

Director
Corporate Tax Policy Unit
Treasury
Langton Cres
Parkes ACT 2600

By email: frankeddistribconsult@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 agree with, and support, the submission prepared by Wilson Asset Management.

In our own case we have a Self-Managed Super Fund and rely on the income from that super fund for our future – a large proportion of our income is derived from share dividends and franking credits.

The SMSF was part of our future financial planning 20 plus years ago, and as we are both in our late 70,s, we feel it unfair to change the rules – again!

We have been fortunate enough to put some dollars aside for our grandchildren – the Dividend Reinvestment Plan has been a sensible, low-cost way of seeing these funds grow for our grandchildren.

So, it is not just our future, but our grandchildren's future, at risk with this ill-timed proposed legislation.

While we appreciate Treasury is trying to deal with situations involving tax avoidance and franked dividend distributions, the proposed legislation, as drafted, will fundamentally change the nature of how Australian companies manage their capital, increase their cost of capital and negatively impact Australian shareholders.

Yours sincerely,
Ian and Helen Filmer