
To the Director, Corporate Tax Policy Unit

Thank you for the opportunity to submit a response to the consultation on the proposed legislation relating to Franked Distributions and Capital Raising.

My wife and I 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. Franking, as a concept, was one of the Hawke/Keating Government's most creative and logical reforms.

It now appears that a different Labour Government is proposing a change to the Franked Distribution and Capital Raising draft legislation, if implemented and 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.

Yours sincerely,
Brian and Carolyn Smith