

THE BOARD OF TAXATION

2013 — 2014 ANNUAL REPORT

DECEMBER 2014

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CONTENTS

INQUIRIES	VII
INTRODUCTION.....	1
The Board's mission	1
The Board's functions	1
Ministerial Advisory Council	2
ACTIVITIES OF THE BOARD IN 2013-14.....	3
Overview	3
Meetings	4
Post-implementation review of Division 7A of Part III of the <i>Income Tax Assessment Act 1936</i>	5
Review of the debt and equity tax rules.....	6
Review of the thin capitalisation arm's length debt test.....	8
Review of Tax Impediments facing Small Business	8
Announced but Unenacted Measures	10
Scoping Review of the Taxation of Financial Arrangements (TOFA) regime	10
Ministerial Advisory Council function.....	11
Tax Issues Entry System	12
Consultation.....	12
Advisory Panel	12
Treasury and Australian Taxation Office involvement	13
Assistance provided for the Board's reviews	13
The Board of Taxation website	14
THE YEAR AHEAD.....	15
Deregulation.....	15
Taxation White Paper	15
Post-implementation review of Division 7A of Part III of the <i>Income Tax Assessment Act 1936</i>	16
Review of the debt and equity tax rules.....	16
Review of the thin capitalisation arm's length debt test.....	16
Review of tax impediments facing small business	16
Scoping of the TOFA review.....	16
Tax Issues Entry System (TIES).....	17

Contents

APPENDIX A: MEMBERSHIP OF THE BOARD	19
APPENDIX B: THE BOARD'S CHARTER	25
APPENDIX C: ATTENDANCE AT BOARD MEETINGS.....	29
APPENDIX D: BOARD WORKING GROUPS.....	31
APPENDIX E: CONSULTATION BY THE BOARD.....	33
APPENDIX F: CONSULTANCIES	37
APPENDIX G: FINANCIAL STATEMENTS	39
APPENDIX H: MEMBERS OF THE BOARD'S ADVISORY PANEL.....	41

APPENDICES

Appendix A: Membership of the Board	15
Appendix B: The Board's Charter	23
Appendix C: Attendance at Board meetings	27
Appendix D: Board Working Groups.....	29
Appendix E: Consultation by the Board	31
Appendix F: Consultancies	35
Appendix G: Financial Statements.....	37
Appendix H: Members of the Board's Advisory Panel.....	39

LIST OF TABLES

Table 1: Board of Taxation meetings, 2013-14	4
Table 2: Attendance at Board meetings, 2013-14.....	29
Table 3: Membership of Board Working Groups, 2013-14.....	31
Table 4: Speeches and presentations, 2013-14.....	33
Table 5: Meetings with external organisations, 2013-14.....	35
Table 6: Revenue, expenses and operating result	39
Table 7: Salary paid to non-government Board members, 2013-14	40
Table 8: Members of Advisory Panel as at 30 June 2014	41

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INTRODUCTION

The Board of Taxation is a non-statutory advisory body charged with contributing a business and broader community perspective to improving the design of taxation laws and their operation.

The Board currently comprises of eight members, five of whom, including the Chair, Mrs Teresa Dyson, are appointed from the non-government sector. There are three ex officio members — the Secretary to the Australian Treasury, the Commissioner of Taxation and the First Parliamentary Counsel. Further details on the membership of the Board are at Appendix A. The Board is supported by a small secretariat located in the Treasury.

The operations of the Board are governed by its Charter, including the mission and functions set out below. The Charter is reproduced in full at Appendix B.

The Board's mission

Recognising the Government's responsibility for determining taxation policy and the statutory roles of the Commissioner of Taxation and the Inspector-General of Taxation, the Board's mission is to contribute a business and broader community perspective to improving the design of taxation laws and their operation.

The Board's functions

The Board provides advice to the Treasurer on:

- the quality and effectiveness of tax legislation and the processes for its development, including the processes of community consultation and other aspects of tax design;
- improvements to the general integrity and functioning of the taxation system;
- research and other studies commissioned by the Board on topics approved or referred by the Treasurer; and
- other taxation matters referred to the Board by the Treasurer.

Ministerial Advisory Council

The Government's deregulation agenda includes the establishment of stakeholder consultation mechanisms, or Ministerial Advisory Councils (MACs). MACs are comprised of business, not-for-profit and other industry stakeholders to provide advice to Ministers and their respective departments on opportunities to reduce red and green tape as well as provide a broader consultation mechanism on policy matters.

The Treasurer asked the Board to fulfil the role of the MAC in relation to tax matters. In fulfilling the MAC role the Board is asked to:

- Identify potential targets for regulatory reform (for example, areas of inefficient regulation, excessive red tape or unnecessarily high regulatory burden);
- Provide a sounding board for regulatory reform or repeal proposals;
- Provide feedback on the progress of regulatory reform within the portfolio; and
- Advise on broader policy issues relevant to the portfolio.

In particular, the Board is asked to provide appropriate input on:

- immediate deregulatory tasks, including the stocktake and audit of tax regulation: and
- future regulatory reforms, that is, ideas on deregulatory opportunities and priorities that can be included in the regulatory budgeting process. This includes identifying items for future repeal days.

ACTIVITIES OF THE BOARD IN 2013-14

Overview

During 2013-14, the Board received a new reference from the Government to conduct a fast-track review to identify features of the tax system that are unreasonably or unnecessarily hindering or preventing small businesses from pursuing and achieving their commercial goals. The Board was asked to report to the Government by 31 August 2014.

The Board was asked by the Assistant Treasurer, Senator the Hon Arthur Sinodinos AO, to assist in conducting consultations with tax experts, including members of the Board's Advisory Panel, about the backlog of announced but unenacted measures inherited from previous governments. The outcome of this process was announced on 14 December 2013.

The Board was also asked by Treasury to assist in determining the scope of its review of the Taxation of Financial Arrangements (ToFA) regime. As part of this request, the Board was asked to identify and prioritise legislative or administrative changes that have the potential to significantly improve the operation of the TOFA regime. The Board was initially asked to provide advice by 30 June 2014, but this period was subsequently extended by a month.

The Board continued progress on:

- its post-implementation review of Division 7A of Part III of the *Income Tax Assessment Act 1936*;
- a review of the debt and equity tax rules; and
- a review of the thin capitalisation arm's length debt test.

The Board also commenced work consistent with its new function as the Ministerial Advisory Council in relation to tax matters.

The Board continued its consultations with stakeholders from the business sector, tax practitioner groups and the wider community on issues coming within the Board's Charter.

Meetings

The Board met as a whole on 11 occasions during 2013-14, as shown in Table 1, at varying locations. Details of Board members' attendance at meetings are provided at Appendix C.

Table 1: Board of Taxation meetings, 2013-14

Date	Location
12 July 2013	Canberra
9 August 2013	Melbourne
13 September 2013	Brisbane
11 October 2013	Perth
8 November 2013	Melbourne
13 December 2013	Sydney
7 February 2014	Brisbane
14 March 2014	Melbourne
11 April 2014	Sydney
16 May 2014	Canberra
13 June 2014	Brisbane

The Board generally conducts its projects by appointing working groups comprising members of the Board, Advisory Panel members, consultants, and officers from the Treasury and the Australian Taxation Office.

A list of working groups for 2013-14, and the Board members appointed to each working group, is provided at Appendix D. Each of these working groups met on numerous occasions during 2013-14 and engaged in intensive consultation in relation to the projects. These consultations are outlined in general terms in Appendix E. All projects undertaken in 2013-14 are also outlined in further detail below.

Post-implementation review of Division 7A of Part III of the *Income Tax Assessment Act 1936*

On 18 May 2012, the then Assistant Treasurer and Minister Assisting for Deregulation announced that the Board would undertake a post-implementation review of Division 7A of Part III of the *Income Tax Assessment Act 1936*.

Division 7A contains integrity provisions designed to prevent shareholders (or their associates) of private companies from inappropriately accessing the profits of those companies in the form of payments, loans or debt forgiveness transactions.

The Board was initially asked to:

- examine whether Division 7A gives effect to this policy intent;
- examine whether there are any problems with the current operation of Division 7A, including its interaction with other areas of the tax law, that are producing unintended outcomes or disproportionate compliance and administration costs; and
- to the extent that there are problems, recommend options for resolving them so that, having regard to the policy intent of Division 7A and potential compliance and administration costs, the tax law operates effectively.

The Board was also asked to examine the potential for broader reforms to Division 7A, including whether the provisions could be expressed in a clearer and simpler manner, whilst maintaining the integrity of the tax law and revenue neutral or near revenue neutral outcomes.

The Board appointed a Working Group of its members comprising Mr Curt Rendall (Chair of the Working Group), Mr Keith James and Ms Elizabeth Jameson to oversee this review. In addition, the Board asked Mr Mark West, a member of its Advisory Panel, to be a member of the Board's working group. The Working Group has been assisted by an expert panel, members of the Board's Secretariat and by officers from the Department of the Treasury and the Australian Taxation Office.

In June 2013, having published a discussion paper, reviewed submissions and conducted consultation meetings, the Board concluded that the terms of

Activities of the Board

reference for the review should be expanded to enable a proper examination of interactions between Division 7A and the broader business tax system. It wrote to the Assistant Treasurer in late June 2013, seeking an extension to the terms of reference.

In November 2013, the Government extended the terms of reference. It asked the Board to report to it under the revised terms of reference by 31 October 2014.

In March 2014, the Board published its second discussion paper for the review, drawing on the extended terms of reference. The second paper reported on the first stage of the Board review, examined interactions between Division 7A and other parts of the tax system, and sought stakeholder feedback on revised reform models that reflected the extended terms of reference.

In April 2014, the Board held targeted consultation meetings with industry stakeholders to discuss issues arising in the second discussion paper and to encourage written submissions. The Board received 18 written submissions on the second discussion paper, including one confidential submission.

The Board expects to provide a final report to Government by the end of October 2014.

Review of the debt and equity tax rules

On 14 May 2013, the then Deputy Prime Minister and Treasurer and the Assistant Treasurer announced that the Board would undertake a post-implementation review of the debt and equity rules.

The Board was also asked to examine whether there are any unintended misalignments between the debt and equity distinction and related concepts in the income tax law which could potentially result in inconsistent policy outcomes. A further component of the review is an examination as to whether there can be improved arrangements within the Australian tax system to address any inconsistencies between Australia's and other jurisdictions' debt and equity rules that could give rise to tax arbitrage opportunities.

To the extent that there are unintended misalignments between the debt and equity distinction and related concepts in the income tax law, the Board was

asked to examine the potential for broader application of the current debt and equity rules to ensure consistent policy outcomes.

The Government separately announced in a press release on 14 December 2013 that it intended to proceed with amendments to limit the scope of the integrity rule in section 974-80, a rule designed to re-characterise debt as equity in certain circumstances. The Government announced that the design of this measure would be considered as part of the Board's review of the debt and equity tax rules.

The debt and equity rules were introduced to classify certain financial arrangements as debt or equity for specified tax purposes (for example, the thin capitalisation rules and the interest and dividend withholding rules) on the basis of the 'economic substance' of the arrangement rather than merely on the basis of the legal form. The rules have now been in operation for over a decade.

The Board established a Working Group of its members comprising Mrs Teresa Dyson (Chair of the Working Group) and Mr John Emerson AM to oversee this review. In addition, the Board engaged Mr Frank O'Loughlin (a member of its Advisory Panel) and Mr John Smith, as consultants to assist with the review. The Working Group has been assisted by an expert panel, members of the Board's Secretariat and by officers from the Department of the Treasury and the Australian Taxation Office.

In March 2014, the Board released its discussion paper to invite and facilitate submissions. In response, the Board received 11 written submissions, including one confidential submission, from stakeholders.

A key issue raised in submissions was the need to address the uncertain scope of section 974-80 as a matter of priority. There was broad support for fast tracking the section 974-80 component of the Review and consensus that change is necessary to improve its operation and administration.

In response, the Board agreed to accelerate this aspect of the review and provide a report to Government by the end of 2014.

Issues raised in submissions, in relation to other areas of the debt and equity rules, are currently being examined. After considering views from stakeholders and conducting further consultation, the Board expects to provide a final report to Government by the end of March 2015.

Review of the thin capitalisation arm's length debt test

On 14 May 2013, the then Deputy Prime Minister and Treasurer and the Assistant Treasurer announced that the Government would ask the Board to undertake a review of the arm's length debt test as it applies to the thin capitalisation rules. The review is aimed at making the test easier to comply with and administer, and to clarify in what circumstances it should apply.

The arm's length debt test is intended to provide a carve-out from the thin capitalisation rules for a level of debt which is considered to be 'commercial or independent'. The arm's length debt test focuses on what the business acting at arm's length would borrow and what independent commercial lenders would lend to the business.

The Board has established a Working Group of its members comprising Ms Elizabeth Jameson (Chair of the working group), Mrs Teresa Dyson and Mr Keith James to oversee this review. In addition, the Board has asked Mr Mark Goldsmith, a member of its Advisory Panel, to be a consultant to the Board's working group. The Working Group has been assisted by an expert panel, members of the Board's Secretariat and by officers from the Department of the Treasury and the Australian Taxation Office.

In December 2013, the Board released its discussion paper to invite and facilitate submissions. In response, the Board received 12 written submissions, including two confidential submissions from stakeholders.

After considering the views from stakeholders and conducting further consultation, the Board expects to provide a final report to Government by the end of December 2014.

Review of Tax Impediments facing Small Business

On 28 March 2014, the Acting Assistant Treasurer, the Minister for Small Business and the Parliamentary Secretary to the Treasurer announced that the Board would conduct a fast-track review to identify features in the tax system that are hindering or preventing small businesses from reaching their commercial goals.

The Board was asked to provide business and broader community perspectives on issues in the tax system that are of most concern to small

businesses, and identify the short and medium-term priorities for small business tax reform in Australia.

As frequent change is often cited as a contributing factor to the compliance burden facing small business, the Board was asked to have particular focus on high priority options for simplification and deregulation.

Further, in recognition of the diversity of the small business sector, the Board was asked to focus in its report on aspects of the tax system that unreasonably impede the goals of a broad cross section of businesses, with a particular emphasis on impediments to growing into medium and large business. The Board was not constrained to use any specific definition of small business.

The Board was asked to report to Government by 31 August 2014.

The Board appointed a Working Group of its members comprising Mr John Emerson AM (Chair of the Working Group), Mrs Teresa Dyson and Mr Curt Rendall to oversee the review. The Working Group was assisted by an Expert Panel and by officers from the Australian Taxation Office and the Department of the Treasury.

As this was a fast-track review the Board did not issue a discussion paper. Instead the Board wrote to over 90 stakeholders providing details of the review, providing a link to the Small Business Review page on the Board's website and calling for submissions. Stakeholders were given the opportunity to provide oral submissions, recognising the limited resources of some stakeholders and the short timeframe.

The Board also held preliminary face to face consultations before the due date for submissions with 48 stakeholder groups. At these meetings the Board's Working Group explained the terms of reference and the review process, encouraged participation and provided stakeholders with the opportunity to make preliminary observations.

The Board received 43 written submissions, including two confidential submissions. The public submissions can be accessed on the Board's website.

After considering the views from stakeholders and conducting further consultation, the Board expects to provide a final report to Government by the end of August 2014.

Announced but Unenacted Measures

On 6 November 2013 the Assistant Treasurer, Senator the Hon Arthur Sinodinos AO, announced that the Board of Taxation would be assisting him in conducting consultations with tax experts, including a number drawn from the Board's Advisory Panel, about 64 of the announced but unenacted measures that the Government had a disposition not to proceed with.

The Board conducted a number of consultation sessions to work through the various measures, including sessions in relation to small business/personal tax, corporate tax, finance, philanthropy, GST and superannuation. The Board provided its advice to the Assistant Treasurer on 20 November 2014.

The outcome of this process was announced on 14 December 2013, with Senator Sinodinos thanking the Board for its tremendous contribution.

Scoping Review of the Taxation of Financial Arrangements (TOFA) regime

The Department of the Treasury also sought advice from the Board to determine the scope of Treasury's upcoming review of the Taxation of Financial Arrangements (TOFA) regime. As part of this request, the Board was asked to identify and prioritise legislative or administrative changes that have the potential to significantly improve the operation of the TOFA regime.

The Board appointed four private sector consultants to prepare a report for the Board's consideration. To ensure that the report appropriately addressed views of taxpayers, the private sector consultants met and discussed the application and operation of the TOFA rules with a number of taxpayers across different taxpayer groups and industries.

In addition, to help provide the Board with a more informed view of ongoing compliance costs associated with various aspects of TOFA, a short survey was publicly released on the Board's website and sent directly to industry and professional bodies, taxpayers and the Board's advisory panel.

The Board expects to provide its advice to Treasury by the end of July 2014.

Ministerial Advisory Council function

In addition to new work that is being considered as part of the Board's new Ministerial Advisory Council function, it is also the case that all of the Board's current reviews and projects have a strong deregulation focus such that Board recommendations arising from these reviews could feed into the Government's future regulatory reforms. In particular,

- The review of Tax impediments facing small business will identify high priority options for simplification and deregulation to facilitate growth of small businesses.
- The Division 7A review will identify options to reduce compliance costs and make it easier for small businesses to reinvest business income as working capital.
- The Debt-Equity review will identify options to reduce compliance and administration costs and to ensure that the law is expressed in a clear, simple, comprehensible and workable manner providing certainty for businesses.
- The Arm's length debt test review will identify options to make the arm's length debt test more effective by reducing compliance costs for business.
- The Scoping Review of the Taxation of Financial Arrangements (TOFA) regime will ensure that Treasury's substantive review of the TOFA regime is aimed at removing unnecessary regulatory costs and addressing issues that give rise to 'significant practical difficulties' for taxpayers.

Another aspect of the deregulation agenda is that each portfolio will conduct a stocktake and audit of existing Commonwealth regulation.

The Board provided comments to the Department of the Treasury on the first phase of the whole-of-portfolio stocktake and audit of existing regulation. The Treasury stocktake and audit involved counting the regulations within the portfolio and qualitatively assessing groups of regulatory burden.

Tax Issues Entry System

In addition to its work on commissioned reviews, the Board continued to provide assistance to the Tax Issues Entry System, which is an Australian Government initiative jointly managed by the Australian Taxation Office and the Department of the Treasury. The Board engaged a panel of consultants, which together with the Board's Deputy Chair, Mr Keith James, contributed to the assessment of issues raised by the community relating to the care and maintenance of the Australian Government's tax and superannuation systems.

The Board is considering the current operational arrangements for the consideration of TIES issues with a view to a more responsive process and timely resolution of TIES issues.

Consultation

The Board undertakes a program of regular consultation with external stakeholders, including members of its Advisory Panel, on issues falling within its Charter. Formal consultation meetings held in 2013-14 are detailed in Table 5 at Appendix E.

Advisory Panel

In July 2002, the Board established an Advisory Panel to assist it in the general performance of its role. The Panel currently comprises 54 taxation specialists who have agreed to voluntarily assist the Board with its work. Panel members are appointed on the basis of their individual capabilities and expertise, and not as representatives of particular interests.

The Panel provides an additional source of advice to that provided by the business, professional and other community representative organisations with which the Board has developed close working relationships. The Board met Advisory Panel members on a number of occasions during 2013-14 to discuss Board projects and general issues associated with the integrity and functioning of the tax system.

Membership of the Advisory Panel changes from time to time and is reviewed periodically by the Board. During 2013-14, 14 members retired from the Panel and 20 new members were appointed.

The Board wishes to record its appreciation for the contributions made by Panel members to the Board's work during 2013-14. Panel membership as at 30 June 2014 is set out at Appendix H.

Treasury and Australian Taxation Office involvement

The Board draws substantially on work done by officers of the Treasury and ATO when undertaking its reviews.

The Board wishes to record its appreciation for the extensive assistance provided by the Treasury and ATO officers involved in the Board's work during the 2013-14 year.

Assistance provided for the Board's reviews

Assistance for the Board's post-implementation review of Division 7A of Part III of the *Income Tax Assessment Act 1936* is being provided by:

- an Expert Panel comprising Mr Alexis Kokkinos and Mr Mark Molesworth;
- Mr Mark West, engaged as a consultant; and
- officers from the Treasury and the ATO.

Assistance for the review of the debt and equity tax rules is being provided by:

- an Expert Panel comprising of Mr Patrick Broughan, Mr John Condon, Mr Larry Magid, Mr Andrew Mills (until December 2013 when it was announced he would be appointed as ATO Second Commissioner), Mr Hayden Scott, Mr Richard Richards and Mr Jeff Shaw;
- Mr Frank O'Loughlin and Mr John Smith, engaged as consultants; and
- officers from the Treasury and the ATO.

Assistance for the review of the thin capitalisation arm's length debt test is being provided by:

Activities of the Board

- an Expert Panel comprising of Mr Nick Houseman, Mr Paul Hooper, Ms Anthea McKinnell and Ms Karen Payne;
- Mr Mark Goldsmith, engaged as a consultant; and
- officers from the Treasury and the ATO.

Assistance for the Board's review of tax impediments facing small business is being provided by:

- an Expert Panel comprising Mr Matthew Addison, Mr Stephen Baxter, Mr Michael Caruthers, Mr Michael Parker, Mr Robert Powell and Ms Shannon Smit; and
- officers from the Treasury and the ATO.

Assistance for the Board's consultation on the announced but unenacted measures was provided by:

- a range of private sector participants, including from the Board's Advisory Panel, with expertise in small business/personal tax, corporate tax, finance, philanthropy, GST and superannuation; and
- officers from the Treasury and the ATO.

Assistance for the Board's advice on the scope of the Government announced TOFA review is being provided by:

- Mr Matt Osmond, Mr Andrew Hirst, Mr Tony Frost and Ms Jenny Wong, engaged as consultants; and
- officers from the Treasury and the ATO.

The Board of Taxation website

The Board of Taxation's website www.taxboard.gov.au provides general information on the Board, including its membership, the Board's Charter, contact details, Board press releases and Board reports to the Government.

THE YEAR AHEAD

The Board will continue to pursue its objectives as set out in its Charter, including issues relating to the general integrity and functioning of the tax system. Specifically, the Board intends to focus on the areas outlined below, in addition to any other matters referred to it by the Treasurer.

Deregulation

The Board expects that its role as Ministerial Advisory Council in relation to tax matters will be a key focus in the year ahead, consistent with the Government's deregulation agenda.

This could include identifying relatively straight forward changes that could be addressed through changes in ATO administrative practices or through minor legislation changes as part of one of the two Parliamentary repeal days that have been scheduled each year.

Alternatively, it could include more substantive reviews of areas of the taxation law where there may be significant opportunities to simplify the taxation system.

The Board will also undertake work to better understand the drivers of complexity in the tax system. An understanding of the drivers for high compliance costs in the Australian tax system could inform future tax policy development.

The complexity of the current tax system is considered to be a key driver of high compliance costs. Examining the factors that contribute to complexity, such as addressing integrity concerns, desire for certainty, providing exceptions and grandfathering, could assist policy makers, legislative drafters and administrators.

Taxation White Paper

The Board expects that it will play a role in supporting the Taxation White Paper process, providing a business and broader community perspective on a range of issues.

The year ahead

For example, as part of the Division 7A review the Board has invited submissions on the merits of taxing business accumulations at a business tax rate, irrespective of the structure chosen, as an issue that should be considered as part of a broader tax reform process.

A range of issues were also raised with the Board as part of the Review of Tax impediments facing small business, including reform to the Fringe Benefits Tax regime and the Small Business Capital Gains Tax concessions.

There may also be interaction with the Taxation White Paper process in relation to deregulation policy and specific deregulation proposals.

Post-implementation review of Division 7A of Part III of the *Income Tax Assessment Act 1936*

The Board expects to provide a final report on its review Division 7A of Part III of the *Income Tax Assessment Act 1936* by the end of October 2014.

Review of the debt and equity tax rules

The Board expects to provide an accelerated interim report on section 974-80 component by the end of 2014 and a final report on its review of the debt and equity tax rules by the end of March 2015.

Review of the thin capitalisation arm's length debt test

The Board expects to provide a final report on its review of the thin capitalisation arm's length debt test by the end of December 2014.

Review of tax impediments facing small business

The Board expects to provide a final report on its review of tax impediments facing small business by the end of August 2014.

Scoping of the TOFA review

The Board expects to provide advice to the Department of the Treasury in relation to the scope of the Government announced TOFA review by the end of July 2014.

Tax Issues Entry System (TIES)

The Board will continue providing assistance to the assessment of TIES issues raised by the community. The Board will continue to consider how the current processes can be improved to provide more timely resolution of TIES issues.

APPENDIX A: MEMBERSHIP OF THE BOARD

The Board of Taxation comprises up to ten members appointed by the Treasurer. A maximum of seven members are appointed in their personal capacity from within the business and wider community. The Secretary to the Australian Treasury, the Commissioner of Taxation and the First Parliamentary Counsel are ex officio members.

The members of the Board during 2013-14 were:

Chair — Mrs Teresa Dyson

Mrs Dyson is a senior tax partner at Deloitte in the Brisbane office, advising clients on infrastructure, financing, corporate tax issues, M&A activity and tax controversy matters. Prior to joining Deloitte Mrs Dyson was a taxation partner at Ashurst (formerly Blake Dawson), advising on direct taxes across a broad range of sectors, particularly resources, infrastructure, financing, corporate and not-for-profit.

Mrs Dyson is actively involved in the legal and tax professions and is Deputy Chairman of the Business Law Section of the Law Council of Australia. She has participated in consultation and development of new laws and the administration of new laws through National Tax Liaison Group and Subgroup representation. Mrs Dyson is a member of the Audit & Risk Committee of Lifeline Australia.

Mrs Dyson was appointed to the Board in June 2011. Mrs Dyson was appointed to the position of Chair effective from January 2013.

Mr Keith James (Deputy Chair)

Mr James is a Consultant at Hall & Wilcox Lawyers having retired as a partner in July 2014, with current directorships including Dennis Family Holdings Pty Ltd and Grollo Group Pty Ltd and a number of related companies. He is a key figure in the tax advisory profession. His involvement has extended to Chair of the Public Accountants Committee and Victorian President and National Councillor and Chair of the Taxation Centre of Excellence for CPA Australia. Mr James was the accounting profession representative on the Commissioner

Appendix A: Membership of the Board

of Taxation's Advisory Panel, his National Liaison Committee and the Advisory Committee on the Taxpayers Charter. He was joint Chair of the working party on the national review of standards of the tax profession and a member of the steering committee of the Pappas Carter Report reviewing the Tax Office's large case audit program.

Mr James is an active public speaker within the industry and regularly has articles published in legal and accounting publications.

Mr James was appointed to the Board in March 2004 and appointed to the position of Deputy Chair in June 2011.

Mr Curt Rendall

Mr Rendall is the Senior Partner of Rendall Kelly Chartered Accountants.

Mr Rendall is currently a member of the Standard Business Reporting Board and was previously a member of the Trade Practices Act Review (the Dawson Review), Chair of the Federal Government's Small Business Consultative Committee, Deputy Chair of the New Tax System Advisory Board and an Associate Commissioner of the Productivity Commission. He has also been Chair of the Institute of Chartered Accountants Small and Medium Enterprises Committee as well as a Member of the Small Business Development Corporation of New South Wales.

Mr Rendall has been a member of the Board since January 2005.

Mr John Emerson AM

Mr Emerson is a consultant at Herbert Smith Freehills, and is widely recognised as a specialist in the tax and other laws applicable to charities. He heads the firm's charity law practice.

He is the firm's Melbourne Office Pro Bono Partner and a member of a number of legal, academic, and public sector committees active in the charity tax and pro bono areas.

Mr Emerson has been a member of the Board since January 2007.

Ms Elizabeth Jameson

Ms Jameson is a corporate/commercial lawyer by background. After 15 years in legal practice, in 2002 she established Board Matters Pty Ltd, a corporate

governance consultancy and associated legal practice, Board Matters Legal. Today Ms Jameson's time is divided between her consulting work through Board Matters and a number of non-executive Directorships. She has held many board positions over the past two decades. These currently include directorships with RACQ Ltd, Brisbane Girls' Grammar School (as Chair) and is a member of the Board of Queensland Theatre Company (since May 2013).

Ms Jameson is also a member of the Queensland Law Society and fellow of the Australian Institute of Company Directors.

Ms Jameson has been a member of the Board since April 2010.

Dr Martin Parkinson PSM

Dr Martin Parkinson was appointed as Secretary to the Treasury in March 2011.

As Secretary, he is a member of the Board of the Reserve Bank of Australia, Chair of the Advisory Board of the Australian Office of Financial Management and a member of the Australia in the Asian Century Strategic Advisory Board, Infrastructure Australia, the Council of Financial Regulators, the Board of Taxation, the Sir Roland Wilson Foundation and the Centre for International Finance and Regulation.

Dr Parkinson was the Secretary of the Department of Climate Change from its establishment in December 2007, and headed up the Climate Change Group in the Department of the Prime Minister and Cabinet earlier in 2007.

Between 2001 and 2006, Dr Parkinson was Deputy Secretary in Treasury with responsibility for domestic and international macroeconomic issues, including serving as co-chair of the G-20 Deputies process in 2006.

He holds a Ph.D from Princeton University, a M.Ec from the Australian National University and a B.Ec (Hons) from the University of Adelaide.

Dr Parkinson has been an ex officio member of the Board since March 2011.

Mr Chris Jordan AO

Mr Jordan has been a member of the Board since its inception in September 2000. He was Deputy Chair from January 2005, was appointed to

Appendix A: Membership of the Board

the position of Chair in June 2011 and retired from this position in December 2012 following his appointment as Commissioner of Taxation.

Mr Jordan was previously Chair of KPMG New South Wales and Partner in Charge of the New South Wales Tax and Legal Division of KPMG. He is the former Chair of the New Tax System Advisory Board and was also the State Chair of the New South Wales Division of the Taxation Institute of Australia. He was appointed by the NSW Government to the Games Advisory Committee of the Sydney 2009 World Masters Games.

Mr Jordan has been an ex officio member of the Board since January 2013.

Mr Peter Quiggin PSM

Mr Quiggin is the First Parliamentary Counsel of the Office of Parliamentary Counsel (OPC), which is responsible for drafting all principal legislation, all regulations and a range of legislative instruments for the Australian Government, including taxation legislation. OPC is also responsible for the publication of Commonwealth legislation through ComLaw and the Federal Register of Legislative Instruments (FRLI).

Mr Quiggin's initial seven year appointment as First Parliamentary Counsel started on 13 May 2004. He has since been reappointed for a further seven years, commencing on 14 May 2011. He has been a drafter with the Office of Parliamentary Counsel for over 20 years and has drafted legislation covering a wide range of topics including taxation, native title and immigration.

Mr Quiggin is the President of the Commonwealth Association of Legislative Counsel (CALC).

Prior to working at OPC, Mr Quiggin worked for a number of years with the Tax Office and the Administrative Appeals Tribunal.

Mr Quiggin has been an ex officio member of the Board since January 2004.

Secretary to the Board of Taxation

Mr Roger Paul (retired December 2013)

Prior to his appointment as Secretary to the Board of Taxation in June 2011, Mr Paul was a Principal Adviser in the Business Tax Division of the Treasury.

Mr Paul has worked extensively in the corporate tax field and was a member of the Secretariat to the Ralph Review of Business Taxation. His experience includes leadership roles in the development of tax policy and legislation on debt/equity hybrids, foreign currency denominated financial instruments and derivatives. He has been a frequent speaker at seminars on these topics.

Reporting to the OECD Committee on Fiscal Affairs, Mr Paul was Chair of the Special Sessions on Innovative Financial Transactions and has been a presenter in OECD forums on the taxation of financial markets in the Asia-Pacific region.

He has co-authored course materials for a post-graduate corporate finance tax course, and has taught tax law on a part-time basis.

Mr Paul was Secretary to the Board from June 2011 to December 2013.

Mr Matthew Brine

Prior to his appointment as Secretary to the Board of Taxation in January 2014, Mr Brine was Manager in the Corporate and International Tax Division of the Treasury.

Mr Brine has had almost 20 years' experience working on public policy issues, with a focus on business taxation and corporate law. His recent experience includes leadership roles in projects relating to the taxation of consolidated groups, taxation of financial arrangements, taxation of managed investment trusts, resource taxation, the dividend imputation regime, the taxation of infrastructure projects and implementation options for the new paid parental leave levy.

APPENDIX B: THE BOARD'S CHARTER

Mission

Recognising the Government's responsibility for determining taxation policy and the statutory roles of the Commissioner of Taxation and the Inspector-General of Taxation, the Board's mission is to contribute a business and broader community perspective to improving the design of taxation laws and their operation.

Membership

The Board of Taxation will consist of up to ten members.

Up to seven members of the Board will be appointed by the Treasurer, for a term of up to three years, on the basis of their personal capacity. It is expected that these members will be appointed from within the business and wider community having regard to their ability to contribute at the highest level to the development of the tax system. The Chair will be appointed by the Treasurer from among these members of the Board. If the Treasurer decides to appoint a Deputy Chair, he or she will also be appointed from among these members of the Board. Members may be re-appointed.

The Secretary of the Treasury, the Commissioner of Taxation and the First Parliamentary Counsel will also be members of the Board. Each may be represented by a delegate.

Function

The Board will provide advice to the Treasurer on:

- the quality and effectiveness of tax legislation and the processes for its development, including the processes of community consultation and other aspects of tax design;
- improvements to the general integrity and functioning of the taxation system;
- research and other studies commissioned by the Board on topics approved or referred by the Treasurer; and
- other taxation matters referred to the Board by the Treasurer.

Relationship to other boards and bodies

From time to time the Government or the Treasurer may establish other boards or bodies with set terms of reference to advise on particular aspects of the tax law. The Treasurer will advise the Board on a case-by-case basis of its responsibilities, if any, in respect of issues covered by other boards and bodies.

Report

The Chair of the Board will report to the Treasurer, at least annually, on the operation of the Board during the year.

Secretariat

The Board will be supported by a secretariat provided by the Treasury, but may engage private sector consultants to assist it with its tasks.

Other

Members will meet regularly during the year as determined by the Board's work program and priorities.

Non-government members will receive annual fees and allowances to cover travelling and other expenses, at rates in accordance with Remuneration Tribunal determinations for part-time public offices.

The Government will determine an annual budget allocation for the Board.

APPENDIX C: ATTENDANCE AT BOARD MEETINGS

Table 2: Attendance at Board meetings, 2013-14

Member	Number of meetings eligible to attend	Number of meetings attended
Mrs Dyson (Chair)	11	10
Mr James (Deputy Chair)	11	11
Mr Emerson	11	10
Ms Jameson	11	11
Mr Rendall	11	11
Dr Parkinson(a)	11	11
Mr Jordan (a)	11	11
Mr Quiggin(a)	11	11

(a) The Board's Charter allows for ex officio members of the Board to be represented by a delegate at Board meetings.

APPENDIX D: BOARD WORKING GROUPS

Table 3: Membership of Board Working Groups, 2013-14

Post-implementation review of Division 7A of Part III of the <i>Income Tax Assessment Act 1936</i>	Review of the debt and equity tax rules
Mr Rendall (Chair)	Mrs Dyson (Chair)
Mr James	Mr Emerson
Ms Jameson	

Review of thin capitalisation arm's length debt test	Review of tax impediments facing small business
Ms Jameson (Chair)	Mr Emerson (Chair)
Mrs Dyson	Mrs Dyson
Mr James	Mr Rendall

APPENDIX E: CONSULTATION BY THE BOARD

Table 4: Speeches and presentations, 2013-14

Date	Presentation	Event	Member
13 August 2013	Boardroom lunch	Council for Economic Development of Australia (CEDA)	Mrs Dyson
16 August 2013	Annual Dinner	Challis Society tax discussion group	Mrs Dyson
22-23 August 2013	Presentation on tax reform for private businesses	The Tax Institute's Western Australia state convention	Mr James
10 September 2013	Presentation	The Tax Institute's Symposium	Mr James
10 October 2013	Board of Taxation Update and the rationalisation of the Tax Acts	University of Western Australia	Mrs Dyson & Mr Quiggin
15 October 2013	Presentation	Australia-Israel Chamber of Commerce	Mrs Dyson
15 October 2013	Presentation on the consolidation regime	University of Melbourne	Mr James
17-18 October 2013	Presentation	The Tax Institute's Queensland Corporate Tax Retreat	Mr James
14 November 2013	Private Business Structures Tax Reform, Presentation	Treasury	Mr James & Mr Rendall
26 November 2013	Keynote Address	Transfer Pricing Summit	Mr James
17 December 2013	Dinner Presentation	Institute of Chartered Accountants	Mrs Dyson
21 January 2014	Presentation	Australasian Tax Teachers' Conference	Mrs Dyson
12 February 2014	Keynote Address	Committee of Economic Development of Australia (CEDA) - CEDA Economic and Political Overview	Mrs Dyson
20 February 2014	Presentation on Div 974	Tax Institute, Financial Services conference	Mrs Dyson
26 February 2014	Presentation	International Tax and Transfer Pricing	Mrs Dyson

Appendix E: Consultation by the Board

4 March 2014	Boardroom presentation	DLA Piper clients	Mrs Dyson
12 March 2014	Women in Tax	Tax Institute Sydney	Mrs Dyson
26 March 2014	Dinner Presentation	Group 100	Mrs Dyson
11 April 2014	Presentation	Financial Services Council Tax Expert Working Group	Mrs Dyson
14 April 2014	Dinner speaker	Atax Annual GST Conference	Mrs Dyson
15 April 2014	Debate on tax reform in Australia	PwC - Protecting our prosperity series: How do we fix a tax system?	Mrs Dyson
28-29 April 2014	Dinner speaker	Atax Annual GST Conference	Mrs Dyson
1 May 2014	Presentation	Qld Tax Institute Private Business Retreat	Mrs Dyson
15 May 2014	BEPS Workshop	BCA & Clayton Utz	Mrs Dyson

Table 5: Meetings with external organisations, 2013-14

Date	Attendees
22 August 2013 (Sydney) 29 August 2013 (Melbourne) 10 October 2013 (Perth) Pre-discussion paper consultation meetings to discuss the Board's Debt and Equity review.	Mrs Dyson, Mr Emerson, members of the Debt/Equity Working Group, Officers from the Australian Taxation Office and Treasury, Board of Taxation Secretariat and stakeholder representatives
5 September 2013 (Sydney) 10 October 2013 (Perth) Pre-discussion paper consultation meetings to discuss the Board's thin capitalisation review.	Ms Jameson, Mrs Dyson, Mr James, members of the thin capitalisation Working Group, Officers from the Australian Taxation Office and Treasury, Board of Taxation Secretariat and stakeholder representatives.
15 May 2014 (Canberra) 19 May 2014 (Melbourne) 21 May 2014 (Sydney) Pre-submission consultation meetings to discuss the Board's review into tax impediments facing small business	Mr Emerson, Mr Rendall, Mrs Dyson, members of the Small Business Working Group, Officers from the Australian Taxation Office and Treasury, Board of Taxation Secretariat and stakeholder representatives
7 November 2013 (Sydney) 8 November 2013 (Melbourne) 11 November 2013 (Sydney) Targeted consultation meetings on the Announced but unenacted measures.	Mrs Dyson, Mr James, Mr Emerson, Mr Rendall, Officers from the Australian Taxation Office and Treasury, Board of Taxation Secretariat and stakeholder representatives
16 June 2014 (Melbourne) Targeted consultation meeting to discuss aspects of the Board's review into tax impediments facing small business	Mr Emerson, Mr Rendall, members of the Small Business Working Group, Officers from the Australian Taxation Office and Treasury, Board of Taxation Secretariat and stakeholder representatives.
16 April 2014 (Melbourne) Targeted consultation on the post-implementation review of Division 7A	Mr Rendall, Mr James, members of the Division 7A Working Group, Officers from the Australian Taxation Office and Treasury, Board of Taxation Secretariat and stakeholder representatives
12 July 2013 (Canberra) Board of Taxation meeting	Mr Ali Noroozi (Inspector General of Taxation) and Officials from the Australian Taxation Office
9 August 2013 (Melbourne) Board of Taxation meeting	Melbourne-based members of the Board's Advisory Panel Tax Issues Entry System (TIES) working group members
10 & 11 October 2013 (Perth) Board of Taxation meeting	Perth-based members of the Board's Advisory Panel, Small and large business representatives, mining and association representatives, tax practitioners
23 October 2013 Discuss work of the Board of Taxation	Assistant Treasurer, Senator the Hon Arthur Sinodinos AO, Mrs Dyson, Mr James and Secretary to the Board of Taxation

Appendix E: Consultation by the Board

Date	Attendees
8 November 2013 (Melbourne) Board of Taxation meeting	Melbourne-based business representatives
13 December 2013 (Sydney) Board of Taxation meeting	Sydney -based business representatives
3 March 2014 (Canberra)	Teresa Dyson Meeting with Minister Billson
14 March 2014 (Melbourne) Board of Taxation meeting	Melbourne-based members of the Board's Advisory Panel
11 April 2014 (Sydney) Board of Taxation meeting	Sydney -based business representatives
15 May 2014 (Canberra)	Small Business Minister, The Hon Bruce Billson MP, Mrs Dyson, Mr Emerson and Secretary to the Board of Taxation
16 May 2014 (Canberra) Board of Taxation meeting	Officials from The Treasury
13 June 2014 (Brisbane) Board of Taxation meeting	Brisbane-based members of the Board's Advisory Panel

APPENDIX F: CONSULTANCIES

Consultants are engaged in accordance with Treasury's policies for the engagement of consultants and contractors. These policies, which are consistent with the Chief Executive Instructions and the Commonwealth Procurement Guidelines, are outlined in the Treasury Annual Report. During 2013-14, the Board engaged *five* consultancies for an amount over \$10,000, for a total value of \$250,000 (GST inclusive). The actual expenditure for these consultancies, consultancies completed in 2013-14 and for payments made to service providers in 2013-14, was \$134,507 (GST exclusive).

APPENDIX G: FINANCIAL STATEMENTS

Table 6: Revenue, expenses and operating result

	2012-13	2013-14
	\$	\$
Revenue		
Funding from Government	1,726,000	1,725,000
Services provided free of charge	171,509	152,759
Revenue — Other		
Total revenue	1,897,509	1,877,759
Expenses		
<i>Employee expenses^(a)</i>		
Wages	460,362	421,895
Superannuation	116,819	113,975
Other employee expenses	441,672	371,851
Total employee expenses	1,018,853	907,721
<i>Other expenses</i>		
Travel	249,445	208,293
Conferences and training	9,697	24,671
Consultants and services provided by Contractors	164,166	134,507
Seconded Employees	335,709	242,910
Legal Services	0	0
Office supplies	789	456
Printing	0	0
Publications and subscriptions	3,869	2,264
Other supplier expenses	6,928	6,339
Total operating expenses	770,603	619,441
Total expenses	1,789,456	1,527,162
Operating surplus	108,053	149,680

(a) Of total employee expenses of \$907,721 in 2013-14, \$545,939 was attributed to the Secretariat. The 2013-14 average staffing level of the Secretariat was 3.7. The balance of \$361,782 comprises payments to non-Government members of the Board.

Table 7: Salary paid to non-government Board members, 2013-14

Member	\$
Mrs Dyson (Chair)	\$119,601
Mr James	\$59,800
Mr Emerson	\$59,800
Ms Jameson	\$59,800
Mr Rendall	\$59,800
Ms Chaplain	\$2,980
Total	361,782

APPENDIX H: MEMBERS OF THE BOARD'S ADVISORY PANEL

Table 8: Members of Advisory Panel as at 30 June 2014

Panel Member:	Position, Organisation:
Mr Steve Baxter	Associate Director, Indirect Tax Consulting Group
Mr Patrick Broughan	Partner, Deloitte
Mr Michael Carruthers	Tax Services Director, Hayes Knight
Mr Andrew Clements	Partner, King & Wood Mallesons
Mr John Condon	Regional Tax Manager — Australia & New Zealand, BP Australia
Mr Stewart Cummins	Chief Financial Officer, Transpacific Industries Group Ltd
Ms Kristen Deards	Barrister, Banco Chambers
Mr Michael Flynn	Barrister
Dr Brett Freudenberg	Associate Professor – Taxation, Griffith University
Mr Mark Friezer	Partner, Clayton Utz
Mr Tony Frost	Managing Director, Greenwoods & Freehills
Mr Peter Godber	Partner, Grant Thornton
Mr Mark Goldsmith	Partner, Deloitte
Ms Heather Gray	Partner, Hall & Wilcox
Mr Don Green	Partner, Ernst & Young
Mr Patrick Grob	Head of Tax , Suncorp
Mr Michael Hay	Partner/Executive Director, Pitcher Partners
Mr Stephen Healey	Partner, Deloitte
Mr Paul Hooper	Group Head of Tax, Lend Lease
Mr Nick Houseman	Partner, PwC
Mr Trevor Hughes	Partner, Ernst & Young
Mr Anthony Klein	Partner, PwC

Appendix H: Members of the Board's Advisory Panel

Panel Member:	Position, Organisation:
Mr Michael Lawry	Head of Tax, Santos
Mr Adam Levin	Partner, Jackson McDonald Lawyers
Mr Michael Longes	Head of Tax, Sunsuper Pty Ltd
Mr James Macky	Partner, KPMG
Mr Larry Magid	Partner, Allens
Ms Louise McBride	Barrister
Ms Anthea McKinnell	Taxation Manager, Woodside Energy Ltd
Mr Mark Molesworth	Partner, BDO Australia
Professor Ann O'Connell	Co-Director Tax Group, Melbourne Law School
Mr Frank O'Loughlin	Barrister
Ms Katrina Parkyn	Partner, Allens Linklaters
Mr Trevor Pascall	Partner, KPMG
Ms Karen Payne	Partner, Minter Ellison
Professor Dale Pinto	Professor of Taxation Law, Curtin Law School, Curtin University
Mr Anthony Portas	Head of tax, Asia Pacific, Anglo American Metallurgical Coal Pty Ltd
Mr Tony Principe	Group Manager, Taxation, Origin Energy
Mr Richard Richards	Deputy Chief Financial Officer, Downer EDI
Mr Hayden Scott	Partner, PwC
Mr Jeff Shaw	Senior Manager, National Australia Bank Ltd
Mr Andrew Smith	Barrister, University Chambers
Mr Ken Spence	Special Counsel, Greenwoods & Freehills
Mr Simon Steward SC	Barrister, Aickin Chambers
Ms Ruth Stringer	Partner, Lander & Rogers
Ms Judy Sullivan	Partner, PwC
Mr Reynah Tang	Partner, Corrs Chambers Westgarth Lawyers
Mr William Thompson	Managing Partner, Brisbane, Minter Ellison
Ms Coralie Trotter	Business Tax Manager, Shell Development (Australia) Pty Ltd

Panel Member:	Position, Organisation:
Mr Grant Wardell-Johnson	Partner, KPMG
Mr Mark West	Partner, McCullough Robertson
Mr Steve Westaway	Partner, Grant Thornton
Mr Ken Woo	Partner, PwC
Mr Craig Yaxley	Partner, KPMG