

Director
Corporate Tax Policy Unit - Treasury
Langton Cres
Parkes ACT 2600
By email: frankeddistconsult@treasury.gov.au

Dear Director

I object to the proposed legislation changes relating to Franked Distributions and Capital Raising.

My wife and I run a self-managed superannuation fund. Our fund invests in Australian shares and our retirement income depends on dividends and franking credits from those shares.

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.

The Government must consider the interests of and impact of legislation upon self-funded retirees. If the proposed changes, directly or indirectly, reduce franking credits and the retirement income of self-funded retirees, this would increase retiree dependence on government pensions.

The proposed legislation changes the nature of how Australian companies manage their capital, increases the cost of capital and negatively impacts Australian shareholders. Alarming and unfairly, its application would impose retrospective tax debts, backdated to December 2016.

Undermining the standard of living of Australian retirees and creating more dependence on taxpayer funded retirement is not the intention or in the interests of the Government. Any legislation having this effect is flawed and must be modified or abandoned.

I support the submission made by Wilson Asset Management opposing these legislative changes. I am concerned to see comments in the media from business leaders about these changes. These views must be taken into account. Unintended consequences of legislation must be avoided.

Dividends and franking credits are of critical importance to self-funded retirees. Treasury and Government should assist, rather than undermine, the aspirations of Australian retirees to self-manage their own retirement savings and to maintain their own financial self-sufficiency.

Yours sincerely

Alan Brooke
Brooke Superannuation Fund