
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.

I am 82 years old and receive such benefits to the tune of around \$2000-\$3000 a year, which means I am not the wealthy person that the media and certain politicians depict as the greedy, standard, even only, kind of beneficiary of these credits.

I assume there are many like me.

To lose that income would harm me significantly, not slightly, and to be retrospectively taxed on that income from 2016 on would have all the hallmarks of a cruel, punitive government attacking someone who has done no wrong, committed no crime.

Yours sincerely,

Dr Alan Cholodenko