

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates

20-21 November 2013

**Question: SBT 88**

**Topic: Australian Owned Entities**

**Hansard Page: page 19, 21 November 2013**

**Senator HEFFERNAN asked:**

88. Senator HEFFERNAN: As you know it was three trillion at tax avoidance last year at G20. A company which I have struck in that enquiry which is fully funded by a foreign sovereign entity with an Australian badge over it, and in the agreement the asset reverts because it has got an interest free loan from the sovereign entity. The asset that the company owns reverts to the sovereign entity in 30 years time. I asked the tax office how would they treat the capital gains tax treatment of that, and they just walked away blank faced in the hearing. How do you treat that company, because these are real. This is the modern world redefining sovereignty. We struck a company that has a 30-year interest loan facility with an Australian asset where the asset reverts as part of the facility to the government in 30 years time. Who owns the company?

Mr Hockman: We would have to take that on notice, that level of detail, because there is a complexity in that structure.

Senator HEFFERNAN: Well I think you guys might want to get up to speed on that and some of these deals.

**Answer:**

88. *A company which I have struck in that enquiry which is fully funded by a foreign sovereign entity with an Australian badge over it, and in the agreement the asset reverts because it has got an interest free loan from the sovereign entity. The asset that the company owns reverts to the sovereign entity in 30 years time. I asked the tax office how would they treat the capital gains tax treatment of that, and they just walked away blank faced in the hearing. How do you treat that company, because these are real.*

- The Company residing as an active company in the Australian economy will be treated as a domestic company belonging to a sector of the Australian economy that reflects its predominant activity.
- The company will show a loan liability to the rest of the world (the sector to which the foreign sovereign nation will belong to), and will record transactions for loan repayments to the lending sovereign nation.
- At the maturing of the 30 year loan liability, an equity relationship will be created between the company and the foreign sovereign nation through an equity transaction to the value of the interest (in the case of 100% ownership, this will be to the market value of the company inclusive of gain), demonstrating its foreign ownership/ equity interest.

Who owns the company?

- The company will be treated as an Australian owned entity until the maturing of its 30 year loan, after which we will record foreign ownership to the value the foreign sovereign nation's interest.