

[removed for privacy reasons]

19 March 2009

Retirement Income System

I am disturbed to read that the removal of franking credits is being considered by a government appointed committee. Paul Keating introduced franking credits to remove double taxation of company profits and at the same time introduced taxation of superannuation fund income. The tradeoff was claimed to keep superannuation attractive in spite of applying a new tax to it, by removing the double taxation of dividend income.

Removing franking credits would severely affect the financial position of many people who rely on superannuation for their retirement and would be a betrayal of trust by a government of the same party as the one which introduced it.

On a more personal note, franking credits in 2007/08 represented 22% of my total SMSF income. If this is the case for most self-managed funds, it may not be long before a large number of superannuants will be seeking government pension support, particularly if dividends rates fall and franking credits are cancelled or reduced.

I trust the Henry Review will take this into account and continue the current system of franking credits.

Yours sincerely,
John de la Rue