

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 CapitalRaising.

I object to the proposed legislation changes because:

Currently Australian companies can and should pay out all their franking credits with dividends since shareholders should be entitled to receive all their company's income and have it taxed in their own hands under the tax principles set out in the Campbell Report <https://treasury.gov.au/publication/p1981-afs>

Companies are known to retain earnings as a means of capital raising but this compromises the principle of company tax imputation since the income used for such a purpose is not taxed in the hands of shareholders and thus not taxed according to the principles of the Campbell Report. To follow the principles of the Campbell Report as closely as possibly, capital raisings should be done without retaining earnings.

Confiscating any of the franking credits of companies that choose to raise capital by retaining earnings would depart even further from the tax imputation principles laid out in the Campbell report than currently occurs.

Yours sincerely,

Christopher John O'Neill