

Director
Corporate Tax Policy Unit
Treasury
Langton Cres
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John Hocking
5 October 2022

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.

I am particularly concerned at the retrospective application of the proposed legislation (back to 19 December 2016).

Tax laws should not be allowed to change retrospectively when Australian taxpayers have budgeted for and paid their lawful tax assessment based on the tax laws in place at the time those tax assessments issued.

If passed, its application would also unfairly burden Australian investors with retrospective tax debts, to be paid at a time of economic uncertainty.

While I appreciate that Treasury is trying to deal with situations involving tax avoidance, the proposed legislation, as drafted, will fundamentally change the nature of how Australian companies manage their capital and negatively impact Australian shareholders.

Yours Sincerely,

John Hocking

