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Director

Langton Cres

Parkes ACT 2600

relating to Franked Distributions and Capital Raising.

Thank you for the opportunity to submit a response to the consultation on the proposed legislation

Treasury

We 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.

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.

As Self-Funded Retirees we rely on our Franking Credits to enable us to reduce the erosion of our capital and delay the necessity to become reliant on the Government Pension.

Yours sincerely,  
Anthony Wilson