

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

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**.

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.

Our situation is as follows. My wife and I are retired and our sole incomes are from our self-managed superfund. In making our decision to retire we estimated the income we would receive from the superfund, which is solely invested in income earning shares, and in doing so we factored in the available franking credits.

The income we receive from the superfund is around \$25,000 a year each with franking credits. Any less than this and we would struggle to pay our basic living costs. Accordingly, any change to the franking credit system would adversely affect our ability to survive financially because the franking credits are an important component of our income, which was factored in when we made the decision to retire.

Yours sincerely,

Ashley Jarrett and Alison Jarrett