

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.

I have serious objections to the proposed legislation changes.

I believe the draft legislation is inequitable to Australian companies and shareholders and it could have a serious effect on my retirement planning and ability to care for my children, aged 15 and 12.

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.

I am particularly concerned at the plan to tax individuals retrospectively for franking credits received alongside dividends, dating back to 2016. This 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, to be paid at a time of economic uncertainty. This is particularly concerning for those who rely on fully franked dividends as income, as has been the case for me in the past year and a half, while I cared for my seriously ill older daughter.

The draft legislation also 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.

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.

The dividend imputation system has not fundamentally changed for over 20 years and implementing change now, and retrospectively, on people who are already retired and, in many cases, cannot return to

work, will burden individuals, their families and in turn the economy, all of which will face economic uncertainty.

While I appreciate Treasury is trying to deal with situations involving tax avoidance and franked dividend distributions, the proposed legislation, as drafted, will have a very negative and stressful impact on Australian shareholders, who rely on that income stream to provide for their families, like myself.

Daniel Scott

I live and work on the lands of the Awabakal people and pay respect to Elders past, present and emerging. Always was and always will be Aboriginal land.