

**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**.

We object to the proposed legislation changes.

We 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.

I believe it was Paul Keating who introduced Franking Credits on the grounds that double taxation was being charged on dividends at the time. What is changed?

My wife and I have an average sized self-managed super fund. Our only income comes from our fund. We do not have any state or government pensions. During the recent Covid epidemic we were nearly driven to apply for the pension as our main source of income, namely Dividends and Franking Credits, were substantially reduced.

I am 79 and my wife is 73. We are lucky to own the same modest home for the past 53 years and we always paid our taxes. Removal of the Franking Credits will forced us to apply for the pension which we are very reluctant to do, as we have always manage to look after ourselves.

Sadly I'm too old to get a job but we still help to look after her 13 beautiful grandchildren which keeps us very busy.

I humbly request, on behalf of my wife and I, that you leave the current arrangements in place as we and hundreds of thousands of senior citizens like ourselves who will be adversely affected by the proposed changes.

Kind regards,

Yours sincerely,

Ken Donnelly

Marian Donnelly