

I view with growing concern the direction and focus of the current review into Australia's Future Tax System being chaired by Treasury Secretary Ken Henry. I find the suggestion by some business commentators that the review is considering winding back the current dividend imputation scheme in order to reduce the company tax rate from 30 to 20 percent to be a retrograde step and business centric in its focus. It ignores the original intention of dividend imputation of producing a more equitable system of taxation than was previously in place where individuals were taxed on their employment income and then taxed again fully on their investment income.

It also does not adequately consider that dividend imputation has been the foundation for many small investors investing for retirement. It has been a real incentive for investors to invest in Australian companies particularly self funded retirees who rely on dividend income. This has resulted in greater self-reliance and an increased ability to manage their own financial affairs without the need to be propped up by the tax payer in the form of age pensions. I think this is an important aspect that should be considered by the Review in view of Australia's rapidly ageing population and the need to fund additional pension liabilities.