

Treasury

Langton Cres

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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.

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.

I cannot believe Treasury, or any Australian Government would sanction the introduction of retrospective application of this revenue proposal.

Whilst as claimed there was a generic announcement on 16 Dec 2016 the terms of that announcement were vague to say the least and never contemplated in a timely manner for companies to discover what was intended.

Further the commercial corporate world has to do what is best practice(ASIC and Director obligations) in a fast mobile and competitive environment based on the present knowledge and law. To now go back and fine tune a bland announcement made by a former govt 6 years ago is untenable and may cause innocent parties unacceptable financial distress when whatever occurred and now maybe DEEMED unacceptable was done based on the law as it was on the day.

Please contact me on [REDACTED] if you have any questions on the below submission.

Yours sincerely

[REDACTED]

Rodger G Gibson
Chartered Accountant