

Director

Corporate Tax Policy Unit

Treasury

Langton Cres

Parkes ACT 2600

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 wish to state that **we object most strenuously** to the proposed legislation changes.

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. From our personal situation, this would negatively impact us. Double taxation of earnings is unfair, unjust and negatively impacts retirees who rely on such legitimate income. It is inequitable to have double taxation in any situation let alone that affecting retirees. This is particularly concerning for those who have planned for and who rely on fully franked dividends as income. We have already had significant reduction in our superannuation balances in the previous financial year.

The draft legislation in our view is also inequitable to Australian companies. 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 what occurred at the start of the coronavirus pandemic.

**Retrospective tax: We object most strenuously to retrospective tax.** If passed, application of the legislation would unfairly burden Australian investors with retrospective tax debts, to be paid at a time of economic uncertainty. Tax laws should not be allowed to change retrospectively when Australians have budgeted for and paid their lawful tax assessment based on existing tax law in place. Retrospective legislation is unfair especially to those no longer working who have limited ability to re-arrange their affairs or change their income status. To put it simply, it is un-Australian to be this unfair.

We understand that government is dealing with significant economic challenges. However, the proposed legislation is basically unfair and inequitable, and has the potential for many negative consequences, both for companies and especially for older Australians. The latter have made their views clear on this previously. I believe and hope that proceeding would have negative political consequences.

Best regards

Cheryl and Ian Peers