
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.

I object to the proposed legislation changes.

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

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.

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.

Lower income retirees, who have their life savings invested in shares in Australian companies, rely upon franked dividends to supplement their retirement income. These retirees will be seriously financially affected by the proposed changes to franked distributions. It is unconscionable that the government should consider discriminating against shareholders in Australian companies and burdening them with retrospective tax debts. Retirees have planned their financial security in old age by complying with the tax rules that are currently in place. These tax rules have been in existence for over 20 years.

I believe that the government is under the misapprehension that individual retirees have millions of dollars squirrelled away their respective superannuation fund. This is far from the truth. There are many thousands of retired people such as myself who have some savings that are invested in Australian companies. There would be no longer be any reason to be a stakeholder in an Australian company if double taxation on company earnings was to be introduced.

Changes to franked distribution could have an inadvertent and serious impact on the Australian economy which is already facing recession.

Please contact me on my email address if you have any questions on the above submission.

Yours sincerely,

