

Dear Sir / Madam,

I recently heard in the News that the Henry Tax Review Panel was considering the discontinuation of the Imputation Credit System available to investors in Australian shares, as an offset for lowering the company income tax rate, currently levied at 30%.

I hope the Review Panel will take this issue very seriously and consider all implications that could flow from the implementation of such a measure. Briefly, I am concerned with the following:

(1) From the Shareholders perspective, particularly the self funded retirees relying on those franking credits for paying most if not all of their tax liability, the unavailability of the imputation credits would translate into a financial disaster.

(2) In the past year or so, we have witnessed the collapse of Equity Markets all around the world, including the ASX. It is true that the imputation franking system is almost a unique feature enjoyed in Australia and not available in most other countries. However, Shareholders in Australia have been enjoying this concession for the past 22 years and the imputation system has since become a prime consideration when making financial and investment decisions.

(3) For fully franked dividends, the unavailability of the franking credits would lower Stock Market returns by a massive 30% (excluding capital growth or depreciation). Partly franked dividends would also be adversely affected. This would have a very severe impact on the financial performance of Superannuation Funds, which will ultimately affect most Australian people and exponentially increase the Government's spending on social welfare.

(4) In view of the above, it is likely that Fund Managers would shift massive amounts of moneys to overseas opportunities, which would contribute to further deterioration of financial returns on local investments.

I truly believe that if the Imputation Credit system is discontinued, the implications for investors in the Australian Stock Market will be as severe as that caused by the financial crisis that we are currently experiencing.

Stefan Raicu
[removed for privacy reasons]