Australian Shareholders' Association

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6 January 2015

Dr Kathleen Dermody
Committee Secretary
Senate Economics Legislation Committee
Parliament House
Canberra ACT

Dear Dr Dermody

Senate Economics Legislation Committee
Inquiry into the Corporations Legislation Amendment (Deregulatory and Other Measures) Bill 2014.

Background
The Australian Shareholders' Association (ASA) represents its members to promote and safeguard their interests in the Australian equity capital markets. The ASA is an independent not-for-profit organisation funded by, and operating in, the interests of its members, primarily individual and retail investors, self-managed superannuation fund trustees and investors generally seeking ASA's representation and support. ASA also represents those investors and shareholders who are not members, but follow the ASA through various means, as our relevance extends to the broader investment community.

Introduction
On 14 May 2014, ASA lodged a submission on the draft Bill. This submission is attached for reference and its observations still stand. In that submission, we advised that ASA had no objections to the proposed changes to the definitions and mechanics of paying dividends. These have been deleted from the Bill under consideration. The business and investment community would be interested in the reasons for this change.

Further, we note that the proposed requirement for the remuneration report to contain a description of the remuneration governance framework has also been deleted. This is unfortunate as it is at odds with the best practice direction taken in the United Kingdom relating to listed reporting/governance trends.

Amendment to subsection 249D(1)
This is a reduction in shareholder rights which is of concern to us, although it is acknowledged this provision (for EGMs) is rarely used owing to the costs involved in gaining the support needed (either for 100 shareholders or 5% of eligible votes). To compensate, we suggested in our 14 May submission that the number of signatories needed in subsection 249P to require a resolution to be put to an annual general meeting should be reduced to just 10 shareholders, provided each holding is a marketable parcel worth more than $500. Further, each of those 10 shareholders would be required to have held the shares for a period of 12 months, as is the case in the USA.

Nonetheless, ASA supports the proposed change as shareholders will continue to have the opportunity to place resolutions on the agenda for an annual general meeting.

Amendment to subsection 249D(1A)
The above comments apply.

Amendment to subsection 300A(2)
We disagree with the proposal to remove remuneration reporting from unlisted disclosing entities. There are a great many unlisted public companies in which retail shareholders have investments — real estate development companies being an example. Unlisted finance companies issuing debentures to the public is another example. Remuneration disclosure is as important to these shareholders as it is to shareholders in listed entities. Section300A(2) should not be altered; instead, the heading of section 300A should be amended to clarify that it applies to all disclosing entities, not just listed entities.

Given the failure of many companies to protect shareholder and investor value, ASA does not want any reduction in the disclosure of director/executive remuneration.

Subsection 323D(2A)
ASA does not object to the proposed change. However, in our earlier submission we pointed out the level of inconvenience suffered by companies, shareholders and the business community generally by virtually compelling the majority of companies to balance on 30 June. Our understanding is this is because a company is required to pay a surcharge of company income tax to change to another more convenient date. The surcharge is calculated on the amount of profit representing an apportionment of the annual result for the changeover financial period, in addition to payment of the 'normal' income tax for the fiscal year. This is a permanent extra tax liability — not merely a timing difference. This goes back to a time when there were no instalments of income tax and the government had to wait for an annual payment from each company. The perpetuation of this impost long after it has ceased to be relevant, creates a significant and unfair tax burden and inconvenience to the entire business community, which is ultimately borne by shareholders.

Yours sincerely

Ian Curry
Chairman