

5 October 2022

**Director
Corporate Tax Policy Unit
Treasury
Langton Cres
Parkes ACT 2600**

By email: frankeddistconsult@treasury.gov.au

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 strongly 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 recognize the fundamental principle underlying the franking regime and the reason for its creation, that is 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.

The proposed legislation would burden tens of thousands of Australian shareholders who have planned or are planning their retirement, placing stress on individuals and on the Australian pension system

The dividend imputation system has not fundamentally changed for over 20 years and implementing change now, and retrospectively, on people who are already retired and, in many cases, cannot return to work, will burden individuals, their families and in turn the economy, all of which will face economic uncertainty.

The concept of any retrospective legislation verges on criminality. I note the retrospective application to 19 December 2016 would unfairly prejudice franked dividends paid out to shareholders of Australian companies and leave them with unexpected tax bills for dividends they have since received, to be paid at a time of economic uncertainty. This is particularly concerning for those who rely on fully franked dividends as income. This is yet again an attack on the retirement plans of all Australians. Superannuation and retirement income portfolios need to be kept away from petty tinkering by zealous government officials and politicians. One must be able to retire with certainty of future income. In this instance the rewards to Treasury's coffers are inconsequential compared with the pain and grief which will be suffered by retirees.

The draft legislation appears to inadvertently target situations of legitimate company operation making it difficult to form a conclusive judgement as to the legitimacy of historical and future payments of fully franked dividends by Australian companies.

Tax laws should not be allowed to change retrospectively when Australians have budgeted for and paid their lawful tax assessment based on existing tax law in place.

Please contact me by letter as below if you have any questions or comments on the above submission.

Yours sincerely,

R J F Bowen