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.
I object to the proposed legislation changes.
I believe the draft legislation is inequitable to Australian companies and shareholders and it could
inadvertently impact situations of legitimate company operations.

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 during challenging economic periods
such as the start of the coronavirus pandemic.
If passed, its application would also unfairly burden Australian investors with retrospective tax debts, to
be paid at a time of economic uncertainty.

The franking system is inextricably tied to the progressive taxation system. An individual taxpayer would need to earn about $180,000 per year before they reached the effective tax rate of 30%.
Tampering with the franking system means that people on very low incomes run the risk of being excised from the progressive tax system and face an unfair liability disproportionate to their earnings.
During the depths of the COVID crisis, many self-funded retirees were earning less than their counterparts on government funded pensions. Many, including myself, went into debt during this period and are now only starting to repay those debts. Many of the debts we took out were based upon a level of income that included a franking refund according to where we were positioned in the progressive taxation system. A change to franking rules place us in a precarious position with our lenders. Self-funded retirees are not asking for anything special, just to be treated the same as everybody else in the tax system. In the original proposal, self-funded retiree taxpayers would not have even been entitled to a tax free threshold, with those earning less than $18,000 per year being taxed at the company tax rate of 30%. We had an election where changes to the franking system was firmly and decisively rejected by the electorate. It is unfair and unjust to revisit it by stealth.

Treasury should be examining rorts by the ATO such as the ATO using its super fund to create a capital gains tax event when it forcibly acquired retirees nest egg Sydney Airport stock without their consent.
There should be rules to prevent super funds being used for political purposes to the detriment of their members, instead of looking for new and more devious ways to take peoples franking credits.

Yours sincerely,
Dave Dilger