

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 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.

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

A company is entitled to use its franking credit as it deems fit, since it earned it by paying Tax. Should the Government of the day want more taxes, face the proper way of going about it by increasing the tax rate. However, do not burden investors with convoluted and underhand legislation which are fundamentally and strategically flawed. Consequentially justification is a lost cause in the public debate. This flawed approach happened before in a similar way at the previous election and got rightly shown out.

Please contact me if you have any questions on the below submission.

Yours sincerely,

Andre M L Souchon