

Sirs,

I object to the nonsensical proposed amendment.

The argument is logically flawed.

It will lead to arguments and court cases over the attribution of the source of funds for a dividend.

It will also discourage prudence in retaining profits. Or put another way the government through the proposed measure seeks to penalise prudence and exploit it for treasury gain.

Example company A makes a \$1m profit and pays tax so gets the franking credit. It distributes the entire profit as an interim dividend and is able to pass on 100% of FR CR's. It later needs equipment and issues 500k in new shares to fund this without any tax consequences for anyone.

Company B makes a \$1m profit pays tax and distributes half as a franked interim dividend. It uses the other half to buy equipment. It then raises 500k by issuing new shares. Directors want to declare the other half of the \$1m profit as a franked final dividend but can't. Shareholders will be denied FR CR's as the capital raising will be treated as the source of the dividend.

What nonsense is this!

The difference is timing not source of funds.

In truth a company can only have FR CR's if it has made a profit and paid tax on it. The profit is the source of the FR CR's and of any dividend to which the FR CR's would currently attach.

To want to arbitrarily reattribute or reallocate the source or funding of the dividend to something else simply because of timing differences is deceptive and will result in litigation, as well as imposing on CFO's the unproductive and inefficient necessity to go to great lengths to keep some funds demonstrably separate from others in order to keep FR CR's alive.

This is a bugger's muddle and best avoided. If enacted it will be repealed in due course due to the resultant conflict, confusion and inefficient deployment of resources in seeking to avoid its impact.

Sent from my iPhone