

16 May 2014

General Manager
Corporate Governance and Reporting Unit
Corporations and Capital Markets Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: corporations.amendments@treasury.gov.au

Dear Sir/Madam

Corporations Amendments – Improving Disclosure Requirements

Thank you for the opportunity to make a submission on the Exposure Draft of the *Corporations Legislation Amendment (Deregulatory and Other Measures) Bill 2014*, released by Treasury on 10 April 2014 for public consultation (Draft Bill).

Please find attached Telstra's submission in respect of the Draft Bill and we would welcome the opportunity to further discuss these issues with Treasury.

If you have any queries or would like to discuss our submission further, please do not hesitate to contact me.

Yours sincerely



Damien Coleman
Company Secretary

Exposure Draft of the *Corporations Legislation Amendment (Deregulatory and Other Measures) Bill 2014* ('Draft Bill')

Submission by Telstra Corporation Limited

Our submission relates to the provision of the Draft Bill which includes proposals to:

- 1) remove the obligation to hold a general meeting on the request of 100 shareholders;
- 2) improve the disclosure of executive remuneration in Australia; and
- 3) increase the flexibility of companies to pay dividends;

Telstra is generally supportive of these proposed reforms. We have further comments on two aspects of the draft Bill.

Dividends

Telstra welcomes the amendments provided by the Draft Bill regarding the Corporations Act test for the payment of dividends.

In light of the flexibility given by the new Corporations Act provisions, we would like to make some comments in terms of the practical implications of the changes. We recognise that these comments traverse both the Corporations Act and broader matters relating to taxation. From a tax perspective, Telstra would welcome confirmation that the proposed amendments (particularly the introduction of new s 254TA of the Corporations Act) will not result in a change to existing arrangements for the taxation of dividends. While this appears to be the case from the explanatory material, it would be helpful if it were confirmed, via appropriate means, that a share capital reduction by way of dividend under s 254TA will generally not be treated as a dividend for income tax purposes and thus will not be assessable as a dividend or frankable.

As the proposed amendments will create a distinction between corporate law and tax law dividends, it would be useful, for both companies and shareholders, for there to be further guidance on the manner in which that distinction should be disclosed to shareholders. This would assist in establishing a consistent approach to information provided to shareholders for managing their taxation affairs. For example, dividend statements would need to identify the amount of a corporate law dividend which is treated as a dividend for income tax purposes (and the franking percentage which relates to that amount).

In so far as the proposed amendments enable a company to undertake reductions of share capital via a dividend, it may also be necessary to clarify the application of the anti-avoidance provisions under which the Commissioner of Taxation may make a determination to treat a distribution of capital as an assessable unfranked dividend (rather than as a return of capital).

Disclosure of Executive Remuneration

Telstra supports the proposed measures in the Draft Bill aimed at simplifying remuneration reports by removing unnecessary (or duplicative) disclosure requirements relating to the value of lapsed options and the percentage of remuneration that consists of options.

In addition to the measures set out in the Draft Bill, we would welcome a broader review of current reporting requirements for remuneration reports. We consider these are opportunities to further simplify existing reporting requirements (for example by improving and streamlining the existing disclosures), to provide a simpler, more effective reporting framework for shareholders. We refer to previous submissions to the Corporations and Markets Advisory Committee (CAMAC) by industry bodies and corporates (including Telstra) on this subject (most recently in relation to the CAMAC discussion paper on 'The AGM and Shareholder Engagement').

Telstra Corporation Limited

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