To:
Subject:

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.**

We object to the proposed legislation changes.

Unintended Consequences
We believe the draft legislation is inequitable to Australian companies and shareholders and it could inadvertently impact situations of legitimate company operations.

Retrospectivity effects Pensioners and Retirees
Retrospective changes, if passed, would also unfairly burden Australian investors with retrospective tax debts, to be paid at a time of economic uncertainty. This would include penalising retirees and pensioners who are limited in their ability to earn income.

Franking was designed to stop double taxation
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.

Corporate Finance Operations disrupted
The changes must recognise legitimate company operations and normal operations of capital raising, investment and growth. Managing cashflows between capital raisings and distributions represents normal strategy and corporate financial operations of companies.

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. APRA has previously recommended banks undertake DRP and capital management initiatives to re-establish their capital base and balance sheets following times of economic stress.
Should companies be inadvertently prevented from raising cash the alternative of increasing debt to fund growth initiatives could effect market stability.

Yours sincerely,

Paul and Christine Mullane