

Dear Chairman of the Taxation Review Committee

We must keep this system, in the interests of Australian investments, superannuation funds, and fairness.

Our American friends must suffer the iniquitous *double taxation of dividends*. I.e. the company pays tax on profits, and dividends are distributed after that to taxpayers. But then, the taxpayer is taxed on that too, and at his highest marginal rate. Yet the taxpayer in effect is a part owner of the company so has *already* paid tax on that, hence he is taxed *twice*. So it's in everyone's interest that more money is put back into the company rather than paid out as dividends, since capital gains are taxed more favorably. This encourages more speculative investments.

Our system (and that of NZ) is much fairer, since the company tax already paid is credited (imputed) to the taxpayer's account, so the taxpayer/part company owner is not taxed twice. Thus there is an incentive to pay out more profits to shareholders in the form of dividends here.

Dividend imputation is hardly a difficult system; the ATO's e-tax makes it very simple, and even simpler now when the dividends and franking credits are downloaded automatically.

While the system might be demonized as a tax shelter for the rich, the biggest owners of shares are the superannuation funds holding money for ordinary Australians.

Regards

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