

## AUSTRALIA'S TAX SYSTEM REVIEW

We are writing to you because of our concerns with the direction being taken by "Australia's Future Tax System Review" and the possible harmful effects on our retirement savings.

We are alarmed at recent media reports by business commentator, Allan Kohler regarding the Review chaired by the Treasury Secretary, Ken Henry which is said to be considering plans to wind back or eliminate Australia's dividend imputation or franking credit system. This would have severe and negative impacts on share investments by Australians into Australian companies and negatively impact on all superannuation funds, especially self-funded superannuation funds due to their ability to maximise the usage of franking credits. The loss of franking credits which will reduce the amount of income to retirees will force many retirees onto social security and be a drain on Government finances.

It has been suggested that the winding back of the dividend imputation system would increase the tax revenue and so allow company tax to be reduced from 30% to 20% that may help promote investment in Australia by overseas companies and individuals which would be at the expense of Australian citizens.

Franking credits were introduced by a Labor Government to overcome the inequity of double taxation, but now under a Labor Government it appears that this inequity is about to be reinstated.

It also sends a message to our children and their generation that Governments cannot be trusted and that there is little point in saving through superannuation for retirement as the Government is constantly changing the rules.

As trustees of a self-managed superannuation fund we are of the opinion that the tax system should encourage self reliance in retirement and independence from social security.

We believe a decision against the continuation of franking credits would cause negative sentiments amongst self-managed super fund trustees and lead to a voter backlash at the next Federal election.

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