

Franked Distribution Consultation
C/o Director
Corporate Tax Policy Unit Treasury
Langton Crescent
Parkes ACT 2600

By email: *frankeddistconsult@treasury.gov.au*

Dear Sir,

Franked Distribution Consultation

I wish to take the opportunity to submit a response to the consultation on the proposed legislation relating to Franked Distributions and Capital Raising.

I strongly OBJECT to the proposed legislative changes. It is contrary to the fundamental principles of avoiding double taxation of company earnings.

In the current economic and investment climate, after promises from the Labor opposition that they would not meddle with superannuation and investment affairs, this proposal now appears to be reversing that promise; and worse still, appears to be retrospective.

We want CERTAINTY in our investment affairs, not constant fiddling by successive governments. You will never get everything to suit all stakeholders as there is no such thing as 'perfect' legislation. Every change has consequences and invokes other activities to circumvent it.

At the current time when the Australian economy is on the brink of recession and large numbers of retail investors depend on CONSTANCY in the rules surrounding investment returns, ANY changes are likely to have a negative effect – both POLITICALLY and in INVESTOR behaviour.

My wife and I believe the draft legislation is inequitable to Australian domiciled companies and to shareholders and it could inadvertently impact situations of legitimate company operations.

I reiterate my view that 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.

Like millions of Australian citizens, I have worked hard to save and invest so that I will not be a burden on the government during my retirement. Interference in the franking credit regime is unfair, (particularly if retrospective), will undermine confidence in investors and markets, and reduce the capacity of companies to raise capital and distribute profits in a tax-fair manner. Our retirement income is based on the long-standing legislation and opportunities that investing in AUSTRALIAN COMPANIES, rather than overseas, offers.

I intend to contact my local Federal member to reiterate my concerns with this process and the proposal in general.

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

Yours sincerely,

Dr Stephen Langford
3 October 2022