

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**TREASURY**

**Australian Taxation Office**

(Additional Estimates 17 February 2005)

**Outcome 1**

**Topic: Share Buy Backs**

**Hansard Page: #E82-83**

Senator Murray asked:

Mr Carmody, I am well aware of the relationship of the committees and the convention that we will not and do not pursue policy matters with you. But that is not the point that I am making. The point I am making is that I do not believe the Treasury, the government or the tax office could have known in advance what the cost of this policy would be, because you could not anticipate which companies were going to take it up and on what basis. How would you know such a thing? It is a market thing.

*Mr Carmody—This law was introduced—*

**Senator MURRAY**—But now that it has been in action, my request, directly from the committee—and I am sure I can speak for my colleagues—is for you to provide us, on notice, with some measure of the cost of this. It would be appreciated.

*Mr Carmody—I will take that on notice. There are difficulties in knowing what level of tax shareholders who take it up and all the rest of it—*

**Senator MURRAY**—An estimation is perfectly acceptable.

*Mr Carmody—I will take that on notice.*

**Answer:**

One of the difficulties in providing an estimate is establishing an appropriate benchmark against which the revenue impact of current off market share buybacks can be assessed.

The process of making an estimate against one or more of the benchmarks is resource intensive and will take some time.

Treasury regularly reviews the benchmarks for measuring tax expenditures as part of the process for preparing its annual Tax Expenditures Statement. Treasury advise that the treatment of off market share buybacks will be examined in this context.