FOR THE ATTENTION OF:-

The 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.**

Both my wife and I (as undersigned) strenuously 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, which was simply 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.

As already stated, we are writing to share with you our total opposition to the proposal by the Albanese Government to prevent companies from paying out franked dividends funded by capital raisings.

We were advised of this legislation being introduced into the Parliament by a financial manager firm with whom we have an association (Wilson Asset Management), and the article printed in “The Australian” September 27th highlights our concerns which mirror those of the Principal of the firm, Mr. Geoff Wilson; here is the article:-

https://wilsonassetmanagement.com.au/2022/09/27/wilson-asset-management-chairman-geoff-wilson-slams-labor-over-dividend-cash-grab/

We totally support Mr. Wilson's points, and would encourage you to read the article as it covers our perspectives very well.

Additionally, we want to make the following two points; they are:-

Firstly, we are both 80-year old self funded retirees, who place no demands at all on the taxpayer to support our recurrent income, nearly all of which arises from dividends on shares we have over the years invested to protect our retirement and standard of living. We note that the income we derive from these share investments enables us to be privately health insured, we own our own home, we pay our own way in the world of rates and taxes, and again, apart from the benefits we derive as concession card holders from the PBS, we place no burden on the Commonwealth whatsoever. **Removing the taxation benefits of the franking imputation credits will in one fell swoop reduce our recurrent income by 30+%. Yes, 30+%!!!** We will leave it to you to understand the impact this will have on our standard of living - utterly disastrous! The dividend imputation system has not fundamentally changed for over 20 years and implementing change now, and retrospectively, on people who are already retired and, in many cases, cannot return to work, will burden individuals, their families and in turn the economy, all of which will face economic uncertainty.

Secondly, we read that the Government is intending to make the legislation retrospective to the taxation year ended 2016. If this were to happen, we would be facing a very significant capital restructuring in order to meet any retrospective liability which might arise, and which could only reduce the capital base upon which we rely for our recurrent income. In any event, our view is that retrospective legislation is extremely unjust and cruel in any event. The retrospective application to 19 December 2016 would unfairly prejudice franked dividends already paid out to shareholders of Australian companies and leave them with unexpected tax bills for dividends they have since received, to be paid at a time of economic uncertainty. This is particularly concerning for those such as us who rely on fully franked dividends as income.

Should you require any further information, please do not hesitate to contact us.

Yours sincerely,

Mr. John & Mrs. Ronda Gault.