

The Director
Corporate Tax Policy Unit
Treasury
Langton Cres
Parkes ACT 2600

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.

We 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: 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.

We are retired and our primary income source is a modest self-funded superannuation fund. If this draft legislation becomes law, we stand to lose some of our income and, if retrospective tax debts are imposed as a consequence, we will be required to draw down further on our superannuation fund investments. It follows that if we lost too much of our income and needed to draw down on our capital and investments then we would be on a path that would see us on a Centrelink Age Pension. You don't need us to spell out what this, multiplied by the number of retirees similarly affected, would do to the Federal Government's spending.

Yours sincerely,

Dennis J Grinter

Angela D Grinter