

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.

We strongly 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.

If passed, its application would also unfairly burden Australian investors with retrospective tax debts, to be paid at a time of economic uncertainty.

My wife and I are self funded retirees with our own Self Managed Super Fund. We are not rich, we have a middle income life style. We have worked hard, saved and are proud that we do not need to rely on a government pension.

We rely heavily on the franking dividends we receive in order to pay our bills. Any legislative change which reduces these dividends will greatly effect our ability to remain self funded retirees. Further, to make the proposed changes retrospective would unfairly present us with tax bills which we are not able to pay without selling shares in a depressed market. This is grossly unfair.

We strongly object to the proposed legislation changes.

Yours sincerely,

Vilko and Dawn Sajn