

Kenneth Hodgkin

Director
Corporate Tax Policy Unit
Treasury
Langton Crescent
Parkes ACT 2600

Sent by email to: frankeddistconsult@treasury.gov.au

Submission on proposed legislation regarding Franked Distribution and Capital Raising

This is in response to the invitation to comment on this proposed legislation .

I object to the proposed legislative changes. They appear to be unfair and to set a precedent which will be damaging to future fair tax treatment.

I have two major objections:

- 1) Retrospectivity: It is unacceptable and inequitable that decisions made on the basis of accepted practice at the time (usually with ATO guidance on figures to be entered in tax returns, implying ATO approval at the time) should be retrospectively overturned. The proposals threaten to require repayment of monies received on the basis of decisions which would not have been made had the new rules been in place at the time. This is inequitable and likely to be borne predominantly by retirees who are not in a position to raise extra money.
- 2) Double taxation: The Franking Credit system is an excellent one which straightforwardly transfers tax liability for distributed profits from Australian companies to Australian shareholders. It should not be eroded. As I understand it, this proposed legislation would give discretion to the ATO to determine when Franking Credits could be distributed to shareholders and when they could not. It needs to continue to be cut and dried, not subject to bureaucratic whim.

There is a much broader issue of how much tax should be raised and where from. The cost and disruption of covid and the Ukraine War, the shortfalls in disability, health and aged care and in affordable housing all point to a present need to increase the total tax take. But it needs to be done fairly, not through ad hoc, unfair imposts hitting arbitrary groups of people – predominantly superannuants in the case of these proposals. If Government needs to tighten income tax thresholds, increase marginal rates, reduce offsets, increase company taxation, increase GST etc to raise taxation revenue that would be understandable and broadly based. What is proposed is neither.

Kind regards



Kenneth Hodgkin M.Sc.

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