



Assistant Treasurer

Media Release

14 December 2013

INTEGRITY RESTORED TO AUSTRALIA'S TAXATION SYSTEM

The Assistant Treasurer, Senator the Hon Arthur Sinodinos AO, has today announced the outcome of consultations over the backlog of 92 announced but unlegislated tax and superannuation measures.

This completes the process announced by the Treasurer and Assistant Treasurer last month, delivering certainty and reducing red tape for investors, small business and corporate Australia.

“Clarifying the status of these measures is about the Government taking the necessary decisions to finally provide certainty on a large number of announced but unenacted taxation measures, the bulk of which were left behind by the ad hoc dysfunctional process of decision-making of the former Labor Government,” said Senator Sinodinos.

“I wish to acknowledge the tremendous contribution of the Board of Taxation and members of their advisory panel involved in the consultations. I also want to thank the other stakeholders for their formal submissions.”

The announcement today is the outcome of a considered and comprehensive process to restore integrity to the taxation system, as outlined by the Treasurer and Assistant Treasurer on 6 November 2013.

“We have delivered on our commitment to clear the backlog of tax measures and provide significant operational certainty for business and consumers,” said Senator Sinodinos.

The Government previously announced that 18 measures would proceed, three would be amended and seven would not go ahead including Labor's \$1.8 billion FBT hit on the car industry and the cap on self-education expenses.

Of the 64 measures that were considered further, 16 will proceed and 48 measures will not proceed (details in the attached table).

Those that are proceeding include:

- Capital gains tax treatment of earn out arrangements;
- Income tax treatment of instalment warrants;
- GST reverse charge for going concerns.

Those that are not proceeding include:

- Research and development tax incentive – quarterly credits;
- Capital gains tax relief for taxpayers affected by natural disasters;
- Symmetric treatment of bad debts.

The effect of these decisions, together with the measures not proceeding or proceeding with amendments announced on 6 November 2013, will have a net negative financial impact of \$3.1 billion in fiscal balance terms and \$2.9 billion in underlying cash balance terms over the forward estimates. This is a cost due to Labor booking revenue from measures that were mainly undeliverable or unrealisable and imposed considerable compliance costs.

“The decision on capital gains tax relief will not adversely impact the property owners in Lockyer Valley who were devastated by severe storms and floods and had entered into the land swap program,” said Senator Sinodinos.

The Government will also not proceed with the measure to ‘better target’ not-for-profit tax concessions at this stage, but will explore simpler alternatives to address the risks to revenue.

A number of measures that relate to superannuation have also been resolved, providing certainty for the industry that has been swamped by change over the last few years.

On the measure relating to deferred lifetime annuities, the Government will soon consider the unnecessary barriers to the development of longevity insurance products, as part of a broader review of the regulatory arrangements for retirement income streams.

The Treasurer and Assistant Treasurer also announced last month amendments to the thin capitalisation and offshore banking units measures. The Government is continuing to work closely with stakeholders on these changes.

In addition, the Government is developing a legislative measure to protect taxpayers who may have self-assessed on the basis of an announced measure that will no longer proceed.

The Government intends that the bulk of legislation should be passed by the Parliament during 2014, restoring simplicity and fairness in the Australian tax system.

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Proceed

Item (as noted in 6 November media release)	Measure	Announcement	Date of effect	Net financial impacts (\$m, FB) for proceeding over the forward estimates
34	Capital gains tax — strengthening certain integrity provisions in the scrip for scrip roll-over. Tightens the law to make it harder for companies and trusts to avoid capital gains tax when they sell subsidiary companies other than as part of a genuine merger or restructure of a business.	2012-13 Budget	8-May-12	0.0
36	Taxation of financial arrangements — amendments to tax hedging rules.¹ Makes minor technical amendments to the taxation of financial arrangements tax hedging rules to provide further clarity.	2011-12 Budget	1-Jul-09	0.0
37	Philanthropy — reforming the ‘in Australia’ requirements that apply to tax exempt entities. Re-states and clarifies the ‘in Australia’ special conditions for income tax exempt entities and deductible gift recipients to ensure that the relevant entities operate principally in Australia.	2009-10 Budget	Royal Assent	0.0
46	Capital gains tax — look-through treatment for earn out arrangements. Treats earn out payments as part of the value of the business asset for CGT purposes.	2010-11 Budget	Royal Assent	0.0
47	(a) Income tax treatment of instalment warrants	(a) 2010-11 Budget	1-Jul-07	0.0
	(b) Look-through treatment of instalment warrants and similar arrangements. Treats an investor in an instalment warrant as the owner of the underlying asset for tax purposes.	(b) 2011-12 Budget		
48	GST — Cross border transactions — ‘connected with Australia’ rules. Reduces the number of non-residents who are unnecessarily drawn into Australia's GST	2010-11 Budget	Royal Assent	0.0

¹ The design of this measure will be considered as part of the broader TOFA review, to be conducted by Treasury in the second half of 2014.

Item (as noted in 6 November media release)	Measure	Announcement	Date of effect	Net financial impacts (\$m, FB) for proceeding over the forward estimates
	system, improving competitiveness of Australian suppliers.			
55	GST — Government response to Board of Taxation report: GST administration — reverse charge for going concerns. Replaces the GST free concessions for the supply of going concerns and farm land supplied for farming with a reverse charge mechanism.	2009-10 Budget	Royal Assent	0.0
59	Loss recoupment rules — multiple classes of shares. Improves the operation of the tax loss rules in a limited range of circumstances (i.e. where a company has non-standard classes of shares or when it joins a consolidated group).	2007-08 Budget	1-Jul-02	0.0
61	Functional currency rules — extending the range of entities that can use a functional currency. Allows trusts and partnerships to use the functional currency rules when preparing their Australian income tax returns.	2011-12 Budget	Royal Assent	0.0
64	(a) Capital gains tax — minor amendments ensuring the proper functioning of the capital gains tax provisions — life insurance policies	(a) 2011-12 Budget		0.0
	(b) Capital gains tax — broadening the exemptions for certain compensation payments and insurance policies. Exempts from CGT certain compensation payments and life insurance policies received by super funds and trustees.	(b) 2012-13 Budget	1-Jul-05	

Item (as noted in 6 November media release)	Measure	Announcement	Date of effect	Net financial impacts (\$m, FB) for proceeding over the forward estimates
65	(a) Capital gains tax — minor amendments ensuring the proper functioning of the capital gains tax provisions — restructure roll-overs	(a) 2011-12 Budget	(a) 10 May 2011 and 1 November 2008	0.0
	(b) Capital gains tax — amendment to include concessional treatment for revenue assets and trading stock	(b) 2011-12 MYEFO	(b) 10 May 2011	
	(c) Capital gains tax — amendment to the revenue asset and trading stock roll-overs for interposing a company. Extends the CGT roll-overs for business restructures.	(c) 2012-13 Budget	(c) 8 May 2012	
66	Superannuation — greater certainty in relation to fund mergers. Clarifies that the proportioning rule in the superannuation tax law does not apply to fund mergers.	2012-13 MYEFO	1-Jul-15	0.0
67	Stronger Super — unlawful payments from regulated superannuation funds — promotion of illegal early release schemes. Introduces penalties for promoting schemes designed to obtain the illegal release of superannuation benefits.	2011-12 Budget	Royal Assent	0.0
69	Stronger Super — self managed super funds-administrative directions and penalties. Gives the ATO flexible and cost-effective penalty options to deal with SMSFs that breach the law.	2011-12 Budget	1-Jul-14	0.0

Item (as noted in 6 November media release)	Measure	Announcement	Date of effect	Net financial impacts (\$m, FB) for proceeding over the forward estimates
74	<p>Debt/equity tax rules — limiting scope of integrity rule.² Limits the scope of an integrity provision in the debt/equity rules to prevent unintended outcomes.</p> <p>The design of this measure will be considered as part of the post-implementation review of the debt-equity provisions, currently being conducted by the Board of Taxation.</p>	2011-12 Budget	1-Jul-01	0.0
85	<p>Taxation of financial arrangements — foreign currency regulations — technical and compliance cost savings amendments. Makes minor technical amendments to the foreign currency provisions to provide further clarity.</p> <p>The design of this measure will be considered as part of the broader TOFA review, to be conducted by Treasury in the second half of 2014.</p>	2004-05 MYEFO	1-Jul-03	0.0
Total				0.0

* = unquantifiable.

Do not proceed

Item (as noted in 6 November media release)	Measure	Announcement	Net financial impacts (\$m, FB) for not proceeding over the forward estimates
29	Research and development tax incentive — quarterly credits. Allows the R&D refundable tax offset to be provided in quarterly instalments.	2013-14 Budget	7.1
30	Venture Australia — enhancing taxation arrangements. Makes minor changes to the tax arrangements for venture capital investment and retains Pooled Development Funds.	2013-14 Budget	*
31	Comprehensive compliance regime for gaseous fuels. Protects revenue by providing a compliance regime specific to gaseous fuels to ensure untaxed fuel that enters the market is used for the stated purpose	29 October 2012 in Tax Laws Amendment (2012 Measures No. 5) Bill	0.0
32	Bad debts — ensuring consistent treatment in related party financing arrangements (symmetric treatment of bad debts). Ensures that if a lender claims a deduction for writing off a debt, then the borrower would recognise a similar amount of income.	2012-13 Budget	-75.0
33	Not-for-profit sector reforms — better targeting not-for-profit tax concessions. Protects the revenue base by ensuring that tax concessions provided to not-for-profit entities are targeted only at those activities which further their altruistic purposes. The Government will not proceed with the measure to ‘better target’ not-for-profit tax concessions at this stage, but will explore simpler alternatives to address the risks to revenue.	2011-12 Budget	*

Item (as noted in 6 November media release)	Measure	Announcement	Net financial impacts (\$m, FB) for not proceeding over the forward estimates
35	Superannuation — clarifying the operation of certain superannuation trust deed clauses. Ensures that trust deed clauses cannot be used to prevent excess amounts from being counted as contributions.	2011-12 MYEFO	*
38	Superannuation reforms — encouraging the take-up of deferred lifetime annuities. Encourages the take-up of DLAs by providing these products with the same concessional tax treatment that applies to investment earnings on superannuation assets supporting retirement income streams. This measure will be considered as part of the proposed review of the regulatory arrangements for retirement income streams.	2013-14 Budget	0.0
39	Philanthropy — triennial review of the deductible gift recipient registers. Provides a mechanism to conduct a triennial review of the guidelines for, and organisations on, DGR registers to assess the scope for administrative and policy reform.	2009-10 Budget	*
40	GST — Government response to Board of Taxation report: GST administration — changes in use adjustments. Amends the GST change of use provisions to provide higher thresholds, and fewer and shorter adjustment periods.	2009-10 Budget	0.0
41	GST — Government response to Board of Taxation report: GST administration — review treatment of vouchers. Reviews the GST treatment of vouchers having regard to international developments.	2009-10 Budget	0.0

Item (as noted in 6 November media release)	Measure	Announcement	Net financial impacts (\$m, FB) for not proceeding over the forward estimates
42	GST — Government response to Board of Taxation report: GST administration — review multi-party transactions. Provides further examination of the treatment of multi-party transactions in order to eliminate unrecoverable tax, having regard to overseas work in this area.	2009-10 Budget	0.0
43	Stronger Super — implementation of SuperStream reforms (stronger super reforms — inter-fund consolidation of accounts less than \$1,000). Requires the ATO to initiate consolidation of certain members' superannuation accounts, affected funds are then required to facilitate consolidation between funds unless the member opts out. This measure was funded from the SuperStream component of the Superannuation Supervisory levy collected from superannuation funds regulated by the Australian Prudential Regulation Authority. The levy will reduce to the extent that agency expenses fall as a result of this measure not proceeding.	2012-13 Budget	0.0
44	International tax — review of the foreign source income anti-tax-deferral (attribution) regimes. Modernises Australia's controlled foreign company rules to ensure Australian residents cannot accumulate income in offshore entities and thereby defer, or even avoid Australian tax.	2009-10 Budget	0.0
45	Self-managed superannuation funds — acquisitions and disposals of certain assets between related parties. Prescribes rules for the acquisition and disposal of certain assets between SMSFs and related parties. This measure was funded from the levy imposed on self-managed superannuation funds. The decision not to proceed with this measure will be taken into account when the amount of the levy is next considered.	2011-12 Budget	0.0

Item (as noted in 6 November media release)	Measure	Announcement	Net financial impacts (\$m, FB) for not proceeding over the forward estimates
49	<p>Superannuation — verification of self-managed superannuation funds members and bank accounts [Cooper review]. Ensures superannuation money is transferred to a valid SMSF bank account and provides a register so APRA funds can check SMSF details to meet data and e-commerce standards.</p> <p>This measure was funded from the levy imposed on self-managed superannuation funds. The decision not to proceed with this measure will be taken into account when the amount of the levy is next considered.</p>	2011-12 Budget	0.0
50	<p>Income tax relief for water reforms. Provides CGT and capital allowance roll overs to ensure that tax does not impede water reforms.</p>	2011-12 Budget	*
51	<p>Improvements to the tax running balance account provisions. Rewrites the tax law's RBA provisions to provide more flexibility to manage tax debts and entitlements more efficiently, and in ways more useful to taxpayers.</p>	2010-11 Budget	*
52	<p>Philanthropy — improving administration of the cultural gifts program. Transfers responsibility for administering the cultural gifts program from the Ministry for the Arts to the ATO to streamline processes and reduce red tape for donors.</p>	13 MARCH 2013 (Arts Minister)	0.0
53	<p>(a) Capital gains tax — relief for taxpayers affected by natural disasters</p>	(a) 2011-12 MYEFO	*
	<p>(b) Capital gains tax — broadening relief for taxpayers affected by natural disasters. Provides CGT relief for taxpayers participating in replacement asset programs after a natural disaster.</p>	(b) 2012-13 Budget	

Item (as noted in 6 November media release)	Measure	Announcement	Net financial impacts (\$m, FB) for not proceeding over the forward estimates
54	GST — Government response to Board of Taxation report: GST administration — pre-registration adjustments. Allows an entitlement for an adjustment to the extent of the remaining economic value for things acquired before an entity was registered for GST.	2009-10 Budget	0.0
56	GST — Government response to Board of Taxation report: GST administration — adjustments on cessation of registration. Removes requirement for GST registered entities to make adjustments in the event that they deregister, provided the goods are effectively exported and used in the non-Australian enterprise.	2009-10 Budget	0.0
57	Capital gains tax and other roll-overs for amalgamations of indigenous corporations. Provides a CGT roll-over for Aboriginal and Torres Strait Islander corporation amalgamations.	2011-12 Budget	*
58	Taxation exemptions for foreign governments (sovereign immunity). Clarifies and codifies the exemption currently provided to foreign governments and their investment bodies for dividend and interest income from passive investment in Australia.	2005-06 MYEFO	0.0
60	Securities lending arrangements tax rules – extending the scope to address insolvency issues. Addresses industry concerns about the tax treatment of securities lending arrangements.	2011-12 Budget	*

Item (as noted in 6 November media release)	Measure	Announcement	Net financial impacts (\$m, FB) for not proceeding over the forward estimates
62	Capital gains tax — exemption for incentives related to renewable resources or for preserving environmental benefits. Exempts from CGT rights to Government incentives related to renewable resources and preserving environmental benefits.	2011-12 Budget	*
63	(a) Capital gains tax — minor amendments ensuring the proper functioning of the capital gains tax provisions — deceased estates	(a) 2011-12 Budget	*
	(b) Capital gains tax — refinements to the law — deceased estates. Allows testamentary trusts to distribute the assets of a deceased without CGT implications.	(b) 2012-13 Budget	
68	Stronger Super — self managed super funds — rollovers to SMSFs. Makes rollovers to SMSFs a 'designated service' under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006, requiring super funds to introduce additional checks and safeguards. This measure was funded from the levy imposed on self-managed superannuation funds. The decision not to proceed with this measure will be taken into account when the amount of the levy is next considered.	2011-12 Budget	0.0
70	SuperStream — transferring superannuation contributions with no TFN to the ATO. Requires superannuation funds to transfer superannuation contributions without an associated tax file number to the ATO as unclaimed money.	2012-13 Budget	0.0

Item (as noted in 6 November media release)	Measure	Announcement	Net financial impacts (\$m, FB) for not proceeding over the forward estimates
71	<p>Stronger Super — unlawful payments from regulated superannuation funds — income tax rates amendment. Taxes super benefits received illegally at 45 per cent plus Medicare levy.</p> <p>This measure was funded from the levy imposed on self-managed superannuation funds. The decision not to proceed with this measure will be taken into account when the amount of the levy is next considered.</p>	2011-12 Budget	0.0
72	<p>SuperStream — new employee engagement process. Integrates processes for tax file number declaration and choice of superannuation fund and prompts members to consolidate accounts.</p> <p>This measure was funded from the SuperStream component of the Superannuation Supervisory levy collected from superannuation funds regulated by the Australian Prudential Regulation Authority. The levy will reduce to the extent that agency expenses fall as a result of this measure not proceeding.</p>	2012-13 Budget	0.0
73	<p>Superannuation — SuperStream — require funds to report contributions either quarterly or every six months. Requires funds to notify members whether contributions have been received, either quarterly or six monthly (to alert members about unpaid superannuation).</p>	2011-12 Budget	0.0
75	<p>Components of the simplified imputation system.</p> <p>Completes the re write of the imputation integrity rules.</p> <p>Due to the savings provisions, the rules continue to apply and are effective.</p>	22-Mar-01	0.0

Item (as noted in 6 November media release)	Measure	Announcement	Net financial impacts (\$m, FB) for not proceeding over the forward estimates
76	<p>Off-market share buybacks — implementing the board of taxation recommendations. Implements the recommendations of the Board of Taxation's 2008 report on modifying the taxation treatment of off-market share buy backs.</p>	2009-10 Budget	*
77	<p>Consolidation — calculation and collection of income tax liabilities. Amends minor technical deficiencies in respect to calculation and collection of income tax liabilities for consolidated groups.</p> <p>Issues related to multiple-entry consolidated groups will be referred for consideration by the ongoing MEC group review.</p>	2010-11 Budget	*
78	<p>Improvements to the company loss recoupment rules.</p> <p>Modifies company loss recoupment rules to correct minor technical issues.</p> <p>Superannuation tracing rules will be incorporated into the multiple classes of shares measure (measure 59).</p>	2011-12 Budget	*
79	<p>GST — Government response to Board of Taxation report: GST administration — simplify grouping rules. Broadens and simplifies the GST grouping membership rules and enables holding companies to be entitled to register and group for GST purposes.</p>	2009-10 Budget	0.0

Item (as noted in 6 November media release)	Measure	Announcement	Net financial impacts (\$m, FB) for not proceeding over the forward estimates
80	GST — Government response to Board of Taxation report: GST administration — clarify treatment of general law partnerships. Clarifies the treatment of general law GST partnerships.	2009-10 Budget	0.0
81	GST — Government response to Board of Taxation report: GST administration — technical amendments to adjustment provisions. Amends the GST law to ensure consistency and certainty in the use of the terms 'apply' and 'application' in the adjustment provisions.	2009-10 Budget	0.0
82	GST — Government response to Board of Taxation report: GST administration — GST-clarifying treatment of bare trust. Clarifies the GST treatment of bare trusts.	2009-10 Budget	0.0
83	Uniform capital allowance regime — technical changes. Amends some minor deficiencies in the asset depreciation (capital allowance) rules and improves certainty for taxpayers in limited circumstances.	2009-10 Budget	*
84	Consolidation — operation of the rules following a demerger. Addresses minor technical issues that can sometimes arise for consolidated groups following a demerger.	2010 PEFO 2010-11 MYEFO	0.0

Item (as noted in 6 November media release)	Measure	Announcement	Net financial impacts (\$m, FB) for not proceeding over the forward estimates
86	Consolidation — further improvements to the operation of the income tax law for consolidated groups — changes to depreciation rates. Denies the use of certain depreciation arrangements by a tax consolidated group in certain circumstances.	2007-08 Budget	*
87	Consolidation — further improvements to the operation of the income tax law for consolidated groups — extending the single entity rule to discount capital gains and CGT event K6. Modifies the capital gains tax integrity rules to address interactions with the consolidation regime. To be considered as part of a broader review of consolidation issues to be undertaken by Treasury in 2015 which will also address the outstanding recommendations from the Board's review of the consolidation regime.	2007-08 Budget	*
88	Consolidation — further improvements to the operation of the income tax law for consolidated groups — distribution of net income upon entry or exit of a trust. Clarifies the tax outcome for the beneficiaries of a trust that joins or leaves a consolidated group part way through the income year. This issue will be considered as part of a broader review of consolidation issues to be undertaken by Treasury in 2015 which will also address the outstanding recommendations from the Board's review of the consolidation regime.	2007-08 Budget	*
89	Definition of 'not-for-profit' in the tax laws. Provides a definition of 'not-for-profit' in the tax laws.	17-Apr-12	0.0

Item (as noted in 6 November media release)	Measure	Announcement	Net financial impacts (\$m, FB) for not proceeding over the forward estimates
90	GST — Government response to Board of Taxation report: GST administration — shortfall interest charge. Applies the shortfall interest charge to GST and other taxes reported on the BAS.	2009-10 Budget	0.0
91	GST — Government response to Board of Taxation report: GST administration — cash and accrual accounting. Proposes the Government consider the merits of all transactions above a certain value (and meeting other criteria) be accounted for using accrual accounting.	2009-10 Budget	0.0
92	GST — government response to Board of Taxation report: GST administration — clarify treatment of tax law partnerships. Clarifies the GST treatment of tax law partnerships, including where a tax law partnership is formed or dissolved and when it makes a supply or an acquisition.	2009-10 Budget	0.0
Total			-67.9

* = unquantifiable.