

NEW MERGER TAX RULES TO MAKE IT EASIER FOR SHAREHOLDERS

The Assistant Treasurer, Senator Nick Sherry, today announced the Government will make it easier for shareholders to defer certain capital gains made during takeovers or when companies merge.

"The Government intends to introduce legislation to reform the tax law as it relates to the requirements for the scrip for scrip roll-over in respect of takeovers and mergers approved under the Corporations Act 2001," the Assistant Treasurer said.

"The scrip for scrip roll-over is an important measure that ensures capital gains tax (CGT) is not an obstacle to takeovers and mergers."

"The roll-over allows investors who exchange shares in one company for shares in another to defer the realisation of any capital gains from this trade."

"However, as the law stands, the scrip for scrip roll-over may not be available to shareholders even though the takeover or merger has been approved under the Corporations Act 2001."

"The reforms will increase the scope of the scrip for scrip roll-over and allow a simpler and better financial transition for shareholders by deferring capital gains at the point of the takeover or merger."

"This is good news for shareholders, whether they are mum and dad investors or large, institutional investors."

"The changes I am announcing will apply to CGT events that happen on or after today," the Assistant Treasurer said.

The new laws will better align the CGT scrip for scrip roll-over requirements with the Corporations Act 2001, to make it easier for takeovers and mergers regulated by the Act to qualify for the roll-over.

Carving out takeovers and mergers (including via a scheme of arrangement) that satisfy the member participation and other requirements of the Corporations Act from having to satisfy the member participation requirements of the scrip for scrip roll-over will ensure the roll-over operates more effectively.

The Additional Information attached to this release has more detail on the changes and will form the basis for the Government's four-week consultation on the legislative design of these reforms. More information on how to make a submission is available at www.treasury.gov.au

"The Government is committed to a program of consultation and an exposure draft of the legislation will be released later this year on the Treasury website," the Assistant Treasurer said.

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