

**Business  
Coalition for  
Tax  
Reform**

Level 11, 455 Bourke Street  
Melbourne Vic 3000  
Telephone (03) 9600 4411  
Facsimile: (03) 9600 4055

4 December 2007

Mr. Wayne Swan MP  
Treasurer  
The Treasury  
Treasury Building  
Langton Crescent  
PARKES ACT 2600

Dear Treasurer,

**Business Tax Issues for the New Government**

I am writing to you in my capacity as Chair of the Business Coalition for Tax Reform (BCTR) to congratulate you on your Party's success in the recent federal election, as well as your own appointment as Treasurer. At the same time, I would like to take the opportunity to provide you with some background about the BCTR.

The BCTR is an apolitical organisation comprising industry associations drawn from all sectors of the economy and representing small, medium and large businesses. It was formed in October of 1997 to co-ordinate the business approach in the taxation reform process.

BCTR members share the common objectives of creating and implementing a better tax system that enhances both international and domestic business competitiveness and fairness, and which assists in creating a business climate conducive to investment, growth, job creation and private saving. A list of BCTR members is provided in Attachment A.

The BCTR does not support any political party. We support comprehensive tax reform. To facilitate this process we commissioned detailed research from Australia's most highly respected tax experts and academic economists into the nature of changes that should be made to our tax system. Our process has been transparent. We have shared data and research with interested parties and have listened to all participants in the debate.

I would like to meet with you at an appropriate time to discuss our tax reform objectives and our vision for improvements that create a better tax system.

In the meantime, we would like to bring to your attention our very strong concerns in relation to the previous Minister for Revenue and Assistant Treasurer's media releases of 12 October 2007 and 16 October 2007 concerning a proposed modification to the tax consolidation regime where scrip for scrip rollover relief affects the membership interest of an entity that joins a consolidated group. These announcements have created significant and, in our view, unwarranted problems for Australia's capital markets which need to be addressed as a matter of urgency.

The media releases announced in October indicated that the previous Government proposed to modify the tax consolidation laws to ensure that when an entity joins a consolidated group or multiple entry consolidated group ("the joining entity") where scrip for scrip rollover relief affects the membership interest of that joining entity, the tax cost setting rules will not apply to uplift the tax costs of the joining entity's assets which would otherwise be available. The announcement applies to scrip for scrip deals that have been announced after 12 October 2007, and runs contrary to one of the fundamental building blocks of the tax consolidation regime, which is to align the cost of a joining entity's assets with the cost of its membership interest.

We are concerned that the previous Government announcement is very far reaching and may have been made in haste prior to the election without previous consultation with external stakeholders. Aside from the direct tax implications that arise from the announcement, there has been a major impact on capital markets in that all but a few scrip financed deals have been put on hold pending the resolution of this issue.

We would be pleased to come and speak to you personally about the BCTR and some of the issues that we believe are fundamental to the continued reform of business taxes. Would you please contact my personal assistant, Alison Pearson, to arrange an appropriate time for this meeting to take place.

If you have any queries in respect of the above or the BCTR in general please contact me on (03) 9634 9901.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Stanhope', written in a cursive style.

(John Stanhope)

**Chairman  
Business Coalition for Tax Reform**

Copy to: Prime Minister (Mr. Kevin Rudd, MP)  
Assistant Treasurer, Minister for Competition Policy and Consumer Affairs (Chris Bowen)

**BUSINESS COALITION FOR TAX REFORM MEMBERS**

Australian Beverage Council Limited

Australian Financial Markets Association

Australian Institute of Company Directors

Business Council of Australia

Corporate Tax Association of Australia

CPA Australia

Council of Small Business Organisations of Australia

Institute of Chartered Accountants in Australia

Insurance Council of Australia

Investment and Financial Services Association Ltd

Minerals Council of Australia

National Institute of Accountants

Property Council of Australia

Real Estate Institute of Australia