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TAX TRADERS
INSPIRED TAX POOLING

Changing tax
perspectives
Australian Tax Update

2022 National Tax Conference

MAKING AN
IMPACT THAT
MATTERS
since 1845

Agenda

Setting the scene

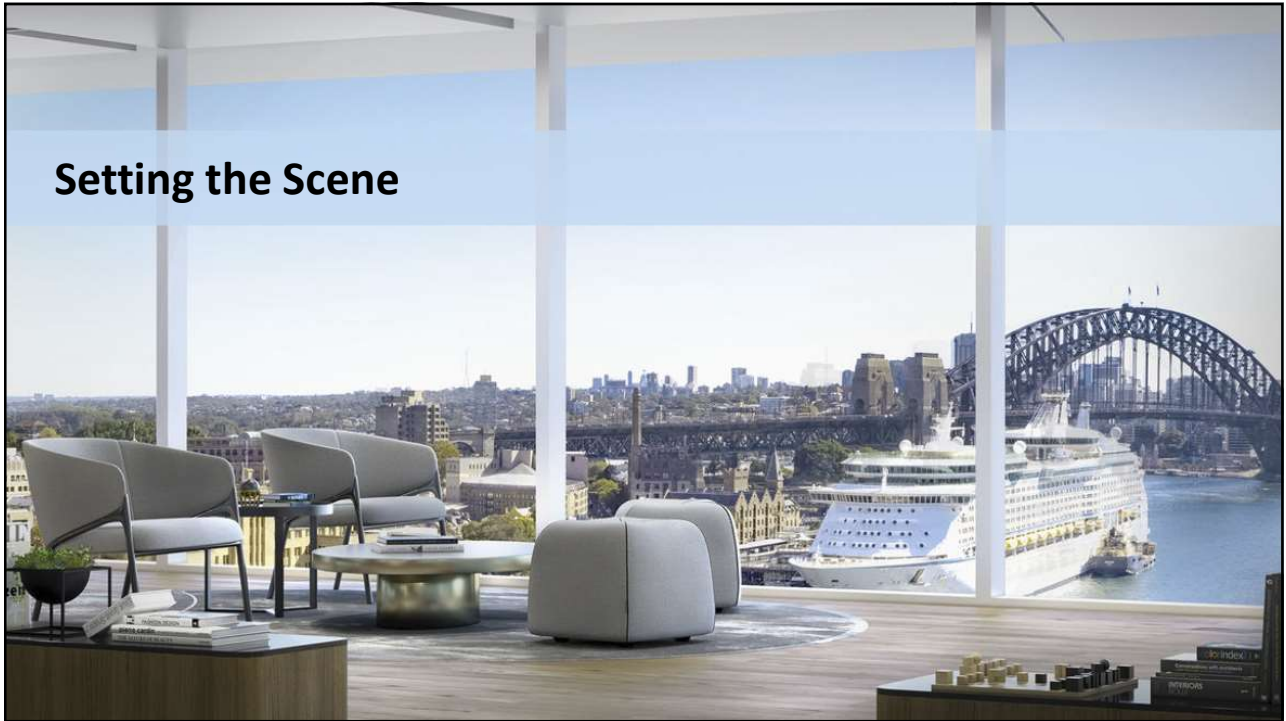
Tax agenda of the new Government

Tax agenda of the Greens

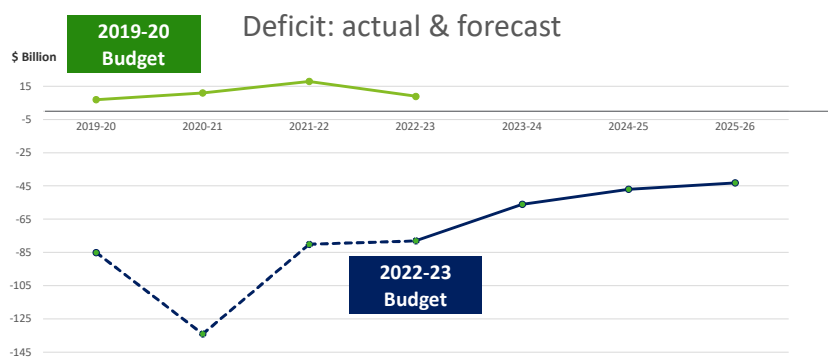
Tax agenda of the ATO

Reflections for New Zealand

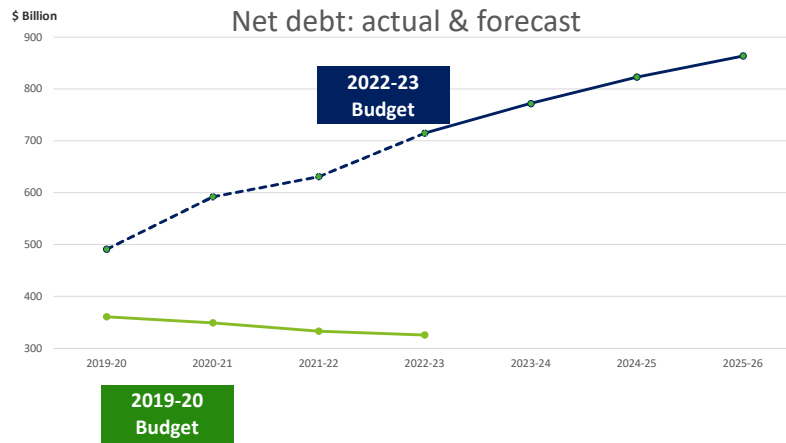
Setting the Scene



A few hard truths

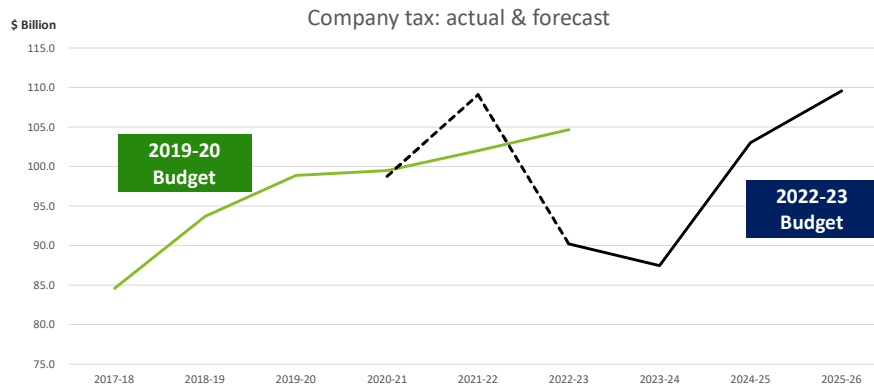


A few hard truths



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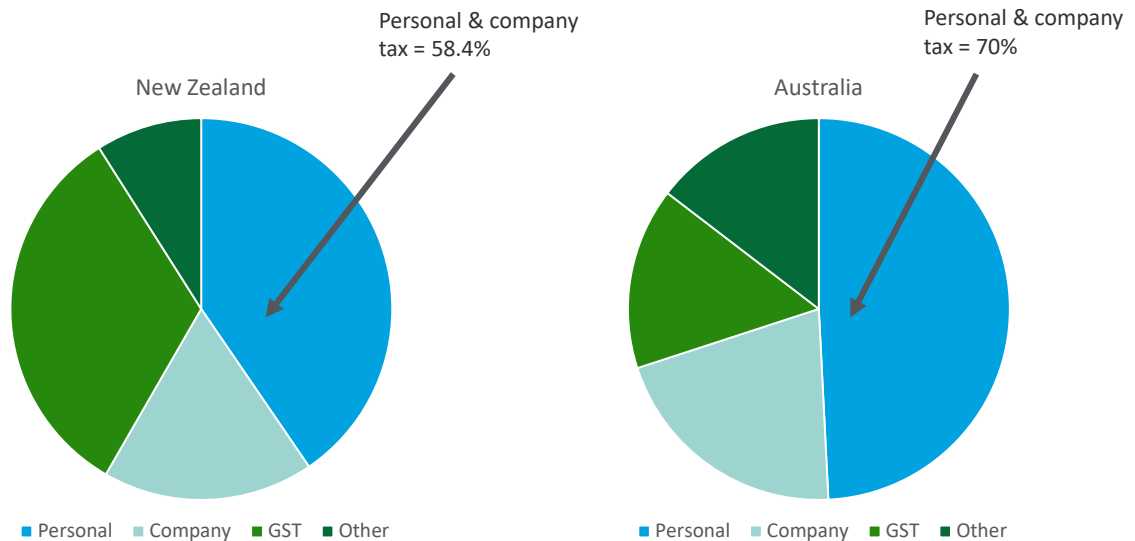
A few hard truths



Tax gaps – Large Business: one of the smallest tax gaps, but most popular target for ‘integrity measures’

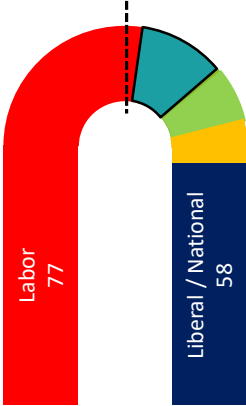
Tax gap estimate	Amount reported or paid (AUD million)	Gross gap (AUD million)	Gross gap	Net gap (AUD million)	Net gap	Year of calculation
Small business income tax	85,946	13,451	13.70%	12,500	12.70%	2018-19
Individuals not in business income tax	142,919	9,162	6.10%	8,428	5.60%	2018-19
Goods and services tax	61,977	7,560	11.32%	5,267	7.80%	2019-20
PAYG withholding	204,132	6,847	3.30%	3,377	1.60%	2018-19
Large corporate groups income tax	58,691	5,119	8.30%	2,631	4.30%	2018-19
Superannuation guarantee levy	62,486	3,520	5.40%	2,453	3.80%	2018-19
Fringe benefits tax	3,880	1,157	23.10%	1,134	22.60%	2018-19
Tobacco tax	13,824	1,663	11.30%	909	6.20%	2019-20
Medium business tax	12,326	1,001	7.60%	814	6.20%	2018-19
High wealth private groups income tax	10,184	946	8.60%	760	6.90%	2018-19
Alcohol tax	5,893	636	9.80%	582	9.00%	2018-19
Fuel excise	18,729	375	2.00%	375	2.00%	2019-20
Large superannuation funds	8,373	171	2.00%	113	1.30%	2018-19
Luxury car tax	666	78	10.70%	66	9.00%	2018-19
Small superannuation funds	1,486	58	3.80%	43	2.80%	2018-19
Wine equalization tax	950	32	3.20%	29	2.90%	2018-19
PRRT	1,058	N/A	N/A	24	2.20%	2018-19
Product stewardship for oil	149	n/a	n/a	1	0.62%	2019-20
Fuel tax credits	-7,190	-48	-0.70%	-7	-0.10%	2018-19
	686,479	51,728		39,499		

A comparison of where tax comes from

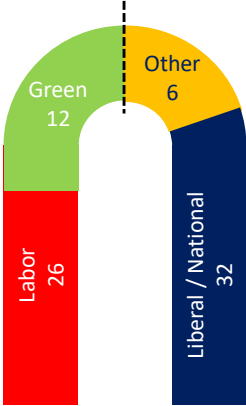


Tax agenda of the new Government

Enter the new Government



House of Reps



Senate

The new world of needing the "Greens + 1"

The Tax Agenda

Pillar 1 / Pillar 2

Supporting the **OECD's Two-Pillar Solution** for a global 15% minimum tax and ensuring some of the profits of the largest multinationals – particularly digital firms – are taxed where the products or services are sold



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EBITDA Interest Restriction: 1/7/2023

Limiting **debt-related deductions** by multinationals at 30% of profits, consistent with the OECD's recommended approach, while maintaining the arm's length test and the worldwide gearing ratio

Forecast: \$1.45B over four years



Denial of Royalty Deductions: 1/7/2023

Limiting the ability for multinationals to abuse **Australia's tax treaties** when holding **intellectual property** in tax havens

Forecast: \$0.445B over four years



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The Tax Agenda

Transparency and Disclosure

Introducing **transparency** measures including reporting requirements on tax information, beneficial ownership, tax haven exposure and in relation to government tenders



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Extending / Boosting ATO Programs

Forecast net additional revenues of \$3B over four years



Electric Car Discount: 1/7/22

Exempt certain electric cars from 5% import tariffs and FBT



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Announced but unenacted measures

Last in, first out?
Keeping election promises vs dealing with ABUMs

- Definition of resident companies; definition of resident individuals; FBT record keeping; Division 7A
- 120% deductions announced in Budget 2022; Patent box extension
- Lapsed Bills
- Exposure draft: digital games tax offset

The evolving interest deduction policy

Current Law since 2001

- Safe harbour: Debt / Assets
- Arm's length debt test
- Worldwide gearing ratio

2019 Labor Proposal

- Sole test: worldwide gearing ratio

2022 Government Policy

- Adopt OECD 30% EBITDA test
- Plus Worldwide gearing ratio
- Plus Arm's length debt test
- Unknowns: Carry forward / carry back of disallowed deductions?



Greens' tax agenda

Aligned with Government

- Limiting debt deductions
- Multi-national tax measures
- Transparency / publishing tax data
- Register of beneficial ownership
- Increase EV uptake
- More money for ATO

« **Compatibility of Tax Policies?** »

Not Aligned with Government

- 6% wealth tax on billionaires
- 50% pandemic levy on increase in billionaires' wealth
- 40% corporate super profits tax
- 40% mining super profits tax
- New 60% tax rate for people earning over \$1m
- 25% global minimum tax
- End all subsidies for coal, oil & gas
- Remove fossil fuel subsidies
- Extensive PRRT changes
- Increase major bank levies
- Remove private health insurance subsidies

Unknown

- Denial of deductions for travel to tax havens
- No related party bad debt write-offs
- WHT on fixed trust distributions to non-residents
- Publish ATO settlement details
- Increased public access to company reporting **
- Increase whistleblowing provisions
- Increase in promoter penalties
- Reduce reporting thresholds for transparency reports
- Abolish / reduce CGT discount
- Phase out property negative gearing
- Profitable companies to return JobKeeper payments
- Superannuation tax reform
- Limit tax deductions for high income earners

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ATO agenda: challenging the status quo

Challenging the status quo
A focus on international tax

#1: Tax deductibility of interest to fund inbound acquisition



#2: Embedded royalty amounts & draft ruling on "royalty"



#3: Treaty shopping







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