

Labor has capitulated to pressure to exempt pensioners from its plan to end cash refunds for dividend imputation credits – a concession that would shave only A\$700 million off its large projected savings over the forward estimates.

The “pensioner guarantee” would mean more than 300,000 full and part-pensioners, and people on government allowances, would be excluded, as would 13,000 self-managed superannuation funds with at least one pensioner or allowance recipient before Wednesday this week.

The decision follows a government scare campaign and some sharp public reaction through the media. [Monday’s Newspann](#) found 50% were opposed when people were asked about Labor’s policy “to abolish franking credit cash refunds for retirees.” Only 33% were in favour. But Labor’s 53-47% two-party’s lead was not hit.

On figures costed by the Parliamentary Budget Office, the revised crackdown on cash refunds – currently paid when the person does not have taxable income against which to offset the dividend imputation - would save \$10.7 billion over the forward estimates and \$55.7 billion over a decade. This is \$700 million less over the forward estimates than before the exemption, and \$3.3 billion less over a decade.

Even with the revisions, the policy leaves Labor with a massive amount of money to offer income tax cuts and use for other purposes.

The opposition initially said it would not change its plan but would ensure pensioners were protected in other ways. It decided on the rework to deal with the reaction and when it became clear the exemption would be relatively cheap.

In a statement, Bill Shorten, shadow treasurer Chris Bowen and social services shadow minister Jenny Macklin said Labor knew pensioners were struggling with their cost of living. “That’s why Labor is making sure pensioners will still be able to access cash refunds from excess dividends imputation credits,” they said. “Labor has always protected pensioners – and we always will”.

If Labor wins the election the policy would start on July 1 2019.

According to PBO forecasts, in 2019-20 there would then be 45,000 full pensioners with franked shares, 232,000 on part-pensions, 29,000 people on allowances with shares, and 13,000 relevant self-managed funds. These are higher numbers than Labor used initially, which were based on ATO data for 2014-15.

Labor stressed that “the vast majority of working Australians do not receive cash refunds for excess imputation credits. Analysis from the PBO shows that 92% of taxpayers in Australia did not receive any cash refunds for excess imputation credits in their 2014-15 tax return.

“Recipients of cash refunds are typically wealthier retirees who aren’t paying income tax. These are people who typically own their own home and also have other tax-free superannuation assets, and don’t pay tax on their superannuation income,” the ALP statement said.

It said 80% of the present benefit accrued to the wealthiest 20% of retirees, and the top one percent of self-managed superannuation funds received an average cash refund of \$83,000.

The ALP accused the government of running a “dishonest scare campaign ... using ‘taxable income’ data to indicate that Labor’s policy was targeting people on very low incomes.” But a lot of income that retirees had was out of super funds and so tax free – meaning some people had low taxable income but high disposable income.

Labor gave the example of a self-funded retiree couple with a \$3.2 million super balance, a home, and \$200,000 in Australian shares outside their superannuation. After receiving annually \$130,000 in superannuation income, and \$15,000 in dividends, they would have a taxable income of only \$15,000 - but pay no income tax.

Treasurer Scott Morrison told Parliament that the Opposition’s policy “announced just two weeks ago ... has turned to custard in a matter of days.”

Pensioners would retain cash refunds on franked dividends under Labor backdown

Written by Michelle Grattan, Professorial Fellow, University of Canberra

Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.

Authors: Michelle Grattan, Professorial Fellow, University of Canberra

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