



5th June 2015

Dr Kathleen Dermody
Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Dr Dermody

Inquiry into Tax and Superannuation Laws Amendment (Employee Share Schemes) Bill 2014

The Association of Mining and Exploration Companies (AMEC) is pleased to provide this submission to the Senate Economics Legislation Committee concerning the Tax and Superannuation Laws Amendment (Employee Share Schemes) Bill 2014

AMEC is the peak national industry body for mineral exploration and mining companies within Australia. The membership of AMEC comprises hundreds of explorers, emerging miners and the companies servicing them.

AMEC is particularly concerned in the way this legislation is splitting the exploration sector between listed and unlisted companies that qualify for the concessional arrangements relevant to the Bill.

Comments have been made that including additional companies will result in a greater cost to government. This is simply not true and cannot be demonstrated by Treasury or the ATO. When AMEC has asked for an explanation and clear calculations on how they calculate the cost then no details are forthcoming. AMEC has received advice from a number of reliable sources on how the proposed changes by AMEC, to enable listed mineral exploration companies to qualify for the start-up concessions, may impact the cost to Government.

AMEC and its highly qualified tax committee, comprising senior partners from Tax Firms across the country are adamant that broadening the start-up measures **will not** materially impact the budget. This is mainly due to the fact that the 2009 changes significantly impacted the behaviour of employers in creating alternative complex share plan arrangements.

AMEC contends that broadening the start-up measures to include listed start-ups will change behaviour by increasing participation and reducing the complexity of arrangements. This should in theory result in more exercises of options and sales of shares, thereby increasing the incidence of CGT and therefore increased revenue to Government.

As previously stated in consultation and in written submissions, the 2009 changes introduced a detailed employer reporting regime which would confirm the validity of our view expressed above re the immaterial impact to the budget. For example, the Division 83A reports include the employer's TFN and any assessable income derived from its employees from a Division 83A taxing event. Supplementing this with information from the

Association of Mining and Exploration Companies

Offices located in Perth, Sydney and Brisbane. Please address all correspondence to:

PO Box 948, West Perth WA 6872 | 6 Ord Street, West Perth WA 6005
P: 1300 738 184 | F: 1300 738 185 | info@amec.org.au | www.amec.org.au

employer's tax return (i.e. turnover, listed status and industry) each corresponding year, it would not be difficult to validate our assertion on the financial impact.

The Treasury and ATO need to detail calculations as to the cost of including mineral exploration companies. The generic statements to date are not helpful. There is every reason to believe that bringing more employee share schemes into the money will result in significant CGT back to the Government.

AMEC looks forward to the ATO tracking this assertion and substantiating the financial gain to Government.

International benchmarking on similar schemes is not seen as relevant in this instance.

The current arrangements result in an inequity as applied to listed and unlisted mineral exploration and mining companies.

I would be pleased to meet with the committee or representatives if further clarification is required. Thank you for your consideration.

Yours faithfully

Simon Bennison
Chief Executive Officer