

From:
Sent: Wednesday, 6 June 2001 2:46
To:
Subject: FW: Debt equity legislation
Importance: High

, any views?

-----Original Message-----

From: [SMTP: @ato.gov.au]
Sent: Wednesday, 6 June 2001 12:40
To:
Cc:
Subject: FW: Debt equity legislation
Importance: High

IMPORTANT

The information transmitted is for the use of the intended recipient only and may contain confidential and/or legally privileged material. Any review, re-transmission, disclosure, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is prohibited and may result in severe penalties. If you have received this e-mail in error please notify the Privacy Hotline of the Australian Taxation Office, telephone 13 2869 and delete all copies of this transmission together with any attachments.

Section 22

Under current law, a debt dividend would be akin to a return on a non-equity share. The current law treats a debt dividend as not frankable, deductible (if certain conditions are met) and subject to DWT (as it is the payment of a dividend). The treatment of a return on a non-equity share under the debt equity rules will receive the same treatment - that is, it will not be frankable (160APA(f) proposed amendment), may be deductible (s 25-85 in conjunction with s 8-1) and it is intended that the return is subject to dividend withholding tax, and not interest withholding tax (as the return will be a dividend and not interest). Could you please confirm that this is in line with your understanding of the policy intent of the legislation.

We are on a very tight time frame to provide further drafting instructions to OPC. As a matter of urgency, your comments would be greatly appreciated.

[' have copied you in on this email as has forwarded to me copies of you, comments on and comments. If you have any comments/questions, please let me know as soon as possible].

Regards

(6216)

Section 22

