
Director
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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 strongly object to the proposed legislation changes.

I 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.

My point are -

1. Capital Raising is done for a number of purposes. In the Banking system, among those, is the requirement to meet the **mandatory capital ratios** introduced as a result, originally, of the GFC.
2. Additionally, as I understand it, to have franked dividends available for distribution, a company must have already paid company tax on profits. **Without the pre-paid tax no franking credit can be given**, irrespective of any capital raising.
3. This appears to me to be the thin end of the wedge for the Government to claw back all Franking Credits and to legislate for **double taxation**.
4. If passed, its application would also unfairly burden Australian investors, particularly self-funded retirees, with **retrospective tax debts** to be paid at a time of low interest, high inflation and major economic uncertainty.
5. For the taxation return quoted I think the government will find an upswing in the number of self funded retirees who would meet the threshold for various government assistance packages, **negating most of any potential benefit**.

Yours sincerely,

Cam Nisbet Smith