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Director Corporate Tax Policy Unit Treasury Langton Cres Parkes ACT 2600

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/we] object to the proposed legislation changes. [I/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, its application would also unfairly burden Australian investors with retrospective tax debts, to be paid at a time of economic uncertainty.

As a self funded retiree with a small government pension, the loss of franking credits will mean a loss in my income stream and thus will make me eligible for a higher pension.

I don't see as how this will be an advantage for the government in either the short or long term. I appreciate that the Treasury is trying to stop tax avoidance but I feel that these measures will penalise people such as my wife and myself in other words the small people not the rich and powerful who are sitting on large sums of money.

Also the matter of making this legislation retrospective surely has got to be unfair and un-Australian if not illegal. How an earth can people like us arrange our retirement affairs when the government changes the law years later. We have tried to ensure that we will not be a burden on the taxpayer in our retirement years and yet we now face the possibility in having our retirement nest egg being wiped out if we have to now pay back all the tax credits to the government. So much for working hard all your life and looking forward to an easy retirement !!

Yours Sincerely

Arthur Matthews

For Arthur and Jennifer Matthews