APPENDIX 3

Response to questions on notice taken by Treasury

Financial Impact

The interest withholding tax amendments currently before Parliament will have a nil cost against the forward estimates. This is because the amendments merely correct unintended consequences, which had not been widely exploited or endorsed by an ATO private ruling.

There would have been a substantial revenue risk if the unintended consequences were not corrected and taxpayers were to take advantage of them by acting according to the letter of the law.

CGT and Tax Treaties

Most Australian post-CGT treaties allow each country to tax, according to its domestic law, any capital gains derived by its own residents or by a resident of the other country from the alienation of shares. However, the recently signed treaties with France, Norway and Finland will, once in force, only allow the country of residence to tax such gains (other than gains from 'land rich' entities). Thus France , for example , will not be able to tax gains made by an Australian resident from the sale of shares in a French company (other than gains from 'land rich' entities).