

INTERVIEW WITH EMMA GRIFFITHS

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SUBJECTS: Employee Share Schemes announcement

MARK COLVIN:

After a deluge of complaints from businesses and workers, the Federal Government has done a U-turn on its proposed crackdown on employee share ownership schemes. It had planned to set a \$60,000 income cap on the tax break; the hope was to make a \$200 million budget saving.

Now, after a review, the Government has announced that the threshold will be tripled to \$180,000.

The Assistant Treasurer Nick Sherry has been speaking to Emma Griffiths.

EMMA GRIFFITHS:

Senator Nick Sherry, workers and businesses have cried fowl over this budget measure; do you think you've got it right now?

NICK SHERRY:

Well, we engaged in extensive consultation, I think we've achieved a correct balance, integrity, workability, significantly improved reporting to eliminate evasion of tax or inadvertent non-payment of tax, and a far better package that targets low, middle income earners with an income restriction on the \$1000 up front tax concession and a \$5000 limit to salary sacrifice. So, I think overall the package and the refinements we've made genuinely balance the need to maximise participation in employee share schemes and add \$135 million to the budget going forward.

EMMA GRIFFITHS:

So, it's \$135 million. It was to be \$200 million, is this change worth it?

NICK SHERRY:

Well, what we've ensured is a significant improvement in both integrity and fairness. And, as a consequence of the world financial economic crisis, \$135 million and improved integrity, better targeting and fairness is very, very important.

EMMA GRIFFITHS:

Companies had suspended - or some companies had suspended their share schemes; can they confidently bring them back online now?

NICK SHERRY:

Well, I certainly believe so. I think the - the practical issues that were raised as transitional concerns we've listened, we've responded, particularly to the concerns raised by business in this latter consultation. And we believe that it's a workable, well-targeted and fair measure and will ensure Australians maximum participation in employee share schemes going forward.

EMMA GRIFFITHS:

One of the original aims of the crackdown as stated by the Treasurer Wayne Swan was to make sure that executives and the top end of town weren't benefiting from tax breaks; is that still going to be the case now?

NICK SHERRY:

Yes, it certainly will be as a consequence of a couple of improvements in the scheme. Firstly, a significant improvement in reporting; there was some inadvertent and deliberate - and/or deliberate evasion.

And, the second area of change is ensuring that higher income executives have what's to be known as a Real Risk of Forfeiture. And that will much better align - we've learnt from the global financial crisis, it's important that risk management and reward are aligned. And that new forfeiture principle will ensure that higher income executives who are rewarded through these schemes are better aligned with reward and risk management.

EMMA GRIFFITHS:

You've raised the income threshold to \$180,000. You had a recommendation for \$150,000, why did you bring it up even further?

NICK SHERRY:

Well, I think it made reasonable and logical sense to align the tax concession with the \$180,000 because that's the higher income tax threshold - top marginal tax rate threshold. And, secondly, specific concerns raised primarily from the resources sector, and we accepted the argument that \$180,000 was the best place to align to focus the \$1000 tax concession to low and middle income earners.

EMMA GRIFFITHS:

You've had to pick this up halfway through because of the reshuffle, but your predecessor as Assistant Treasurer, Chris Bowen, brought this in. He was also in charge of Fuel Watch and Grocery Watch, those have both been dumped; has this been another Chris Bowen mistake?

NICK SHERRY:

Well, as Assistant - as the new Assistant Treasurer, I've developed these proposals together with Chris. And Chris Bowen has played a very active and constructive role in finalising these measures, and has done excellent work in the lead up to the finalisation of the employee share parameters.

MARK COLVIN:

Senator Nick Sherry, the Assistant Treasurer, speaking to Emma Griffiths.