

Director
Corporate Tax Policy Unit Treasury
Langton Cres
Parkes ACT 2600
By email: frankeddistconsult@treasury.gov.au

4 October 2022

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.

We are active investors in the Australian banking system. The proposed legislation will undoubtedly impact on the management of capital and as a result, impact on investors such as ourselves. This will no doubt place a massive imposition on our future earning capacity. You only have to look to actions taken by the banks in their Covid 19 response. Without the flexibility provided, with the support of APRA, Australia would not have achieved the outstanding financial position that we did.

Additionally, what is seriously concerning is the thought that such legislation could be retrospective. In what world does this rate being logical, let alone ethical!!

In closing, we accept that work needs to be done to clamp down on tax avoidance however casting the net that then affects mum-and-dad shareholder investors is quite frankly ludicrous.

Yours sincerely,
Chris and Anne Purchase