

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates 29, 30 & 31 May 2007

**Question: bet 23**

**Topic: US Arrangements on CGT on Shares**

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**Senator JOYCE asked:**

This is not a trick question. What are the arrangements of the United States on capital gains tax on shares? If I invest in the United States, are their arrangements an exact reflection of our arrangements?

**Mr Callaghan**—I would have to double check. I believe that, from the information I have been given, within the OECDs the exemptions were France, Germany and Japan.

**Senator JOYCE**—Can you take that on notice?

**Mr Callaghan**—The United States arrangements—certainly.

**Answer:**

The US capital gains tax (CGT) rules are broadly comparable to Australia's CGT rules.

Non-resident corporations are not liable for tax on capital gains from a United States source unless the gain is effectively connected with the conduct of a United States trade or business, or unless the gain results from an interest in real property located in the United States.

The United States *Foreign Investors in Real Property Tax Act* (FIRPTA) provides that an interest in real property includes an interest in a United States domestic corporation whose assets consist primarily of United States real property. Gains on the disposal of real property interests are treated as if they were connected with a United States trade or business and are taxed at regular income tax rates.