

[removed for privacy reasons]
28th April 2009

Dr Ken Henry
Secretary, Australian Treasury
Langton Crescent
Parkes ACT 2600

Dear Dr Henry,

Australia's Future Tax System Review – Proposal to change the rules applying to dividend imputation

It has been reported in media in this country that the Rudd labor government is looking at the abolition to the dividend imputation system as an outcome of the review of Australia's tax system which you are overseeing.

The outcome of dividend imputation has been to remove the iniquitous regime of double taxation such that investors receive an imputation credit for the tax paid by the corporation they own through their shareholdings. In this respect the income earned by the company is shareholder income and not two separate streams both subject to the same levels of taxation.

Consequently, many Australians have invested to fund their retirement income according to the rules established following the introduction of dividend imputation over 20 years ago. As a middle income wage earner, I have worked for in excess of [removed for privacy reasons] years and put away savings each week since the age of 17 yrs. I am currently still working [removed for privacy reasons] years past my official retirement age, mostly 7 days a week which includes 2 days employed plus operating a small Private Lactation Consultancy business all 7 days. I have made investment decisions and added to my superannuation on the basis of the income streams available from dividends and dividend imputation credits.

Should the Rudd labor government abolish dividend imputation under the auspices of the Henry review of Australia's tax system it will be ruinous to the investment decisions of countless Australians (made under the taxation laws available over the past two decades) and ruinous to the living wage they have sought to create such that they will not be dependent upon the pension.

In the main, politicians such as yourself and public servants will be shielded to the extent that they have indexed pensions and superannuation schemes.

What is perhaps more troubling is that this proposal comes on top of the level of debt the Rudd labor government is consigning to Australians. Given the constraints the repayment of this debt will place on the citizens of this country in coming years, the Rudd labor government can ill afford to destroy the self funded retirement incomes of many Australians through the abolition of dividend imputation only to have them become dependent on a pension at a time when most of Australia's earnings will be used to service debt and interest payments.

I urge you to resist any recommendation to abolish dividend imputation.

Yours sincerely,
Janette Brooke