

Media Release

Date: 09 April 2019

SuperConcepts welcomes recommendations on Franking Credits

SuperConcepts welcomes recommendations by the Standing Committee of Economics against the removal of refundable franking credits on the grounds of discrimination.

“This report confirms what we already knew about the impact of removing franking credit refunds,” said Peter Burgess, SuperConcepts General Manager Technical and Education Services.

“The report recommendations align with data modelling from SuperConcepts that show the proposed policy will [hit lower income earners](#) and unfairly discriminate against SMSFs.

“It’s an unjust policy proposal that gives a distinct advantage to large funds over SMSFs who comprise a third of the total super sector.

“We don’t believe Government policy should ever be used to reduce choice and that’s exactly what this policy does by discriminating against SMSFs.

“It’s difficult to reconcile why a member in the pension phase in an SMSF should miss out on receiving a refund of excess franking credits when that same member in a larger fund will continue to benefit from excess franking credits.

“We don’t accept the argument that individuals who pay no personal income tax should not receive a refund of excess franking credits. The simple fact is the retirement incomes of these individuals has been reduced by the tax paid on company earnings - whether the tax is levied on individuals directly or indirectly it’s still a tax that reduces the disposal income of investors.

“Refundable franking credits are an important feature of the dividend imputation system because they create tax neutrality and a level playing field – for example, by ensuring individuals on a zero-tax rate pay no tax.

“In other words, they ensure the system operates the way it should by imposing overall tax on distributed profits at the marginal tax rates of resident taxpayers.

“This is a fundamental tax principle that underpins Australia’s dividend imputation system. Changing this principle will have a profound knock-on effect on other investment markets and will create inequities and distortions beyond those which the removal of refundable franking credits claims to address.

“One such distortion will be the impact on individuals who choose to take more control over their retirement savings. SMSFs have a legitimate claim to be part of the superannuation system as they represent those who are fully engaged with their retirement savings”.

“Not only do SMSFs play a valuable role in allowing individuals the choice to exert more control over their retirement savings, they also provide more choice and a competitive dynamic in the superannuation sector,” said Mr Burgess.

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About SuperConcepts

SuperConcepts is a leading provider of self-managed superannuation fund (SMSF) administration, software and education services to SMSF trustees, accountants and financial advisers, servicing more than 11% of SMSF funds. SuperConcepts comprises a number of sub-brands including AMP SMSF, Ascend, Cavendish, MORE Super, Multiport, SMSF Managers, SuperConcepts, SuperIQ and superMate. Find out more at www.superconcepts.com.au.