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Tax review should retain dividend imputation

Australian investors overwhelmingly support the retention of dividend franking credits in the tax system, urging the Henry Review to focus on other areas of reform.

Australian Investors' Association president Mr Jolyon Forsyth said 97% of AIA members surveyed disagreed or strongly disagreed with the removal of dividend imputation as part of the review of Australia's taxation system by Treasury Secretary Ken Henry.

"In recent days, Federal Treasurer Wayne Swan has publicly supported the retention of dividend imputation as a 'very worthwhile initiative'. It is a view held by the majority of AIA members," Mr Forsyth said.

Under dividend imputation system shareholders are given a tax credit for the amount of tax paid on the dividend the shareholder receives.

"In recent months, investors have seen speculation that dividend imputation would be traded-off for lower company tax rates. Dividend imputation makes Australian shares attractive for investors and now is not a time to undermine investor confidence in home grown shares," Mr Forsyth said.

Mr Forsyth said AIA was finalising its submission to the Henry Review urging a change of focus to other areas of reform. For example AIA members favoured the establishment of an independent board to oversee the Australian Taxation Office and the introduction of long-term government investment bonds, with returns linked to inflation. However, they opposed any recommendation removing tax-free superannuation payments for the over-60s, increasing the rate of the GST or increasing the age for accessing the age pension or superannuation.