

Dear Director,

We object to the proposed legislation changes relating to Franked Distributions and Capital Raising. 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, this legislation would unfairly burden investors with retrospective tax debts who invested in good faith with the rules at the time. Also this comes at a time when the country is going through a period of economic uncertainty and extreme volatility. This legislation will also unfairly impact many self funded retirees at a time when markets are also negatively impacting their income.

Yours sincerely,

Vaia & John Webster