

Director Corporate Tax Policy
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By email: frankeddistconsult@treasury.gov.au

Director,

I object to the proposed legislation changes. [I/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.

My wife and I emigrated to Australia in 1964, because we could see that the ravages of socialism under Harold Wilson (Bill Shorten), Arthur Scargill (C.F.M.E.U. & M.U.A.) and others (The Greens) was going to ruin the U.K. and we wanted better opportunities for the children we intended to have and make a better life.

We both worked extremely hard in health care and lived sufficiently frugally to be able to send our three children to good schools and University for which we paid their HECS commitments in full. Holidays were out of the question until we were about 50. We have never asked for, nor have we ever been given government largesse or handouts – even during the GFC.

When I was in my late 20's, I realised that the way things were going, not only in Australia, I should provide for our retirement as I was not confident of pensions being readily available and I therefore started a Self Managed Super Fund for my wife and myself. We diligently saved and purchased mainly blue chip shares with good growth prospects and, most importantly, good fully franked dividends, which, of course, meant a heavy reliance on bank shares. We are now elderly and until recently had a comfortable living using our tax paid money – no government money. We have never been the slightest burden on the public purse.

The first body blow came from the Liberals when Kelly O'Dwyer / Malcolm Turnbull introduced the \$1.6m cap on super savings which would be tax free with any remainder being taxed at the marginal tax rate. Both Parties seem intent on driving as many people as possible towards reliance on government money viz. 'the pension'.

Our income is derived from dividends and tax credits roughly in the ratio of 4 to 1.

As a consequence of this proposed tax credit legislation, my wife and I stand to lose up to 22% of our income for which we have planned for many years. It is hard to imagine a more egregious, fraudulent, tax grab as this.

It is a complete falsification to suggest that only a very few rich people will be affected. Everyone who has shares in their SMSF, owns shares outside of superannuation, belong to an industry super fund or similar will be affected. The

value of shares which used to have franked dividends will fall quite drastically as their value will be cut due to Labor's policy. When that happens, the value of shares in ALL super funds will fall and Labor supporters will suddenly come to realise that they have been sold the rattiest runt of the litter pup.

Having crafted our superannuation fund to be within the law, but to obtain the maximum safe yields with franking credits, I would feel betrayed by any government which seeks to change the rules detrimentally to us , and retrospectively.

I weep for Australia and the discouragement of aspirational, self-reliance.

Yours Faithfully,

Ellis & Sheila Hopper