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

Dear Director,

Treasury Laws Amendment Bill 2022

(Off-Market Share Buy-Backs)

As elderly (82 and 81 y.o.) self-funded (low-income investors) retirees, my wife and I are concerned that the changes to the above Bill, as set out in the Draft Legislation, will adversely affect our ability to withstand the economic disadvantages about to descend on our economy as often described by the Treasurer in his frequent media presentations. As a result of this concern, I worriedly object to the proposed changes, believing the draft legislation unfair to Australian companies and shareholders, in that Bill 2022, if applied, will weaken the franking system.

As I understand it, 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 believe the existing system has served our country well in times of previous economic instability as far back as the Global Financial Crisis and following economic uncertainty, reducing companies need to take on unnecessary debt. It has also encouraged Australian companies to invest in and pay corporate tax in Australia and encouraged Australians to invest locally. This has surely created jobs and provided additional tax revenue that the Government currently seeks?

It seems to me that 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 the long lasting and broad-reaching impact these changes will have on Australia are being underestimated and respectfully request that you re-consider making any changes.

Yours sincerely,

Neil Newman