

Director
Corporate Tax Policy Unit
Treasury
Langton Cres
Parkes ACT 2600

By email: frankeddistconsult@treasury.gov.au

Dear Director,

I thank you for the opportunity to submit a response to the consultation on the proposed legislation relating **to Franked Distributions and Capital Raising**.

I **strongly object** to the proposed legislative changes for several reasons.

I believe that the draft legislation is inequitable to Australian companies and shareholders and that it could inadvertently impact situations of legitimate company operations.

I believe that the draft legislation fails to recognise the fundamental principle underlying the franking regime and the reason for its creation, viz., the avoidance of double taxation on company earnings.

I believe that the Franked Distribution and Capital Raising draft legislation, if widely applied, will lead to the demise of the franking system; that it will stop Australian companies who issue new shares under a Dividend Reinvestment Plan (DRP) from paying franked dividends, that it will significantly increase the cost of capital for all franked dividend paying Australian companies; and that it will also risk the stability and integrity of the Australian banking system by inhibiting effective capital raising during difficult economic periods (eg. during the COVID-19 pandemic).

Finally, I believe that, if passed, its application would unfairly burden Australian investors with retrospective tax debts, to be paid at a time of significant economic uncertainty. Given that many small investors and retirees (including myself and other family members) have, for over twenty years made careful investment decisions based on the stability of relevant legislation and on the integrity of governments to maintain such stability, the proposed retrospectivity is perhaps the most unconscionable aspect of the draft legislation.

I am, therefore, strongly of the opinion that the proposed legislative changes should be abandoned and that the existing franking credit regime maintained as is. I **strongly object** to the proposed legislative changes.

Yours faithfully,

Phill Graham