

Director
Corporate Tax Policy
Unit Treasury
Langton Crescent 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. You should also have a closer look at proposals for the reintroduction of payments to brokers for the promotion of new listed investment companies and trusts. As I do not feel retail investors are being properly treated in this regard.

I object to the proposed legislation changes relating to Franked Distributions and Capital Raisings.

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 me and other Australian investors with retrospective tax debts, to be paid at a time of economic uncertainty.

As a self-funded retiree, retail investor and manager of my own self-managed superfund the ongoing threat of continuous changes to the super regime makes planning for my future extremely difficult. Also the proposed legislation will significantly damage my fund retrospectively as well as its ongoing viability. Please note professional fund managers are not necessarily the best source of information on retail superfunds.

Yours sincerely,
Mr Michael Tegg