

Director
Corporate Tax Policy
Unit Treasury
Langton Cres
Parkes ACT 2600

5 October 2022

Dear Director,

Thank you for the opportunity to submit a response to the proposed legislation relating to Franked Distributions and Capital Raisings.

My wife and I object strongly to the proposed legislative changes because we believe the draft legislation is totally unfair to Australian companies and especially their shareholders because it will adversely affect legitimate company operations.

The draft legislation fails to recognise the fundamental principle underlying the franking regime and the reason for its creation, namely to prevent double taxation of 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 that 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 raisings during economic crises 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. Applying retrospectivity by any Government is unconscionable, anathema to any concept of fairness and should be avoided like the plague.

For example, my wife and I regularly subscribe to capital raisings by our favoured companies when they initiate a Share Purchase Plan for retail investors in conjunction with a professional placement, say to effect a takeover or to enter into an extensive capital hungry expansion. This is highly relevant because we have over 50 companies in our various portfolios

Yours faithfully

Richard Fernandez (and Susan)