
From: [REDACTED]
Sent: [REDACTED]
To: OMSBB Public Consultation
Subject: Objection to off-market share buy-back bill

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

By email: OMSBBpublicconsultation@treasury.gov.au

Dear Director,

This is my response to the invitation to comment on 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. It will weaken the franking system which I and my SMSF rely on.

“We” rely on off-market share buy-backs as important and established capital management tools for Australian companies.

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.

I also do not like the approach whereby 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.

Any changes to the current dividend franking system will adversely affect my personal investments and my SMSF – thereby impinging on what is currently a retirement income that does not require direct additional government support. The same situation applies to my partner.

I see both the proposed changes failing to recognise the fundamental principle underlying the franking system and the reason for its creation, being the avoidance of double taxation on company earnings.

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.

Yours sincerely,

Matthew David Linn

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