Attachment J

THE UNIFIED ENTITY REGIME – OTHER ISSUES

Wide Definition of a Distribution – De Minimus Exception

Measures will be introduced to widen the exceptions to the definition of a distribution announced in Stage 1 to provide for a de minimus exception.

Key features

The previously announced definition of a distribution will be modified to provide for a de minimus exception that would encompass benefits that are no more than ‘incidental’ to the proper administration or operation of an entity (such as the provision of refreshments to members at annual general meetings).

Commencement date

1 July 2001.

Current arrangements

The Government announced in Stage 1 a broad definition of distribution to cover all benefits provided by entities to members *in their capacity as members* to ensure that benefits provided by entities were subject to tax. This announcement included substantial exceptions to the general definition of distribution to exclude a range of benefits from being distributions. These are private use asset exceptions (for a “main residence” and private use assets held in an entity), and a “loyalty scheme” exception (for widely held entities).

Why the change is needed

A de minimus exception will be introduced to reduce compliance costs by covering benefits that are no more than ‘incidental’ in nature.

Treatment of acquisition expenses incurred by life insurers

Measures will be introduced to defer the amortisation of acquisition expenses incurred by life insurers in relation to life insurance investment policies until 1 July 2001 — that is, from the same date that applies to the amortisation of similar equity raising expenses incurred by other entities.

Key features

Acquisition expenses incurred by life insurers in relation to life insurance investment policies will be amortised over a maximum of a five year write-off period — that is, over the same period that will apply to the amortisation of similar equity raising expenses incurred by other entities.

Commencement date

1 July 2001.

Current arrangements

The Government announced in Stage 1 that the changes to broaden the tax base of life insurers, including the change to amortise policy acquisition expenses over five years, will apply from 1 July 2000.

Why the change is needed

Other entities will need to amortise similar equity raising expenses once the cashflow/tax value approach is introduced. Therefore, for consistency, the amortisation of acquisition expenses incurred by life insurers in relation to life insurance investment policies will be deferred until 1 July 2001.