Dear Dr Henry

I would ask that you refrain from changing the Australian company tax imputation credit system in a way that disadvantages local investors.

We are self-funded retirees. When my partner retired two years ago, and on the death of my mother, we invested a substantial sum in the share market through a self managed super fund, as encouraged by the government of the day. We took the decision to concentrate on the share market because of the combined tax advantages of the imputation credits system and the SMSF structure more generally. We incurred substantial capital gains tax in establishing the fund, and have dutifully paid the 15% tax on contributions to the fund since, in the expectation that those advantages will continue. We have complied with all the tax and other requirements in relation to the fund. Our view was a long term one – we were trying to establish a structure that would fund us into our old age.

Obviously, the value of our fund has now diminished by close to 50%, due to the global financial crisis. We have realized losses, as well as a diminished earning capacity. It will take years and considerable financial restraint to rebuild the balance.

We are not complaining about impact of the vagaries of the market – markets rise and fall. However, if the imputation credits are removed tem, one of the substantial benefits of the system set up by government, which has cost us (and others) a lot in capital gains tax to participate in, will be removed.

It may well be that the tax benefits given to self funded retirees under the new system were too generous. If that is now Treasury’s view, presumably there are other ways of limiting the impact on revenue that would not make the share market less attractive for mug punters like me to invest in, in these times of shortage of capital.

Yours sincerely

SA Clarke
[removed for privacy reasons]