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[removed for privacy reasons]

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Australian Future Tax System - Tax Review
DIVIDEND IMPUTATION

I am a self funded retiree and have managed my wife's and my SMSF successfully since April 1997, when I retired.

The following submission (with minor alterations by me) has already been made by a colleague of mine, and I wholeheartedly endorse and support his remarks.

It appears that the elimination of Dividend Imputation is being actively considered. In evaluating this, I suggest that the following factors need to be taken into account if unintended but highly damaging consequences are to be avoided.

1. Dividend Imputation has been actively promoted by Governments of both political parties as a means of encouraging savings through investments in Australian companies.
2. This benefits Australian Companies through increasing share prices; increasing their ability to raise capital, and thereby strengthening the opportunities to employ local residents in jobs in Australia. A net benefit is provided to the Australian domestic economy rather than to the economy of another country.
3. This has been very successful, and has led to investment in Companies that pay Franked Dividends being widely recommended by financial advisers, and being widely accepted by retail and institutional investors.
4. Retirement plan calculations include Dividend Imputation as a significant, even critical, assumption in most/many plan structures. It is wrong logically and ethically to now change the rules, once such plans have been implemented by retirees who have acted in good faith that the rules will not be changed to their detriment.
5. Given these demonstrable facts, elimination of Dividend Imputation at any time will lead to an immediate reduction in retiree income in particular of up to 30%. Under the present and impending economic circumstances, capital losses of perhaps 50% can be expected. If ordinary dividends follow this path, and Dividend Imputation is also eliminated, **retirees can face income reductions of the order of 65%**.
This would be devastating to the planned and ongoing retirement living standards of many retirees.
It is noted that the Government has already recognised this capital loss potential by reducing the compulsory superannuation pension annual withdrawal by 50% temporarily for this financial year.
6. This affects a wide spectrum of the Australian saving population, and in particular retirees and partners who are relying on these dividends to fund their retirement through to death.
7. Reductions of this magnitude will force some retirees on to the government pension, while others who are better placed will have to drastically reduce their expenditures and living standards, and many will likely outlive their reduced superannuation assets.
8. Retirees are particularly vulnerable as, unlike those of working age, they have no way of compensating for losses other than as outlined in the preceding paragraph.

9. As the consequences of such devastation become apparent, a massive loss of faith in the Government's integrity and the credibility of the superannuation system can be expected.

Yours faithfully,

Graham Chatto