

**Director
Corporate Tax Policy Unit
Treasury
Langton Cres
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**.

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.

To propose a retrospective change is completely unfair and a terrible precedent but that is not the main issue. I believe the tax system should be clear and uncomplicated. Why destroy something that actually works. It is illogical to target a structure that has been designed to help everyone try to provide for their own retirement. Some of the savings that will be made will end up being paid as a government pension as retirees run out of money as that money was relied on. Has this been costed and what is the real saving? Please do not create more distrust in the superannuation system. Stop fiddling with the system please, it's been done too many times. No average person will understand it.

Yours sincerely,
Robert Tonoli

