

# Senate Economics Legislation Committee

## New Business Tax System (Consolidation, Value Shifting, Demergers and Other Measures) Bill 2002

Submission No. 15

Submittor: Securities Institute of Australia  
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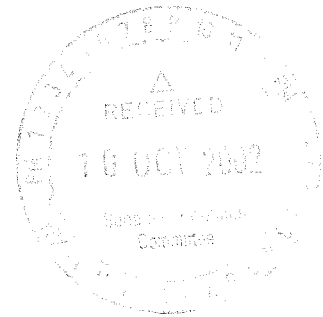
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Attachments? Attachments on request



## SECURITIES INSTITUTE

2 October 2002



Dr Kathleen Dermody  
Secretary  
Economics Legislation Committee  
Department of the Senate  
Parliament House  
— CANBERRA ACT 2600

Dear Dr Dermody

The Securities Institute of Australia wishes to comment on the demerger provisions of the New Business Taxation System (Consolidation, Value Shifting, Demergers and Other Measures) Bill 2002.

We understand that the Bill has bipartisan support but that the Opposition wishes to reassure itself that the revenue is not put to risk by variations from the Ralph recommendation for demerger rollover relief.

The Institute has always strongly supported the introduction of capital gain tax (CGT) rollover relief for company demergers as we believe it will allow company spin-offs and reconstructions to take place other than in the narrow circumstances currently permitted under the law.

In support of our preliminary submission to the Treasurer on CGT rollover relief in February 1998, we commissioned Access Economics to construct models to assess the potential impact on revenue of introducing CGT rollover relief for share swap mergers and demergers.

The demerger model suggests that extending CGT rollover relief to share-swap demergers of Australian companies would result in a gain to the revenue through increased demerger activity.

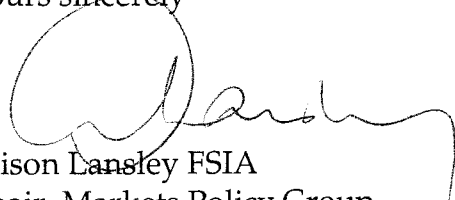
For your information I enclose a copy of the Access Economics report together with a Technical Supplement outlining the modeling methodology and a subsequent report explaining the rationale for including behavioural responses in tax revenue estimation.

The Institute has been directly involved in the extensive consultative process undertaken by Treasury and the Australian Tax Office (ATO) over the drafting of the demerger legislation. This was undertaken to allow specialist tax practitioners and industry representatives to help flesh out details of the legislation.

Further consultation undertaken once the Bill was introduced into the House provided feedback and where necessary clarification of some provisions.

The Institute believes this to be a very worthwhile reform and would welcome the opportunity to address the Committee on the complex technical details of the legislation.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alison Lansley', written over a circular stamp or mark.

Alison Lansley FSIA  
Chair, Markets Policy Group