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Corporate Tax Policy Unit  
Treasury  
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Dear Director

Thank you for the opportunity to submit a response on 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, namely 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 which issue new shares under a Dividend Reinvestment Plan from paying franked dividends and substantially 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 Corona virus 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 self-funded retirees about to move into our eighties and have not found things particularly easy financially over the last fifteen years or so, the GFC, falling interest rates, the pandemic and now rampart inflation resulting in a period of volatile and falling income. In order to generate a liveable income we have been forced into the stock market and now rely heavily on dividends and associated franking credits. We are concerned that the draft legislation will unreasonably impact on our already volatile income necessitating negative lifestyle adjustments and at our advanced age. As a matter of principle, we believe it to be unfair and unreasonable that, as investors and part owners of Australian companies, we should be expected to pay double tax, firstly as part owners on the company profit then

again on our share of the after tax profit. This is blatant double taxation on the company profit.

We are also concerned that the draft legislation will increase both the ability to raise capital and the cost of capital for those companies in which we have invested and thereby negatively impact on their operations and consequently the value of our investments. We cannot afford to suffer loss of capital as well as a reduction in income.

We ask that the legislation be rejected on the grounds that it is inequitable to Australian companies and shareholders and could impact legitimate company operations.

Many thanks for taking the time to consider our submission.

Yours faithfully,

Robert and Helen Lokan

5 October 2022