

Director
Corporate Tax Policy
Unit Treasury
Langton Crescent Parkes
ACT 2600

Dear Director,

I would like to submit a response to the proposed legislation relating to Franked Distributions and Capital Raising.

We strongly object to the proposed legislation for the following reasons:

1. The current draft legislation is broad enough to potentially impact on a company's ability to implement a Dividend Reinvestment Plan (DRP), as well as DRP underwritten Capital Raisings.

DRPs are a well recognised, long standing method for small shareholders and SMSFs, to gradually increase their shareholdings in companies, over time (dollar cost averaging), without brokerage and other transaction costs. This method of investing should be strongly encouraged, and not put at risk.

2. The current draft legislation will have a severe impact on our authorised deposit taking institutions(eg. banks), and would be completely contrary to APRA's Capital Management Guidelines provided during the recent covid-19 period of economic stress.

3. The proposed legislation is unfair to all those shareholders, who have planned, or are planning their retirement, under the Dividend Imputation System, that has been in place, largely unchanged, for over 20 years.

4. Retrospectivity is always a sign of poor legislation. The proposed back-dating of the legislation to 19th December 2016 (the day we officially retired), is unfair to all those individual shareholders and superannuants, who have received their franked dividends, paid out legally under the legislation that was in place then, and is still in place today.

For individual investors and superannuation funds to have to recalculate their tax commitments for the past 6 years, and then receive an unplanned tax bill, is not only an expensive and worrying exercise, but is in any event, outrageous to the extreme.

5. Managing cash flows between capital raising and distributions can be a normal, legitimate part of a company's capital management. Companies that have legitimately earned a profit and paid the tax on it, should be entitled to choose how they invest or distribute those profits to their shareholders, even if capital raising forms part of the mix. This is how companies grow and improve, generating more profits and creating employment.

In conclusion, we would say, that this legislation, which we believe has been shelved for the last 6 years, was done so because it was not considered appropriate, and has only now resurfaced, because the new government is wishing to test the waters again on franking credits, under the guise "that it was the former government's legislation". Bad legislation is bad legislation, no matter who is the government of the day, and must be rallied against, no matter which party is in power. If this legislation is passed, it becomes the "thin edge of the wedge" as far as future legislation on the franking credit system stands, and we all know the attitude of the Labor Party to this. If you can't draft legislation that only attacks tax avoidance, and doesn't have any unintended consequences for capital management of legitimate companies, and doesn't impact in any way on the integrity of franked distributions, then leave the current legislation as is.

All investors (individual investors,superannuants of large funds, and self funded retirees), are sick to death of constantly having to fight governments and bureaucracies over constant attacks on the franking credit system, and superannuation rules. Leave them alone, and let us get on with our lives, so that we can manage our investments under legislation that is not constantly under attack, and that we can remain self funded and not reliant on the government for our pension income.

Yours sincerely,

John & Adele Frayne.