

Director
Corporate Tax Policy Unit
Treasury
Langton Cres
Parkes ACT 2600
5/10/2022
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 as 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, being, the avoidance of double taxation on company earnings. I am a self-funded retiree who is also a shareholder and a member of a Superannuation fund. Both financial "instruments" support my lifestyle, independent of Government support; I do not have an age pension, for example. If the dividends received will no longer be franked that will impact the income from my shareholdings and my superannuation pension.

I have been able to take advantage of the current reduction of the compulsory superannuation pension payment which in turn has helped to support increased growth (when the market is buoyant) in my Superannuation account. This may not be the case should this draft legislation come into effect and that it is to be retrospective has the potential to create an abundance of issues. Instead of being able to maintain my income and meet rising costs I could be much worse off and become dependent on Government support.

To pay a tax bill accumulating from 2016 will not only cause hardship it will also have a flow on effect. Currently I have a comfortable lifestyle which enables me to support local businesses and charities with my discretionary spending; a reduced income will only support services essential to my daily needs. My concern too is as an investor, in Australian Companies, these proposed changes could impact the profitability of my investments, the loss of franking credits will bring down the yields I currently enjoy and the companies themselves could suffer from reduced flexibility in their capital management. I reinvest some of my franked dividends to keep up with the cost of living; therefore, Dividend Reinvestment Plans are another area of great concern to me and those I know who are in a similar position.

In conclusion, the proposed legislation, as drafted, will fundamentally change the nature of how Australian companies manage their capital and negatively impact on Australian shareholders and I believe will also have a negative flow on effect on the Australian economy in general.

Yours Sincerely,
Carmela Bush