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**Trustee
Corporations
Association
of Australia**

30 April 2009

AFTS Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir / Madam

Australia's Future Tax System Review

The Trustee Corporations Association is the peak representative body for the statutory trustee corporations industry in Australia.

Our 17 member organisations comprise all 8 regional Public Trustees and most of the 10 private trustee corporations.

We would like to offer comments on one particular matter raised in the AFTS discussion paper, ie: imputation credits.

Background

Statutory trustee corporations, established and regulated under specific legislation, have been prudently managing Australians' financial and personal affairs since the late 1800s.

TCA members provide a comprehensive range of services to millions of individual, family, and corporate clients, involving the administration / management of about \$520 billion of assets.

As part of their long history, they have had a significant involvement in the philanthropic sector.

TCA members currently act as trustee (or co-trustee) for over 2,000 charitable trusts and foundations with aggregate assets of about \$4 billion.

ANZ Trustees

**Australian Executor
Trustees**

Elders Trustees

Equity Trustees

**National Australia
Trustees**

Perpetual

**Public Trustee for the
Australian Capital
Territory**

**Public Trustee
New South Wales**

**Public Trustee for the
Northern Territory**

**The Public Trustee of
Queensland**

**Public Trustee
South Australia**

**The Public Trustee
Tasmania**

**Public Trustee
Western Australia**

Sandhurst Trustees

**State Trustees
Victoria**

**Tasmanian Perpetual
Trustees**

Trust

In 2006/07, they distributed about \$280 million to charitable causes from those trusts and foundations or directly from deceased estates they administered.

Comments

When managing charitable trusts, our members are required to develop an appropriate investment strategy for each trust, generally with the objective of maintaining or growing a corpus of assets which can generate distributable income in perpetuity.

That process involves giving close attention to tax-related matters such as maximising franking credit entitlements, which are often an important source of income for those trusts.

We note suggestions that imputation should be abolished, but do not believe that a compelling case for such action has been made.

The imputation system is a well understood method of avoiding the double taxation of company profits.

We are not in a position to comment on the accuracy of claims that abolishing dividend imputation would save \$20 billion per year and allow a reduction in Australia's corporate tax rate from 30% to 19%.

Nor can we comment on the suggestion that such a drop in the tax rate would boost foreign direct investment in Australia by about 25%, with the resulting rise in share prices more than compensating Australian investors for their foregone imputation credits.

However, it is important to recognise that a reduction in the corporate tax rate would not benefit charitable trusts or charities which have income tax exempt status.

We believe that, if the imputation system were to be abolished, the Government should consider introducing alternative means of relieving the double taxation of resident shareholders.

Yours sincerely

A handwritten signature in black ink, appearing to read "Ross Ellis".

Ross Ellis
Executive Director