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THE TREASURY

Macroeconomic Policy Division
The Treasury
Parkes Place

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17 September, 1999

Dear Mr McMahon

INQUIRY INTO EMPLOYEE SHARE OWNERSHIP

Thank you for your letter of 2 September 1999 attaching the transcript of our appearance before the Committee on Employment, Education and Workplace Relations on 26 August 1999.

We would like to make one minor alteration to the transcript. The change is to the last sentence of the third paragraph on page 194 and has been marked on the transcript attached to this letter. This sentence should read:

"But if you are examining a workplace, there would be quite a number of difficulties and I suspect that is the reason why there has been very little around on that subject".

During our appearance, we were also asked to give Treasury's view on mechanisms to harmonise the payroll tax treatment of employee share ownership schemes between the Commonwealth and States. A response prepared by our Commonwealth State Relations Division is also attached.

Yours sincerely

James Horne
General Manager
Macroeconomic Policy Division

ATTACHMENT

House of Representatives Standing Committee on Employment Education and Workplace Relations Question

Dr Nelson (Chair) and Mr Sawford (House of Representatives Standing Committee on Employment, Education and Workplace Relations Hansard page No. EEWR 201) asked:

- whether there were any mechanisms in place to bring about harmonisation of payroll tax treatment of employee share ownership schemes (ESOS) in the States and Territories;
- for specific matters that the Committee should consider in dealing with this issue; and
- for Commonwealth Treasury's view of the Western Australian Government's inclusion of ESOS in that State's payroll tax base.

Treasury's Response:

Responsibility for payroll tax has rested with the States since the tax was transferred to them from the Commonwealth in 1971. Consequently, the design of payroll tax systems is a matter for respective State and Territory governments. The application of payroll tax to ESOS varies between jurisdictions (as do other aspects of payroll tax arrangements).