Three Minute Talk – by Lorraine, February 2019

I have sent in three submissions, number 222 and two others not yet on the website, all available at lainie.com.au/submissions.

This policy unfairly targets low income earners. The argument that these people also have huge incomes from tax free super defies logic. Some of them may but this is no reason to disadvantage those who don't.

Are the ALP really so desperate for extra revenue that they would deny a legitimate $6k tax refund to someone earning $20k a year who would then have to survive on $14k?

Some retirees will reduce their assets to qualify for a part pension. Others will change the way they invest to favour trust and interest income. Companies will issue listed debt securities so investors can earn interest instead of dividends and LIC's will become trusts.

SMSF's will be the hardest hit and many of them will roll over to public funds or simply close down. This will adversely affect the viability of hundreds of small accounting firms.

With more people on the pension and fewer retirees choosing to own shares, this poorly targeted and highly disruptive policy will raise little if any net revenue.

As well it creates a huge disincentive for anyone to save enough for an independent retirement.

The proposed timing is untenable. With the election in May the legislation is unlikely to be in place by the start date in July, leaving no window for companies and investors to react. A change as sweeping as this needs at least a year's notice from when it becomes law to when it is implemented.

There are much better ways of raising extra revenue that are fair to everyone.

Outlaw share buybacks with a franked dividend component. These only benefit zero and low rate taxpayers so most of the distributed franking credit becomes a cash refund. The recent BHP buyback will see nearly $3b given back as cash. These buybacks can be replaced by special dividends benefiting all shareholders. No-one would object to this.

Leave the franking credit system as it is and instead address the real problem which is the tax free status of the earnings on pension mode super. The current system allows anyone over 60 to pay little or no tax on quite high incomes and is far too generous.

Change the system so all earnings on super are taxed at 15% for both accumulation and pension mode. This is easy to understand, asset choice neutral, easy to implement, would simplify the current system and would be fair to everyone. It would raise well over the required $5b a year with no effect on low income retirees and with only a small cost to those with income from super. This change could be phased in over three to five years.

At the same time restore the previous asset taper rules for pensions and reduce the deeming rates to something more in line with current bank interest rates.

Thank you.