From:	@ato.gov.au]
Sent:	Thursday, 9 August 2001 4:25
To:	(Treasury)
Subject:	FW: Thin cap and debt/equity - further queries ex KPMG

Importance: High

KPMG Submission (Part 2)

Regards

-----Original Message-----
From: @kpmg.com.au]
Sent: Monday, 23 July 2001 17:33
To: @ato.gov.au'; @ato.gov.au'
Cc: @ato.gov.au';
Subject: Thin cap and debt/equity - further queries

Further to our email of 19 July 2001, we outline below some further issues where we again seek your clarification in relation to the New Business Tax System (Debt and Equity) Bill 2001 ("the debt/equity Bill") and the New ¯ısiness Tax System (Thin Capitalisation) Bill 2001 ("the thin cap Bill").

This note focuses on the following:

* Thin capitalisation transitional provision - transitional debt interest;
* Grouping for thin capitalisation;
* Non-share capital accounts;
* Treatment of convertible notes;
* Section 26-26
* Treatment of short positions and derivatives; and
* Regulations.

Section 22

Pages 2-4 section 22

Section 22

Section 26-26

This provision precludes a deduction for all non-share distributions.
However, if on the issue of non-share equity interest the issuer was fully
assessed on the amount received is it not reasonable to allow for the
possibility of the non-share distribution being a deduction? Alternatively,
is it intended that amounts received on non-share equity interests are
always not assessable? Clarification of this point would be appreciated.

Section 22

Section 22