

I am writing as a self-funded retiree to express my alarm at media reports concerning the Future Tax System Review.

Specifically, I am deeply concerned about reported proposals to wind back or eliminate Australia's dividend imputation arrangements. The reports suggest that imputation will be abolished or severely curtailed in order to provide revenue for the reduction of company tax from 30% to 20%.

Such a move would savagely impact superannuation funds and especially self-managed funds of the kind that I use for my retirement savings. It would produce a major reduction in my income. And this at a time when retirees are already under severe financial stress from the global financial crisis.

In building funds over many years for our retirement, my wife and I have been mindful of our responsibility to provide for ourselves by serious saving via the superannuation system. We make no call on the state pension system. Implicit in our strategies has been an assumption that there existed between government and citizens a pact under which, if ordinary people committed themselves to the superannuation system to minimise calls on the public purse, the plans they have put in place would be respected and free from capricious, unforeseen changes that might seriously disadvantage them. The current rumours about abolition of imputation suggest this pact either never existed or has now been cynically abandoned. In this regard, it will be of no benefit to retirees if undertakings not to increase taxation of retirement income are apparently honoured yet are accompanied by other policies that have the effect of reducing those incomes by more than a tax increase would have done. This would be nothing but sleight of hand - the sort of action that lies at the heart of contemporary declining regard for politics and politicians.

As far as I can tell, the supposed justification for this proposal lies in a desire to attract foreign investors. If this has any merit, it seems to me that a concomitant disincentive for Australians to invest in Australian companies would be likely to cancel out any such benefit. In my view, we would be left with a policy whose principal outcome would be a strong incentive for employees to incorporate in order to reduce the income tax they would otherwise pay. At the same time, ordinary Australians would see their retirement incomes seriously diminished in what are already very challenging times. It is axiomatic that this would represent an inequitable outcome.

I believe this proposal is poor policy and shocking politics. I would regard such an outcome as a fundamental breach of faith with older Australians who have taken seriously the many calls for self-reliance in retirement.

I call on the Review to reject the proposal.

Phil Teece

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