

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.

We, for instance are on the cusp of retirement and depend on the current system to maintain our investment levels as other aspects of the economy (ie inflation, increases in cost of living) erode our investments. With the poor state of the share market our modest superannuation has dropped significantly - around 15% in the last year.

We are having to rethink our future plans, even the timing of our retirement.

On top of this receiving a tax bill for retrospective franking credits has me worried about how to pay for retrospective franking when most of our money is tied up in super and we are living on one wage.

I am sure we are not alone in this scenario.

Yours sincerely,

John and Robyn Fortescue