

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. [I/we] object to the proposed legislation changes. [I/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.

A further issue arises from the proposal which has already been in evidence viz the liquidity and market values of the Hybrid instruments being adversely affected by the restriction upon non high net worth individuals like myself who has been investing in major banks' Hybrids on issue or on market for a reliable liquid asset to hold in our SMSF enhancing yield for individuals who have saved and contributed to their own retirement rather than rely on Centrelink and Social Services Pensions at taxpayers expense.

The government of the day should be encouraging individuals not to depend on taxpayers, or punish those who worked and paid tax all their lives by imposing additional taxes on their own savings(super Funds) into their 80s and beyond.

John & Marcia Byrne