

15 March 2018

The Hon Bill Shorten MP  
Leader of the opposition  
Parliament House  
CANBERRA ACT 2600

Dear Mr Shorten

## **Dividend imputation credits**

SCOA Australia speak for some 300,000 ex Commonwealth public servants who are now or will be pensioners under the old defined benefit CSS and PSS Commonwealth superannuation schemes. On behalf of these superannuants, I wish to strongly object to the policy proposed by you.

Our constituency are not fat cat ex government employees. Their average pension is a partly indexed pension of less than \$30,000 pa, often this is for a couple. They were public servants at a time when government salaries were modest and when most public servants worked in the lower classifications. Yet due to government policy on both sides the Commonwealth does not pay superannuation contribution tax and as a result, these modest pensions are taxed.

The government effectively transferred their own tax ability to their ex-employees, for life.

Often with the 10% concession these pensioners pay very little income tax on their pensions. But because their pensions are fully taxed, unlike an income stream arrangement, any additional income such as dividends is immediately taxed. To further insult these pensioners they will now have added to their income the imputation credit, in effect an artificial income they never received but on which they will pay income tax.

Many of our members supplement their Commonwealth superannuation pension and their part age pension with investments in established companies such as the Commonwealth Bank and Telstra. Under your policy these members will lose the additional income they receive from franking credits. For example, if they receive a fully franked dividend of \$1,000 they currently receive a refund, from the ATO, of franking credits of \$428. The loss of \$428 is very significant to our low income members.

We believe this misguided policy was ill thought out and utterly without any consideration being given to the effect on this group surviving on very modest defined benefit pensions which are already fully taxed.

In addition, due to inadequate indexation since the 1990's, their pensions have been progressively eroded and they are already struggling. Most get a part age pension which of itself would indicate that as a group their financial condition is weak. This proposed policy is a further unjust imposition on a pensioner group least able to afford it.



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We ask that you please reconsider this proposal. Did the policy really intend to tax the imputation credit as income?

SCOA recommends that Commonwealth superannuation incomes below \$50,000 be exempt from your policy. Our constituency are not the taxpayers you should be targeting. Our defined benefit pensioners, who had no choice in their superannuation scheme, do not deserve to be targeted in this way.

I would be pleased to discuss this further with you should you find that helpful.

Thank you for your consideration.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Illidge', written in a cursive style.

Peter Illidge  
PRESIDENT



