

TREASURER
PARLIAMENT HOUSE
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Dear Dr Nelson

Thank you for your letter of 9 August 1999 seeking my response to claims made before your Committee on 14 July 1999 by Mr Jon Kirkwood, National Taxation Director, Ernst & Young.

The Coalition took a policy on employee share schemes to the electorate in 1996. Upon its election, legislative amendments, introduced in the 1996-97 Budget, doubled the amount of shares or rights that are exempt from tax for each employee. The increase in the tax exemption was also matched by an increase in the automatic tax deduction available to employers that provide share benefits.

The government's priority over the past two years has been to develop and implement sweeping changes to the Australian taxation system that will benefit all Australians. This has been done through the implementation of the proposals set out in *A New Tax System* taken to the 1998 election and, more recently, the development of the proposals of the Review of Business Taxation.

Mr Kirkwood has made some general claims about the response he has received to his submissions on taxation provisions applying to employee share acquisition schemes. Submissions he made to me dated 31 July 1996 on behalf of a number of organisations were considered by the Government at that time.

A number of the matters raised in Mr Kirkwood's submission were addressed in *Taxation Laws Amendment Act (No 1) 1997*. For example: the valuation method for a listed share or right where a share is newly listed; allowing the taxpayer to choose which stock market to use to determine the market value when the shares are quoted on more than one approved stock market; and increasing from 30 days to 60 days the time allowed to an employer to provide to employees a market valuation of shares when a share or right is to be taxed.

In a letter of 13 December 1996 to Mr Kirkwood, the Assistant Treasurer noted that a number of other issues raised by Mr Kirkwood could be given further consideration, and suggested that it would be appropriate in the first instance for Mr Kirkwood to meet with officers of the Treasury and the Australian Taxation Office. I am advised that Mr Kirkwood did not seek such a meeting.

A further submission dated 8 April 1997 was made and was considered by the Government. Mr Kirkwood then met with staff of the Assistant Treasurer and the Australian Taxation Office on 7 May 1998 to discuss a number of issues.

I trust this information will be of assistance to the Committee.

Yours sincerely

PETER COSTELLO