

Director Corporate Tax Policy Unit Treasury

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.

If passed, its application would also unfairly burden Australian investors with retrospective tax debts, to be paid at a time of economic uncertainty.

We are retired and relying on our SMSF for income. We saved hard to establish this SMSF and frankly, were induced to do so by the tax treatment of super funds, especially once in income / pension phase, which is supposed to be tax free in return for reducing, or in our case negating entirely, our reliance on the Government for an age pension and other benefits that go with it. We feel that the proposed changes is way to "back door" the elimination of Franking credits policy that was resoundingly rejected by the electorate in 2019. If someone, or an entity is supposed to have zero tax liability then the taking away the recording of the tax that companies of which they are part owner pay on their behalf, ie., the franking credit, is is extremely prejudicial and inequitable.

To be clear we OBJECT IN THE STRONGEST POSSIBLE TERMS to this policy and any other like it.

Please keep us informed about your intentions in this regards and contact us if you feel necessary.

Neil Hampton & Elizabeth Anstis