

Director

Corporate Tax Policy Unit

Treasury

Langton Cres

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By email: [frankeddistconsult@treasury.gov.au](mailto: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.

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 currently approaching retirement, and we see that the changes will have significant unfair and unforeseen impacts on us personally:

1. Any retrospective tax charges will reduce our retirement savings at a time when our financial position has already been planned and we are already on lower incomes as we have reduced working hours.
2. We have invested in company shares and hybrids in the regime where franking credits have been a significant part of our financial decision-making. Had these changes applied since the proposed retrospective date, then our investment decisions over the past decade would have been different.
3. We object to the concept of double-taxation of company profits by removing the franking credits and therefore imposing additional taxation on our accumulated investment portfolio
4. We strongly support the existing franking system that allows a company to manage its capital position through dividends and raisings to fund its operations and to return profits to shareholders without imposing the additional tax burden on owners on top of the company taxes already paid as part of company operations.

Yours sincerely,

Gary Humphreys and Suan Tay