

Attention: The Director, Corporate Tax Policy Unit, The Treasury, Langton Cres. Parkes ACT.

We wish to lodge our objection to the proposed legislative changes relating to Franked Distributions and Capital Raising.

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.

We are both self-funded retirees, aged 78 and 81, who have worked hard and diligently provided for our retirement during our working life. At all times we have planned and developed strategy in keeping with legislation then in place. To impose a retrospective tax back dated to 2016 is unfair and there is no justification to seek redress over self-funded retirees who have acted in good faith during this time.

We do not believe that the legislation should be passed, but if so grandfathering conditions should be applied to self-funded retirees.

To propose such legislation is not in the spirit of openness and honesty. During the 2022 election the Albanese led Labor Party assured electors that the previously proposed Shorten policy on franking credits had been dropped and that there would be no alteration to the then current legislation. We believe that his proposal is a breach of that promise. This issue was not raised during the election and therefore is not one that electors have endorsed.

To contemplate back-dating the legislation to 2016 (6 years) is unbelievable, akin to altering the goal posts after the event. To think that self-funded retirees could suddenly be hit with a tax debt in times of financial uncertainty, in many cases declining dividends, is unpalatable.

We also strongly object to the short notice available for submissions and the lack of publicity given to the proposed legislative changes. It is akin to legislation by stealth.

Gordon and Barbara Baker.