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Hello,

I am writing to Treasury and the Australian Government regarding the proposed 2022-23 Budget changes to some aspects of the Franking Credit system - Improving the integrity of Off-Market Share Buy-Backs.

I am a self funded retiree investing in the Australian stock market for the last 25 years, have a SMSF and own shares directly.

I have witnessed the stock market in both Bull and Bear markets and have participated in Capital Raising's via Share Purchase Plans (SPP) and Rights Issues over many decades and for many reasons. Capital Raising's can be followed by Off-Market Share Buy-Backs to allow for improved company capital structure by improving the earnings per share and to provide companies with flexibility to improve there overall gearing. This process allows some Share Holders to sell shares into off-market buy-backs whilst enabling the companies to attract capital funding to run there business. In the case of Banks this provides bank funding to provide loans to its customers.

Sometimes a capital raising is required for mandated Government Capital requirements such as the increase in the minimum capital that Banks need to hold to remain unquestionably strong and frequently in times of market anxiety such as the GFC and COVID-19 to improve ASX company balance sheets and to survive the market downturn. Each time, existing investors have been a funding source for ASX companies to call on which has enabled Australian companies to be well funded with appropriate levels of debt, be able to retain staff and to pay shareholders a dividend. As a self funded retiree my dividends totally pay for the retirement income and taxation needs of my family.

These proposed changes will alter the flexibility that Australian companies have in the way they are funded and will reduce the options for liquidity in times of stress which is always just around the corner.

Furthermore I feel that these proposed changes may just be the beginning of further changes as the Franking Credit system has been totally politicised with emotional language being used such as Loop-hole and Rorts being used to describe the system by some. This can not be further from the truth, I don't hear any Treasury official detailing how the system actually works. For instance when you receive a \$70 dividend you need to declare \$100 in your Tax Return even though you only received \$70. On the \$100 declared you are taxed at your marginal tax rates, 19%, 32.5%, 37%, 45% and for a Superfund in pension mode at 0% up to the approximate equivalent of the Age Pension and after this amount at 15%. It should be noted that the last time changes were proposed during 2019 a person living on dividends in a SMSF with dividend income of \$35K fully franked meaning that \$15K would be refunded would have lost 30% of the dividend income. This policy was rejected by the Australian public at the 2019 election which should have settled this ongoing debate and dialogue.

As reported in [News.com.au](https://www.news.com.au) on the 21st of January 2021 the following comments were made by Anthony Albanese, the current Prime Minister of Australia.

"I can confirm that Labor has heard that message clearly, and that we will not be taking any changes to franking credits to the next election. "I want the focus to be on Labor's positive agenda for Australia's future."

The erosion of trust and integrity by saying one thing then once elected to do the opposite is breathtaking and is totally dishonest.

Australia has a strong capital market that functions well during times of strength and weakness for ASX companies and should not be the subject of constant changes. Furthermore the current systems drives the payment of Tax to the ATO which enables Franked Dividends be paid to shareholders providing a stream of income for self funded retirees and shareholders. This system was introduced by Paul Keating and supported by both sides of politics and has provided stability to Australian Companies that pay Australian Tax and should not be changed as it is working in its current form.

I hope these proposed law changes will be reconsidered to ensure that the strong foundation that the Australia Franking Credit system continues to provide companies, shareholders and Australian public the benefits it has been delivering since 1987.

Kind Regards,

Geoff and Kathryn Wallace