
From: [REDACTED]
Sent: [REDACTED]
To: OMSBB Public Consultation
Subject: (Off-Market Share Buy-Backs) Bill 2022

Director

Corporate Tax Policy Unit
Corporate and International Tax Division

Treasury

Langton Cres

Parkes ACT 2600

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.

I 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.

I 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.

I 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.

I 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.

I set up our Personal Superfund (to fund My Wife's and My retirement) back in 1996. We have invested our earnings in in this Fund buying Australian shares with franking credits and invested money in Term Deposits to allow us to have the ability to have access to Cash as or if we needed it for day to day living expenses.

Our aim was and still is to fund our own retirement. The only Government help we get is the Commonwealth Seniors Health Card. Term Deposit interest rates have been very low for several years and the share returns in recent years are our only source of income. But that is why I set this fund up to pay OUR WAY as we need to.

If your government's proposed changes come into effect I am locked into a situation where I the rules have changed and I will be financially disadvantaged. If my memory is correct the Government said if elected they would not Change the Franking System.

Please contact me by email [REDACTED] if you have any questions on this submission.

Yours sincerely,

Richard And Marilyn Doherty
[REDACTED]