

04 October 2022
The Director
Corporate Tax Policy Unit
Treasury
Langton Crescent
Parkes ACT 2600
By email: frankeddistribconsult@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.

We were Small Business owners both working in the business up to seven days a week over fifty years paying taxes and rare a family, educate them and they are now all married and all fully employed, never being on government support. We are one of many who were fortunate enough to save and set up a modest SMSF which is sufficient that we are not a burden on the Government Pension system, but it does not have a large balance. However, if the current Franking Credit proposal is passed into legislation and the economy continues to decline, we will at some point need to apply for the Age Pension to support ourselves as our share dividends will be insufficient to allow us to draw a reasonable Pension from our hard-earned Superannuation.

All previous governments have emphasised the need for ALL workers to save for their retirement and to 'move the goal posts' and reduce our income is not in the spirit of Government advertising and advice.

We would respectfully request that you reconsider this proposed legislation and leave the Franking Distribution and Capital Raising as is and without modification.

Yours sincerely,
Geoff and Leonie Maunder