

5 October 2022

**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**.

As self-funder retiree I strongly object to the proposed legislation changes associated with franked distributions of company dividends.

I believe the draft legislation is inequitable to Australian companies, shareholders and in my case self-funded retirees. Furthermore, 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.

The proposed legislation would burden me as an Australian shareholder who has planned my retirement based on current legislation thereby placing undue stress on me as an individual and on the Australian pension system in general.

The dividend imputation system has not fundamentally changed for over 20 years and implementing change now, and retrospectively, on people like myself who are already retired and cannot return to work, will mean I will face a time of economic uncertainty in the future.

While I appreciate Treasury is trying to deal with situations involving tax avoidance and franked dividend distributions, the proposed legislation, as drafted, will fundamentally change the nature of how Australian companies manage their capital, increase their cost of capital and negatively impact Australian shareholders like myself.

Yours sincerely,

Geoffrey R Medley