**From:** [redacted]
**Sent:**
**To:** OMSBB Public Consultation
**Subject:** Treasury Laws Amendment (Off-Market Share Buy-Backs) Bill 2022 submission

Director
Corporate Tax Policy Unit
Corporate and International Tax Division
Treasury
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By email: OMSBBpublicconsultation@treasury.gov.au

Dear Director,

Thank you for the opportunity to submit a response to the consultation of the Treasury Laws Amendment (Off-Market Share Buy-Backs) Bill 2022.

We object to the proposed changes and believe the draft legislation is unfair to Australian companies and all shareholders.

Treasury Laws Amendment (Off-Market Share Buy-Backs) Bill 2022, if applied, will weaken the franking system.

Off-market share buy-backs and selective reductions of capital are important and established capital management tools for Australian companies and their boards. Any changes to these proven practices will negatively impact Australian companies' capital management choices and have unintended consequences.

Under the proposed amendments to off-market share buy-backs, companies would no longer be able to pay fully franked dividends to participating shareholders as part of the buy-back consideration paid. In addition, the government is also proposing to eliminate franking credits permanently to the extent it would have been paid out in a fully franked dividend to shareholders, should a company wish to conduct an off-market share buy-back in the future. So, not only is the government limiting a company's ability to distribute franking credits to shareholders, it is now proposing to permanently take those franking credits away from companies, in turn denying them the ability to distribute legitimate tax payments made on behalf of their shareholders. The above changes were added to the legislation and were not announced in the Federal Budget on 25 October 2022. It is a significant negative addition which looks to further disenfranchise Australian companies and investors.

We implore the government not to look at this proposal in isolation, but rather to view it in conjunction with the submission on Franked Distributions and Capital Raising (which closed for submission to your office on 5 October 2022). Together, these proposed changes undermine a system that has supported Australian companies and investors through more than three decades of economic stability and growth. During that time, the world has experienced a number of major macroeconomic events such as the global financial crisis and the current system has protected Australian companies, and in turn their shareholders, through these times of economic instability, reducing companies need to take on unnecessary debt. It has encouraged Australian companies to invest in and pay corporate tax in Australia and emboldened Australians to invest locally. This, in turn, has created more jobs for Australians and provided the additional income tax revenue that Treasury and Government are currently seeking.

We believe that both the proposed changes fail to recognise the fundamental principle underlying the franking system and the reason for its creation, being the avoidance of double taxation on company earnings. If passed, the proposed changes will unfairly target retail investors, low-income investors and superannuation beneficiaries, while limiting companies' abilities to effectively manage their own capital.

We believe Treasury and Government are underestimating the long lasting and broad-reaching impact these changes will have on Australia and we ask you to re-consider making any changes.

Attacking franking credits is a personal and inequitable attack on retail investors, companies and the retirement security of many Australians, including myself and those of my family, friends and the community. My husband and I worked all our lives and paid taxes until we retired (now aged 80 and 75 years) and because of this hard work and careful savings we are just managing to be self-funded retirees and are not a burden on the government. Due to our careful savings none of the benefits applied to pension recipients apply to us so again a further saving to the government.

As Paul Keating said, "Dividend imputation revolutionised capital formation in Australia. The Treasury was uncomfortable with it because of its cost to revenue, and about every seven years' it promotes a debate to remove it." "While the government and the Treasury would see (various changes) as a cost to the Budget in revenue forgone due to reduced tax revenues today, (these changes) would provide the government with certainty in the later years by reducing its future funding obligations. This was one of the original intentions when the foundations for the current superannuation system were laid."

It has become clear that these two new changes will weaken the franking system by limiting the distribution of fully franked dividends to shareholders. This is contrary to the Labor Government's election promise, to not make any adverse changes to the franking system. There is no doubt that Australians feel as strongly now as they did during the 2019 election campaign period when they clearly rejected changes to the franking system as proposed by then Labor Leader Bill Shorten.

Please contact me on [redacted] if you have any questions on this submission.

Yours sincerely,

Toni and John Darcy

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