I am a recently retired senior executive and President of an American company's, Asia, Pacific region operations – for 16 years. My wife and I commenced a SMSF in 1992/3. Recent media reports suggest that serious consideration is being given to winding back or ending completely, Australia's dividend imputation (franking credit) system.

I most fervently believe that were this to happen, the purpose being to fund a reduction in company tax from 30% to 20% making Australia more attractive for investment by foreign corporations, it would be a serious retrograde event. I have learnt by experience in business over 42 years that for every reaction there is inevitably a counter reaction.

1. Retirees and those considering retirement would be most severely and unfairly impacted by the demise of the dividend imputation scheme. At this time you will be aware that retirees have been badly burnt as a consequence of the Global Financial Crisis where Superannuation investments have declined in value and dividends have been cut if not suspended altogether (in the case of certain property investments).
2. Retirees together with their financial advisors, in the event of the demise of the dividend imputation scheme, would undoubtedly begin researching alternative investment strategies. Pulling back from investments in Australian companies would be counter productive especially when it is generally acknowledged that Australia's Superannuation system has been one of the most important corner stones of our financial system, mitigating the impact of the Global Financial Crisis on the Australian economy.
3. The tax system should continue to support self reliance in retirement savings and with it choice and competition that SMSF's bring to Australia's Superannuation system.
4. I would venture that most SMSF's strategy is to invest more than 90% of assets in Australian Companies. If the Henry Tax Review goes down the path of eliminating the dividend imputation scheme, it will further negatively impact and devalue Australian companies when more investment will go offshore. The Henry Tax Review should seek 'WIN-WIN' strategies rather than 'WIN-LOSE'.
5. Company tax at 30% may well be uncompetitive versus other nation's tax regimes, however tax is not the only issue considered by foreign companies when developing business cases for global expansion and investment. The US Company that I led in the Asia Pacific region, whilst placing importance on the tax issue, considered the cost of manufacturing and distribution and a stable work place environment first priorities.
6. Peoples Republic of China investment strategies designed to attract foreign investment should be very closely studied in the Henry Tax Review. Our company set up a major multimillion dollar manufacturing facility within the Suzhou Industrial Park (25 kilometres from a company marina at Taihu Lake, which I initiated). Not only does the company and its share holders now benefit from low manufacturing costs and a stable, highly productive work environment, it is also 'close to market' in terms of distribution costs with Asia and exports back to the major North American market in mind. (Shipping costs out of China are most attractive when compared with other routes). Most importantly attractive tax benefits are in place for companies which export China manufactured product.

In conclusion, simply reducing company tax at the expense of Australian investors in Australian companies in an attempt to lure foreign investment is misguided to say the least.

Yours faithfully,

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Trustee NBRF