

Director
Corporate Tax Policy Unit Treasury
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Parkes ACT 2600

By [email: frankeddistconsult@treasury.gov.au](mailto: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.

We are a married couple aged in our mid 70s who rely solely on dividends and distributions, paid into our SMSF, for our income. We established our SMSF in Feb 2002 and transitioned it into the pension mode on 1st July 2008. For all of this time it has been our only source of income. We have never received, or applied for, a Government pension. However the proposed changes to the franking credit rules as we understand them may force us to apply for a Government pension.

With regard to the threat of retrospective changes it is inconceivable that a Government can enforce repayment of legally acquired income. We have followed the SMSF rules to the letter and have earned our income legally.

We do hope these objections are considered seriously.

Yours sincerely,

Ian Wright