30% or over will receive the full benefit of franking credits while those on lower incomes will lose out.

It is accepted economic wisdom that savings should be taxed at a concessional rate otherwise people won't have an incentive to save and when they retire they become a heavier burden on the next generation of taxpayers.

Mr Shorten is meddling with the successful concept of imputation - that when company dividends are paid they are taxed at the individual's tax rate with full credit for the tax already paid by the company.

Under Labor's plan, anyone in retirement and living on their superannuation savings will now have every dollar of their income from dividends taxed at a rate of at least 30%.

While Bill Shorten says his plan to deny dividend tax refunds to super savers will mainly hit self-managed funds, in reality it will hit millions of members of the large industry and retail funds as well.

The difference is that members of self-managed funds will know how much they are losing because they invest directly in shares, see the dividends and get the franking credits.

The members of the large funds won't see the effect so clearly because their savings are pooled. The major funds invest in shares on behalf of all of their members and the benefits, including tax credits, are shared by all members.

Bill Shorten's plan will have an impact on all members but it won't be visible to them individually because the returns to fund members are netted out and fund members see only the overall return on their account.

As well as the one million Australians who will lose out directly from Labor's plan, all 12 million members of super funds will get lower returns.

Beyond that general effect, the people who will be particularly hard hit are retirees in pension phase whose super savings are invested mainly in large corporations, like the big banks, miners and telcos, that issue franked dividends.

As well as losing tax refunds, investors are likely to see the share value of these companies fall.

Labor's plan is a blow to confidence in superannuation as a safe investment coming on top of the Government's measures to further reduce contributions, put a ceiling on tax free retirement income and apply an earnings tax and capital gains tax to savings that were previously exempt.

The message from both sides of politics, and the minor parties, is clear: your super savings are fair game when governments are looking for money to cover the big budget deficits they have racked up.



Nobody can be sure that the savings they are compelled to invest in superannuation under today's rules will still be there under changed rules in the future.

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