

Australia's Future Tax System Review

I make the following submission regarding reports that the Review may be considering recommending changes to the regulation and/or taxing of Self Managed Super Funds and the removal or changes to the dividend imputation system.

Firstly, as a member of a SMSF, I am concerned at suggestions that proposed changes to the taxation or regulation of those Funds may force members to switch to retail managed funds with their attendant lack of personal control over one's investment portfolio and higher fees. I note in that regard to a reference by Brian Toohey at page 63 of the Weekend AFR of April 18-19 to a submission to the Review by the Associated Institute of Superannuation Trustees arguing that fees in retail funds are 0.75 % higher than justified.

In any event, I believe that the tax system should be supporting self-reliance in retirement savings and therefore supporting the choice and competition that SMSFs bring to Australia's superannuation system.

With respect to dividend imputation, there is no doubt that the current scheme supports investment in Australian companies. I believe a removal or change to the scheme would be unfair, unnecessary and a retrograde step. I refer in this regard to the final paragraph of an article by Barrie Dunstan at page 41 of the abovementioned AFR where he says that any such changes to dividend imputation would result in "a sharp increase in tax for most individual investors, a reduction in the income of self-funded retirees and a potential doubling of the rate of tax paid by the super funds managing the savings of virtually all the workforce".

Indeed, I am sure it would be recognised by many that the removal or reduction of the franking credits of dividend income provided by Australian companies would effectively undermine Treasurer Swan's directive excluding re-consideration by the Review of the Howard initiative which abolished all income tax on pensions paid by SMSFs and most other Super Funds to retirees.

I am only one of the hundreds of thousands of members of SMSFs and other retirees who rely on franked dividends and tax-free pensions who no doubt regard these issues as serious enough to affect our voting at the next Federal election.

Kennth T Allen