

The Chairman  
Australia's Future Tax System Review

Dear Sir,

It is with great concern that I hear reports that the Henry Tax Review is considering recommendations to amend the dividend imputation scheme.

My wife and I, as self funded retirees, rely on the dividend imputation scheme to assist in funding our retirement. We keep on hearing messages from Government that individuals should be self-reliant and take a greater responsibility for funding their retirement. Any change to the current system of dividend imputation would be a retrograde step and have a significant detrimental impact on our self-managed superannuation fund's earnings. Currently we are eligible for a part Service pension however we have not applied for this entitlement as we prefer to try and manage using our own resources.

The current scheme assists Australian companies in that the savings of investing retirees are largely directed to on-shore companies. Removal or reducing franking credits would lead to retirees directing their investment savings to greener pastures. This would have a negative impact on the value of Australian companies at the worst possible time as Australian companies are struggling to survive the global recession.

I can't believe that with all the acknowledged shortfalls of the current taxation system with its excessive amount of rules and regulations that the review team should set its sights on changing the dividend imputation system. Why doesn't the review team do something constructive such as reducing some of the red tape for small business, who are always complaining of excessive regulation?

In summary we consider that any reduction in franking credits would unfairly and unnecessarily undermine individuals who rely on imputation credits with those same individuals already under extreme pressure from reduced returns and capital losses from sharemarket investments. It would cause investors to withdraw from Australian equities and put their money in fixed interest investments causing a further drop in the Australian sharemarket.

Finally we consider this issue serious enough to affect our voting decision at the next Federal election.

Yours faithfully,  
Eva and Peter Barton  
[removed for privacy reasons]