The Director Corporate
Tax Policy Unit Treasury
Langton Crescent Parkes
ACT 2600.

Dear Director,

Thank you for the opportunity to submit a response to the consultation on the proposed legislation relating to Franked Distribution and Capital Raising.

I object to any changes be made to the Franking Credit system now in operation in Australia for the following reasons:

A) The Current Government before the election promised that there would not be any changes to the current Franking Credit System.
Now that they are in Power, any changes would therefore be a Lie made to the public.
B) The fundamental principle underlying the franking regime and the reason for its creation is the avoidance of double taxation on Company earnings. Therefore any changes would contradict that principle.
C) Low income individuals and Superannuation rely heavily on Franking Credits. Therefore, any changes would greatly affect them.
D) The proposed legislation would appear to inadvertently impact situations of legitimate company operations and could accordingly delay or discourage the normal process of capital raising investment and economic growth in Australia and interfere with the operation and efficiency of the Australian capital markets.
E) Managing cash flows between capital raising and distributions represent the normal and legitimate flow of commercial capital management .
The drafted legislation removes the ability of operating businesses to legitimately manage and invest their cash productively. Once a company has generated a profit and reinvested it, it can only create liquidity to pay a dividend by raising debt, selling some of its assets (which might not be viable) or by raising capital. By removing the ability to raise capital to reward shareholders, companies will need to increase their debt levels or they will be in a position where they will be unable to grow and further develop their business. Companies that have earned profits and paid tax should be entitled to choose how they invest and distribute those profits to shareholders.
F) The dividend imputation system has not changed over the last 20 years and implementing change now and retrospectively on people who are already retired will burden individuals, their families and in turn the economy, all of which will face economic uncertainty.
G) The proposed legislation will fundamentally change the nature of how Australian companies manage their capital, increase their cost of capital and negatively impact Australian Shareholders and the Australian Share Market and therefore should not be implemented.

I understand that eventually more Tax will have to be raised. However, If it becomes essential to attack Fanking Credits in order to raise more Tax, the only way I suggest would be acceptable and fair would be to prevent individuals whose income is say above 1.0 Million dollars to claim the Franking Credit.

Should you wish to contact me, please find details hereunder.

Yours Sincerely,

Jacques de Bissy