From: Grant Kidner [mailto:gk@equitipartners.com.au]
Sent: Friday, 29 September 2017 3:21 PM
To: Winckler, Simon
Subject: Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017

Hello Simon,

I draw your attention to the proposed s.23AB (f).

As there is 'flow through' active business income from both, discretionary trusts to corporate beneficiaries and from partnerships to corporate partners these corporate entities will be forced to access the lower 27.5% corporate tax rate.

However then any future dividends paid from such corporates can only be franked to 27.5%. As a lot of these companies could have significant retained profits and lower income going forward it is our opinion that there should be an opt in/out option for companies re the 27.5c or continue paying 30c. The payment of future dividends will be a tax hit (not a tax benefit) on the new rate.

Was this ever the intention of this legislation?

Also these are effective from 01/07/2016. How do we administer this:

1) For lodgements completed?
2) For dividends declared in the year 30/06/2017 and the notices sent out?
3) We as tax agents have not had the opportunity to advise our clients of the impact of the flow through rules proposed.

I suggest the answer is as follows:

1) You invoke an opt in/out to the 27.5% tax rate for the 30/06/2017 year or;
2) Commence this from 01/07/2017

Regards,

Grant Kidner
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