independence matters
Association of Independent Retirees

Media Release

PUBLIC HOODWINKED ON FRANKING CREDITS POLICY

“For a year, the Labor Party has continually tried to hoodwink the general public on Franking Credits refunds,” said Mr Wayne Strandquist, Acting President of the Association of Independent Retirees.

“The Labor Party has taken advantage of the complexity of the tax system and a lack of understanding about franking credits by using over-simplified and emotive terms that do not properly explain the situation,” said Mr Strandquist.

“A tax refund occurs when there has been an overpayment of tax and statements like ‘you get a tax refund when you haven’t paid income tax, the tax refund is a gift from the government, it’s a tax loophole, it benefits the top end of town and no other country does this’ do not clarify the policy,” said Mr Strandquist. “No one criticises workers when they receive a refund when too much tax has been deducted from their income”, Mr Strandquist noted.

The average self-funded retirees with incomes of between $30,000 and $50,000 will get a significant cut of $5,000 to $10,000 in income under the Labor Franking Credit policy, said Mr Strandquist.

Mr Strandquist said, “the Labor Party statements on Franking Credits are open to challenge as follows:

Firstly, cash refunds are received by low-income earners (including retirees) who do not pay income tax because they own part of a company that has already paid the tax at 30%. If a shareholder’s tax rate is less than 30% they receive a refund of tax already paid and this is not a gift.

Secondly, it has been argued that the refund of franking credits is rorting a tax loophole. It is not a tax loophole but has been a legitimate part of the commonwealth tax law since 2000.

Thirdly, it is claimed that franking credit refunds go to the wealthy and benefit only the top end of town. This is not the case for the vast number of self-funded retirees who have incomes below $37,000 a year. Furthermore, the majority of retirees in Self Managed Super Funds are also not wealthy.

Fourthly, there are many OECD countries that have some form of tax imputation scheme.

Finally, retirees can’t retrospectively change their retirement income strategies, so they are soft targets by Labor to raise funds for all sorts of purposes.

The Labor Franking Credit policy is based on flawed assumptions, is unfair and discriminates against self-funded retirees of modest means,” said Mr Strandquist, “when at the very least the policy should be grandfathered”, he added.

For further information or for Media Comments please contact:
Wayne Strandquist - Acting President 0412 434 467
Email: wmstrand@bigpond.net.au
Terry O’Callaghan - Media Coordinator 0408 143 392

Email: terryoc@netspace.net.au
AIR website: www.independentretirees.com.au
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