
Director Corporate Tax Policy Unit, Treasury

Dear Director,

I object to the proposed changes to franked distributions and capital raising legislation.

Reasons for my objection are as follows:

1. I believe the draft legislation is inequitable to Australian shareholders and companies. It could impact legitimate company operations.
2. The draft legislation fails to adhere to the fundamental principle underlying the franking regime and the reason for its creation, i.e. the avoidance of double taxation on company earnings.
3. The Franked Distribution and Capital Raising draft legislation, if broadly applied, will destroy 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.
4. It will risk the integrity of the Australian banking system by inhibiting effective capital raising during challenging economic periods such as the start of the coronavirus pandemic.
5. If passed, it would unfairly burden Australian investors with unfair retrospective tax debts, to be paid at a time of economic uncertainty. Many such individuals might not be in a position to repay such a 'contrived' debt, which they did not incur under the laws in place at the time the funds were received.
6. The proposed legislation would burden thousands of Australian shareholders who have planned their retirement, placing significant stress on individuals and on the Australian pension system. The dividend imputation system is longstanding and to apply new legislation retrospectively on people who are already retired and, in many cases, cannot return to work, will considerably burden individuals, their families and in turn the economy, all of which will face economic uncertainty.
7. Retrospectivity - note the retrospective application to 19 December 2016 - would unfairly prejudice franked dividends paid out to shareholders of Australian companies and leave them with unexpected tax bills for dividends they have since received. This is particularly concerning for those who rely on fully franked dividends as income, including myself and most retirees I know.
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.
8. The draft legislation appears to inadvertently target situations of legitimate company operation making it difficult to form a conclusive judgement as to the legitimacy of historical and future payments of fully franked dividends by Australian companies.

For the above reasons I strongly object to the unfair, unworkable and economically negative proposed changes to the legislation.

Regards
Christina Ritchie