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**From:** [REDACTED]  
**Sent:** [REDACTED]  
**To:** OMSBB Public Consultation  
**Subject:** Changes to the Franking Credits system

**Director  
Corporate Tax Policy Unit  
Corporate and International Tax Division  
Treasury  
Langton Cres  
Parkes ACT 2600**

Dear Director,

We write about the Treasury Laws Amendment (Off-Market Share Buy-Backs) Bill 2022 and object most strongly to the changes proposed because they will weaken the franking credit 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 have a bad effect on 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. In addition, the government is also proposing to eliminate those franking credits permanently to the extent they would have been paid out as a fully franked dividend to shareholders, should that 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 very damaging addition which further disenfranchises 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 catastrophes such as the global financial crisis. The current system has protected Australian companies and in turn their shareholders through these periods of economic instability, reducing those companies' need to take on unnecessary debt. It has encouraged Australian companies to invest in and pay corporate tax in Australia and incentivised 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, that 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 our companies' abilities to effectively manage their own capital.

We believe Treasury and Government are underestimating the long lasting and broad reaching effect these changes will have on Australia and we ask you to reconsider making any changes. As self-funded retirees, we benefit from the existing laws and rules and the proposed changes would seriously reduce our income as they will the income of millions of others. This will have the effect of reducing our spending power and have a dampening effect on GDP. Please think again.

Please contact me on [REDACTED] if you have any questions on the below submission.

Yours sincerely,

Richard and Susan Fernandez

[REDACTED]

[REDACTED]