

Dear Director,

Thanks for the opportunity to submit a response to the proposed legislation relating to Franked Distributions and Capital Raising.

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 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.

The stability and integrity of the Australian banking system is further at risk 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, and furthermore question the integrity of the newly elected government, who had promised not to increase taxes during the election campaign.

The returns of Super Annuation Funds and consequently income of retirees could also be negatively effected.

We strongly object to the proposed legislation changes for reasons stated above and gladly look forward to any comments you may wish to make.

Yours sincerely,

*Rudolf & Marie Keller*