Ian Thackeray
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29 April 2009

AFTS Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Secretariat

I would like to make the following submission to the review on the issue of the taxation of interest on savings.

Australia's individual or household savings levels are, like many western countries, at historical lows.

This sits at odds with macro policies being developed in Australia and around the world.

Governments have recognised both the benefits and needs for savings, for putting money away for a 'rainy day'. The surpluses of boom times have been utilised to create pools of money, such as the Future Fund and the Infrastructure Fund, to deal with future problems.

Apparently, Australian governments do not expect individuals and households to take a similar approach because the taxing of interest on savings is a decided disincentive to save.

After 15 years of a booming economy with real wealth growing for most Australians, almost none have put money aside for the difficult times that were almost certain to arrive.

And now that they have arrived, it is the government that is expected, in the first instance, to bail people out because so many have not established their own reserves. Anecdotal evidence indicates that a large number of households will use the government's cash stimulation package to pay off debt.

This turns the economic cycle upside down. When times are good, some proportion of household income should be 'squirreled away' to use when times are bad, thus helping to stimulate the economy at the right time. Instead during the good times households put nothing away and now, in the bad times, they use government to save (by paying off debt).

In a rich and developed country such as Australia, people of middle and above income should be encouraged to save for bad times and not to depend on governments to bail them out.

Taxing the interest on savings is inefficient and bad policy and should be removed.

Yours sincerely

Ian Thackeray