

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. 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.

Australians who purchase worthless, unproductive, residential properties to rent out and claim huge amounts of negative gearing have destroyed this country but are treated with kid gloves whereas those who shore up Australian companies by buying their shares are short changed. Franking credits are the only reason we invest in Australian companies and that will come to a grinding halt.

Yours sincerely,

Michael Grubert