

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.

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.

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

Further the retrospectivity of the proposal is unfair, unjust and unAustralian. The companies paying the Franked Distributions made these decisions and payments based on the best advice they had at the time on the legislation at the time. Making any changes retrospective is the same as changing the speed limit on the M1 to 100 kph , back to 2016 then sending out retrospective speeding fines.

Please contact me on any of the contacts below if you have any questions.

Yours sincerely,

Simon Jeffery