

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.

We strongly object to the proposed legislation changes.

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.

If passed, its application would also unfairly burden Australian investors, including us, with retrospective tax debts, to be paid at a time of economic uncertainty.

We have previously transferred investment funds, largely in the form of investment in Australian company shares into superannuation, on the understanding that most of the companies in which we have invested would be able to issue share dividends inclusive of franking credits to avoid double taxation.

This created our expectation that we would be able to enhance our ability to accumulate a superannuation asset to secure our financial requirements for retirement without having to call on any government pension support.

Yours sincerely,

Murray & Marie Browne