

Director Corporate Tax Policy Unit Treasury Langton Cres Parkes ACT 2600.

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 strongly object to the proposed legislation changes.

I believe the draft legislation is inequitable to Australian Companies and Shareholders and 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, i.e. 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. If passed, its application would also unfairly burden Australian investors with retrospective tax debts, to be paid at a time of economic uncertainty.

This is inequitable, grossly unfair – and is something that was not referred to in the Campaign Manifesto, delivered before the recent election. Self funded retirees, who are not a burden on public funding, have received nothing following the Election result - and whilst we do not have a loud voice, we still have good memories – and the resolve to fight back when unfairly treated.

The prospect of Retrospectivity is deplorable. The dividend imputation system has not fundamentally changed for over 20 years and implementing a retrospective change on people who are already retired and in many cases, cannot return to work, will burden individuals, their families and in turn the economy. This proposal would unfairly prejudice franked dividends paid out to Australian company shareholders and leave them with unexpected tax bills for dividends received long ago, which would need to be paid at a time of economic uncertainty. This is particularly concerning for those who rely on fully franked dividends as a major part of their (self funded) income.

Tax laws should not be allowed to change retrospectively when Australians have budgeted for and paid their lawful tax assessment based on the existing tax laws in place.

As stated above, I strongly object to this proposal.

Paul Fairbrother