

The Director,  
Corporate Taxation Policy division,  
The Treasury,  
Leighton Crescent,  
Parkes,  
The Australian Capital Territory, 2600

Dear Madam or Sir,

I am writing to submit a response to the proposed legislation in relation to Franking Distributions and Capital Raising.

I strongly object to the proposed changes to the Franking Legislation.

The franking structure is a foundation to the savings system in Australia thus avoiding the double taxing of dividends.

In the past some cases of double taxing of dividends resulted in 95 cents in the dollar taxed on top tax payers leaving little to reinvest and boost the capital base of companies.

As an experienced asset manager I am always mindful of the investment climate and level of financial confidence in the Australian financial market ; the proposed changes will negatively impact on this scene.

In current portfolios I have adopted the dividend reinvestment strategy on some stocks thus availing the powerful avenue of compounding thus efficiently strengthening the investment over time.

The proposed changes places this DRP strategy at great risk and create unnecessary uncertainty ; further the issuer will be faced with a higher cost of funds and equity capital.

In these circumstances companies would be not be issuing new shares under a DRP from franked dividends thus an important capital raising strategy is lost.

Other aspects impacted by the proposed legislation include the retrospective nature which means that strategies in place based on relative certainty are eliminated.

The action negatively impacts on the investment climate effecting both the issuer and the investing public, trade union and self-managed superannuation funds, and institutions alike. No doubt the growing retiree investors will be troubled by such a move and worried about the threat to their incomes.

Capital management is a fundamental tool of a successful corporate finance strategy and the proposal would severally constrain financing options.

One of the most concerning aspects is not to know the intended and non-intended consequences of such Legislation; a potential cash blowback on the public investor and

companies alike.

In summary I am concerned that the proposed Legislation would be such a negative impact on the operations of our capital market , the efficiency of capital raising and investor confidence.

Yours faithfully,

John S Chambers,

B. Com [ Melb ] MBA [Melb] CA, F Fin

Formerly a Member of the Melbourne and Australian Stock Exchanges,

Former Partner and Group Board Director Potter Warburg ; Managing Director Daiwa Securities Australia Ltd,

Former Chairman of The Authorized Dealers Association,

Currently Chairman, Brodie Cresswell & Walton Pty Ltd , Family Office Asset Manager.