

I have read in various financial pages the possibility that the Henry Tax Review is considering recommendations to remove or change the dividend imputation scheme.

### **Dividend imputation**

1. the argument that other countries do not have dividend imputation, other than New Zealand, is no argument to remove what has been a very effective system for getting people to invest in Australian companies that provide fully franked dividends.
2. The removal of dividend imputation would severely affect the income of retirees who depend on the continued flow of franked dividends.
3. The argument that lowering the company tax to 20% or less would promote foreign investment in Australian companies is a fallacious nonsensical argument. I did not vote for the ALP to see major companies, such as RIO, Fortescue, being sold off to the Chinese. The wholesale sell off of coal seam gas generators to overseas companies is a future disaster for Australia. Rex Connors, of the Whitlam government, was on the right track in trying to buy back the farm. I cannot believe that an ALP government is allowing the sale of all our energy companies to foreigners who will have no interest in getting the right price for their mine output. Australia should be selling the proceeds of the mines, not the mining companies themselves. The World is running out of oil and hence gas is the next item that China and big Oil companies are looking for. It is the most short-sighted and stupid decision of their government to let all and sundry buy out Australian mining companies - it will back to haunt you.
4. Any change in the dividend imputation system that has been a cornerstone of investing for the past 20 years, would unfairly and unnecessarily undermine the living standards of retirees who rely on imputation.
5. The returns of superfunds would drop and the investment in Australian companies would be less inviting - money would therefore flow of Australia seeking better returns overseas.
6. My wife and I both run our own Self-Managed Superfunds. These are supposed to be a fundamental plank for future retirees and a help to reduce the reliance on the Aged Pension. The loss of income from scrapping the Dividend Imputation system would be a detrimental step on thousands of retirees and future retirees, whether they use SMSFs or invest in Australian managed funds that rely heavily on franking credits for their returns.
7. Should the dividend imputation system be significantly altered in such a way as to adversely affect retirees, I imagine there will be a backlash at the next election.

### **Howard and Costello taxation and superannuation blunders**

8. What needs to be done is to undo the profligate waste of money by John Howard and Peter Costello in providing massive subsidies to rich retirees in the form of "non-taxable non-declarable" income which gives access to the senior health card and also no payment of medicare or medicare surcharge because their "income" from a SMSF is non-declarable non-taxable. I should point out that both myself and my wife benefit to a small extent from the non-taxable SMSF income. I would rather see the money spent on research, hospitals and aged care facilities for those that need them rather than given directly to us.
9. Howard and Costello squandered the resource boom tax revenue on upper and middle class welfare for people who didn't need it - that tax revenue will not suddenly re-appear in the near future with the World economic downturn. Instead of squandering all the tax revenue in this manner, the money should have been put into the Future Fund and we would now have a massive

surplus with which to ride out the economic mess the World is in. In large part this was due to tax policies by USA and UK governments to promote growth by debt - debt is not growth it is just a future liability to be repaid by our children. In contrast to Australia and the UK, Norway with its massive income from North Sea oil put most of it into their Sovereign Wealth Fund which is now about the 3rd largest in the World. UK on the other hand did what Australia did, handed out the money as tax refunds and assistance to housing thus generating a big housing boom which has since bust (in the UK).

### **Superannuation reform yet again.**

10. As Alan Kohler points out, hindsight is a wonderful thing. Australia's 9 per cent superannuation guarantee should have been a tax. Instead of forcing employers to hand over 9 per cent of all salaries to be invested and lost by anything calling itself a super fund – sometimes managed by smart, careful people, and sometimes by reckless idiots – that money should have been simply collected by the ATO and given to a forerunner of the Future Fund. Australia would now have a \$1 trillion sovereign wealth fund – the largest in the world – and really would be sitting pretty, not just saying it. That fund could have been used to generate pensions on the basis of the amount invested by each individual and the returns of the fund but without all the hassles of financial planners and other dubious merchants trying to make a buck.

In 1992, when the superannuation guarantee was introduced, it seemed like a good idea at a time to privatise future pensions, as government management of anything was derided. But insufficient care was taken in regulating what was done with the money and so a lot of it was wasted on **fees or lost on poor investments**.

A superannuation tax would have felt the same to employers, and employees but it would not have led to the excesses in wealth management companies, financial planning fees, complex financial structures such as CDOs, that occurred, or the unsustainable boom in share prices that has since burst. Superannuation is now an unmitigated disaster after so many changes since 1992.

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