

## CEO Update – November 2016

Dear Stakeholder

I am writing to advise you of some key themes discussed at the recent Board of Taxation (the Board) meeting held in Canberra on 11 November 2016. The Board discussed the progress and direction for a number of its projects – including the shadow economy, asset merger roll-over relief, hybrid mismatch rules for regulatory capital and residency tests for individuals. The Board agreed actions on a number of other key Board projects, the Voluntary Tax Transparency Code and ideas posted to Sounding Board. The Board also discussed a number of tax policy proposals to be submitted as part of the Budget process for 2017-18. Some further details are set out below.

### Voluntary Tax Transparency Code

The Board discussed the Voluntary Tax Transparency Code (the Code), a set of principles and ‘minimum standards’ to guide disclosure of tax information by businesses.

The number of organisations who have indicated their intention to adopt the Code is currently 56 and represents more than 50 percent of taxable income and tax payable by corporate taxpayers in Australia. This is an increase of 22 corporate groups from my last newsletter in October.

A register of these organisations can be found at: <http://taxboard.gov.au/current-activities/transparency-code-register/> The Board also acknowledged the ongoing support provided by the Business Council of Australia, the Corporate Tax Association and the Minerals Council of Australia in promoting the Code to their respective memberships.

The Board encourages you to adopt the Code and support and assist your clients to adopt it.

### Sounding Board

The Board has now published a legacy list of more than 170 ideas that it received in relation to regulatory reform and red tape reduction. The list has been published on our website’s [regulatory reform section](#).

The Board has a standing agenda item to review the pool of ideas posted to the Sounding Board and to consider next steps in relation to those ideas that are a priority for the tax profession, business and community. The Board discussed the next steps and timetable for progressing ideas through the Regulatory Reform Bills in 2017. Importantly, the Board relies upon comment and feedback from the tax profession, business and community to identify the priorities for tax system improvement. The following new idea has been posted by South 32:

#### Latest Idea - Posted 20 November 2016

*There are currently two FBT exemptions currently available which relate to child care:*

*1. Exemption for the provision of child care facilities – a key requirement is that the employer must provide the child care facility on its business premises.*

*2. Exemption for contributions made to obtain priority of access – of little practical value when compared to the cost of child care itself.*

*It is understood that only an exceptionally small number of employers nationwide have taken advantage of the first exemption. The key requirement results in only a limited number of employers having the necessary fact pattern which makes it practical for them to provide and run a facility (being those with a large and centralised work force, located on or near premises which can in fact accommodate a child care facility). From a family's perspective, it is often preferable to use facilities located near home as opposed to a workplace in order to meet their flexible needs (eg alternating drop-off / pick-up duties between parents).*

*In addition to the general impediments faced by the broader business community, the resources industry faces additional challenges given the geographical diversity of projects and also the rosters and/or shifts of the workforce.*

*It is clear that the measures currently included in the FBT legislation do not promote greater participation levels across the wider Australian workforce. We welcome discussion of the issue, including the suggestion of potential solutions.*

The Board encourages you to participate by [registering](#) with Sounding Board to receive notification of new ideas lodged and to post, comment and/or vote on the ideas for tax system improvement. Please visit the Sounding Board for more information - <https://taxboard.ideascale.com/>

## Budget 2017-18

The Board notes that the Government calls for pre-Budget submissions from individuals, business and community groups and that it has been invited to provide its views and recommendations to the Treasurer and Minister for Revenue and Financial Services in preparation for the Budget 2017-18. The Board discussed various tax system improvement ideas including those that it had received through stakeholder engagement and from the business community including the G100 and Business Council of Australia.

The Board's input to the Budget process is illustrative of the Board's increasing involvement in the policy development process.

## Board Projects

The Board discussed a draft report of the working group led by Ann-Maree Wolff considering Asset merger roll-over relief.

The Board discussed progress on its other projects. These included:

- Shadow Economy;
- High Wealth Individuals and Residency;
- Tax and the Sharing Economy;
- Targeted Trust Simplification;
- Definitions applied under State and Federal Laws; and
- Alignment of Tax and Accounting.

These projects are focussed on increasing integrity, simplicity and efficiency of the tax system. These are key areas of focus for the Board. Please contact the Secretariat on 02 6263 4366 for any further information.

## The application of hybrid mismatch rules to regulatory capital

The Board discussed the draft report on the application of hybrid mismatch rules to regulatory capital and additional information supplied by Treasury and the ATO in relation to the various options under consideration. The working group is now in a position to finalise its report before the end of the calendar year.

## Stakeholder Engagement

The Board took the opportunity to meet with Canberra based stakeholders from the Office of Parliamentary Counsel and the Australian Taxation Office.

The Board would like to thank all those who participated in the discussions.

The next Board meeting will be held in Melbourne on 8 December 2016. This will be the final meeting of 2016.

Please do not hesitate to contact the Board of Taxation on 02 6263 4366 should you wish to discuss any of these matters further.

Kind regards

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