

The Director,
Corporate Tax Policy Unit Treasury,
Langton Cres,
Parkes ACT 2600.

Dear Director,

Thank you for the opportunity to submit a response to the consultation on the proposed legislation relating to Franked Distributions and Capital Raising. We object to the proposed legislation changes.

We believe the draft legislation is inequitable to Australian companies and shareholders and it could inadvertently impact situations of legitimate company operations.

The draft legislation fails to recognise the fundamental principle underlying the franking regime and the reason for its creation, the avoidance of double taxation on company earnings.

The Franked Distribution and Capital Raising draft legislation, if widely applied, will lead to the demise of the franking system. It will stop Australian companies who issue new shares under a Dividend Reinvestment Plan (DRP) from paying franked dividends and significantly increase the cost of capital for all franked dividend paying Australian companies. It will also risk the stability and integrity of the Australian banking system by inhibiting effective capital raising during challenging economic periods such as the start of the coronavirus pandemic.

We are not prone to writing to either a Parliamentarian or a Parliamentary Committee but we feel strongly about this issue: namely a proposal to amend the way in which the Australian Taxation Office will handle franked distribution and capital raising.

At the outset, we offer a little of our family history. We come from stable, low socio-economic backgrounds with neither inheritance nor parental financial support. We established and operated our moderately successful business and have retired. We worked long hours and saved for our future.

We are now retired, self-funded superannuants. We hold, between us, one Queensland Seniors Card, for which we are most grateful. It offers some discounts, for instance car registration and public transport fares. However, apart from a federal government rebate on private health insurance premium, we receive little federal government assistance. We are not complaining: for several reasons, neither of us wanted to retire on social services.

We planned for retirement with strategies that were within and outside of superannuation. We are not wealthy but live modestly and comfortably. We are concerned particularly about unintended consequences and the respective nature of this proposal.

Yours sincerely,
Harry and Gail Akers.