

9 December 2022

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

Dear Director

TREASURY LAWS AMENDMENT (OFF-MARKET SHARE BUY-BACKS)BILL
2022

I wish to express concerns regarding the above proposal along with general comments in relation to the current franking system. These comments are based on various reports contained in the media and financial newsletters received which may contain various inaccuracies.

Retrospectivity: I am totally opposed to any form of retrospectivity within the tax system and particularly as it may affect the franking system which could have disastrous ramifications for tax payers caught up in the system for no fault of their own apparently necessitating review of past records and re-assessments which is a time consuming unproductive activity with dubious revenue raising potential. This is an “in principle” objection to retrospectivity.

I consider the current system to be fair and can see no reason for change as it has operated well since inception to the advantage of all and reflects investors being encouraged to invest in Australian industry thus encouraging growth and economic prosperity which has much assisted our economy in comparison with most foreign economies in hard and recessionary times. Changes to the current system will simply encourage investment in other areas and particularly off-shore to our disadvantage.

The concept of companies paying tax then passing on imputation credits to their owners which effectively avoids double tax on the same income is laudable and indeed the building up of franking reserves within a company must encourage payment of company tax and discourage manipulations to avoid tax as a result of shareholder pressure to ultimately receive the benefit of franking

I see no reason to prevent a company from arranging its affairs to pass onto its shareholders the franking benefit which may relate to cash flows, capital raisings or share buy-backs.

It seems the share buy-back position is of particular concern and this really only affects a relatively small number and seems to be of concern particularly for superannuation investments. The excesses appear to relate to a limited number of very large funds which have large accumulation balances which receive tax benefits of a lower tax rate and such apparent foregone revenue could be rectified by placing a limit on the accumulation amount

as has been successfully applied to the “pension” component and is generally accepted by tax payers as a reasonable approach.

I strongly believe the current franking system should be remain unchanged and remedies for apparent foregone revenue should be found in other areas which are far less likely to distort the capital management regime and general economic condition.

Yours sincerely,

B M G REMOND
DIRECTOR