



EMBARGO Budget. Not for release before 7.30 pm AEST, 13 May 1997.

DEMUTUALISATIONS OF NON-INSURANCE ORGANISATIONS — DEVELOPMENT OF A GENERIC TAX FRAMEWORK

Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
*	*	*	*

* The nature of the measure is such that a reliable estimate cannot be provided.

Explanation

The Government has decided to develop — with public consultation — a generic tax framework that can be applied to all future demutualisations of non-insurance organisations.

The application of the existing tax law to demutualisations of non-insurance organisations can be uncertain and can give rise to anomalies (including the possibility of taxpayers being subject to some element of double taxation). To address these problems the Government intends to develop a generic tax framework for determining the tax consequences of transactions associated with the demutualisation of non-insurance organisations.

Amongst other things, the generic tax framework will specify:

- what constitutes a demutualisation for the purposes of this measure;
- the tax consequences of members surrendering their membership interests in the mutual organisation;
- the basis for determining the cost base of shares issued to (former) members as a result of demutualisation; and
- the tax treatment afforded to (former) members who receive a cash payment to surrender their membership interests rather than proceeds from the sale of their demutualisation shares.

Given the complexity of these issues and the diverse range of mutual non-insurance organisations to which a generic framework might apply, the Government intends to consult widely on the development of this measure. To facilitate the consultation process, the Australian Taxation Office

and the Treasury will shortly be releasing an issues paper inviting comment on the broad policy principles to apply to the generic framework.

The above material is a full extract of the description of the measure as contained in *Budget Paper No 2: Budget Measures 1997-98*. This paper explains all outlays and revenue measures, and is available from Australian Government Bookshops or from the Treasury Internet site at <http://www.treasury.gov.au/budget>

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Contact Officers: Ian Pittard (Australian Tax Office)
(tel: (06) 216 1176)

Rob Dalla-Costa (Treasury)
(tel: (06) 263 4402)