
Director, Corporate Tax Policy Unit

Treasury

Parkes, ACT 2000 frankeddistconsult@treasury.gov.au

Dear Director,

Thank you for the opportunity to submit a response to the consultation on proposed legislation relating **To Franked Distributions and Capital Raising**.

We object to the proposed legislation changes and believe the draft legislation is inequitable to Australian companies and shareholders and 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 COVID.

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

Personally If we had to pay retrospective taxes on Special Dividends it would be a great burden to pay the Australian Taxation Office, but also we would need to pay extra to our accountant and auditor to look through documents backdated to 2015. This bears out the disappointment we have to have worked, saved and then, instead of spending discretionary money on ourselves – we put most savings into local Australian shares – thinking we were buying part of their company, & allowing them to expand & grow instead of becoming bankrupt.

We have seen on TV that this tax will bring in \$10million to the Australian Tax Office – however will more public servants be employed to monitor the collection – thus making the extra confusion less profitable for the government.

If investors find this all too inequitable, it would prompt many to spend any extra savings and just go on the pension.

We have both worked part-time until 75 years old and always paid our due taxes. We regret now not spending our extra earnings and just going on the pension.

Yours faithfully

Glenis & Gordon Baynton