Director
Corporate Tax Policy Unit
Treasury
Langton Cres
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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. I hope my submission is helpful.

SUBMISSION TO PROPOSED CHANGES TO FRANKED DISTRIBUTIONS AND CAPITAL RAISINGS

<u>I object to the proposed legislation changes.</u>

The reasons for my objection are:

Retrospectivity – raises many difficulties for taxpayers if franked dividends are changed

For example, deceased estates settled since 2016 that had franking credits from the deceased's shares. They would have lodged the relevant tax returns and settled all taxes (some of which related to franking credits). Then distributed the remaining estate and wound it up. If you change the franking credits from 2016 they would have to re-open the estate, re-engage the trustee, re-engage a tax agent, re-submit tax returns, then get back the distributed funds from all the beneficiaries to pay for it all. In the meantime the beneficiaries have paid those funds to things like home loans and super funds. Now the trustee has to ask for some of it back. They may not be able to pay it back. Then what? Penalties?

<u>Retrospectivity of tax law change is so unfair it should be banned in our Constitution</u>.

Dividend Reinvestment Plans – Share Purchase Plans – Mergers and Demergers

Companies would have to rethink how they balance up their capital requirements with shareholder return requirements and effectively this puts a wedge between shareholders seeking growth and those seeking returns. It will mean that companies are run with shackles around their legs on what they can and cant do. If they pursue growth they may not be able to pay franking credits out thereby trapping franking credits within the company franking account. Shareholders receiving unfranked dividends means double taxation. The company has paid tax and so do they. Companies may be pressured by shareholders for franking credits so are unable to fund growth which is disadvantageous to Australians in so many ways. DRPs might have to be scrapped.

So please, make the legislation very specific, very targeted to the actual practice that you think is at odds with income tax law, PLEASE DON'T make it retrospective and PLEASE DON'T make companies decide between normal capital processes like DRP’s, SPPs, Mergers, Expansion and the paying of franked dividends.

Thank you for considering my submission.

Yours sincerely,

Stephen Diamond