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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 have listed below my objections to the changes going forward But my major concern is the precedent the **retrospective** nature of this **legislation** sets. This change was announced in December 2016 by the then Treasurer and finally 6 years later you are looking to enact the legislation. I thought we had a system of government where legislation was enacted by parliament and not by announcements from Ministers. I realise legislation takes time to pass through parliament and an announcement puts people on notice of the changes from the date of the announcement but surely there is duty to enact the legislation in a timely manner to enable people adhere to the law and 6 years seems like an unreasonable time. I realise you will claim the duty was on the previous government and your government is only correcting their inadequacies but the precedent this sets for legislation by ministerial announcements going forwards is dangerous. Surely people should be able to arrange their affairs under the laws of the land and not have legislation passed 6 years later retrospectively making what they did illegal.

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.

Yours sincerely,

Paul Hutchins