

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.

Why add more unnecessary compliance costs to Australian business at this point? I believe the draft legislation is inequitable to Australian companies and shareholders and it could inadvertently impact situations of legitimate company operations.

Why bring back double taxation, which is so uncompetitive from a national point of view. 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. It was Labor Treasurer Paul Keating with then Prime Minister Bob Hawke who addressed this issue by introducing the current dividend imputation system. Why wreck something that works and works well?

The Franked Distribution and Capital Raising draft legislation, if widely applied, will lead to an undermining of and potentially the demise of the dividend 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. Why do this to pensioners such as us who have paid tax and saved through our lives so we could have a very modest share portfolio in retirement?

My wife and I have been on a decades' long journey finding ourselves as investors. We have settled on a long term income strategy invested in predominantly listed shares, ETFs and LICs on the ASX. Our small value share portfolio is all we have in terms of investments that pays us some income over the pension, with the franking dividend refund helping us at tax time.

This small extra income provides to us a modest cushion at this time of rapidly rising inflation, helping us to financially survive without having to go into further debt.

Yours sincerely,

Ray G Brearley (with Helen A Brearley),