

Director Corporate Tax Policy Unit Treasury

Langton Cres Parkes ACT 2600 By email: [frankeddistconsult@treasury.gov.au](mailto: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.

I object to the proposed legislation changes. I 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.

Should the government want to chase money, then I ask that you recommend that they should be brave enough to change their mind about the taxation cuts that it agreed to before the current crisis. The refusal on the grounds that they gave an undertaking to pass the new tax laws smacks of a Titanic decision to keep up the vessels speed because they published an arrival time, even though a previously known ice berg was ahead. This decision seems more about hiding from responsible decision rather than making proper management decision.

I am getting rather tired of the "log cabin" story of this Prime Minister and would like him to make a real management decision based on the here and now.

Yours sincerely,

Trevor Gadd