

External Memorandum

Allen Allen & Hemsley

To	Treasury, Canberra
From	
Date	4 June 2001
Matter No	000000
Subject	Comments on New Business Tax System (Debt & Equity) Bill 2001 (the <i>Bill</i>)

As requested, I have reviewed the Bill and offer the comments set out below. I note, however, that these comments are not necessarily exhaustive.

1. I do not see the rationale for the limitation imposed on section 25-85 by subsection (3) of that section. If the interest in question passes the debt test, I do not see why the tax consequences of distributions on that debt interest should be limited to 100 basis points above the benchmark rate of return. I note, in addition that the term "basis point" does not seem to be defined in the Act.

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