

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.

I object to the proposed legislation changes.

I 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.

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 managing cash flow 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.

If passed, its application would also unfairly burden Australian investors with retrospective tax debts. It is totally unfair and inappropriate for ANY legislation to be retrospectively applied and I goes against the concept of natural justice. As has been shown in the past the Australian Public will NEVER accept Retrospective Legislation in any form on any aspects of the Law. (It would be political suicide.)

I am a self funded Retiree who depends on my Superannuation to provide an income including franking credits, but ALL Australians will be affected by this proposed legislation through their personal and Super investments. DRP's provide a means of compounding returns on investments to provide capital growth and Franking Dividends prevent double taxation of company profits. Tax in excess of the Corporate tax rate is still paid on dividends after deducting the franking credit.

If there are instances of true tax avoidance (as distinct from tax minimisation) through manipulating the current legislation these should be addressed specifically and not use poorly drafted broad legislation which will be open to too much interpretation and subject to arbitrary decisions by officials deciding what is appropriate in the running of a business and a company's Capital and Cash Flow Management.

While I appreciate Treasury is trying to deal with situations involving tax avoidance and franked dividend distributions, the proposed legislation, as drafted, will fundamentally change the nature of

how Australian companies manage their capital, increase their cost of capital and negatively impact all individual Australian shareholders.

Yours sincerely,

Russell Bingham