

## CEO Update – May 2018

Dear Stakeholders,

Since my last update the Board of Taxation (the Board) has held a meeting in Sydney on Thursday 22 March at the offices of KPMG and in Brisbane on 19 April 2018 hosted by Rio Tinto. Thank you to KPMG and Rio Tinto for hosting the Board and the stakeholder discussions over lunch.

At the Board's meetings, we discussed the progress and direction of our current projects and work program and our Budget submission. We have been working 'behind the scenes' on a number of these projects prior to the Budget – so as not to raise market expectations about potential Budget measures. We can now share further details on important (new) reviews on small business and FBT.

The Board met with various stakeholders and its advisory panel over lunch in both Sydney and Brisbane to provide an update on our projects and to hear about taxation issues affecting the business community and tax profession. Some further details are set out below.

### Agenda of work

The Board discussed the scope and content of a number of projects and assignments, including:

- A review of small business tax concessions;
- Reviewing fringe benefits tax (FBT) compliance costs, including international comparisons;
- Post-implementation review of contingent consideration rules (earn out arrangements);
- A comparison of the taxing rights for real property under Australia's double tax agreements and domestic laws;
- A review of tax measures to promote ASX listings of innovation companies;
- A review of tax and agriculture;
- Taxation and the digital economy; and
- Reviewing aspects of the taxation of the not-for-profit sector.

Please contact the Board if you would like to share your views or be involved in any of these projects. We have already received some expressions of interest from stakeholders and we keep a register of your interest so that we can contact you at the appropriate time.

### A Review of Small Business Concessions

The Board's review is to identify ways to improve small business tax concessions to ensure they remain effective, easily accessible, and well-targeted. The Board believes that a well-designed regime of tax concessions and subsidies, targeted to assist with the specific challenges faced by small business, can play an important role in helping small businesses at all stages of their business lifecycle; from the crucial start-up phase through to maturity and the retirement of business owners.

A reference group of small business, professional and academic stakeholders is generously volunteering their time and expertise to assist the Board with this review. A Consultation Guide will be published shortly. It will set out the current suite of small business tax concessions, the Board's proposed principles for evaluating and improving the framework of small business tax relief, and questions for the small business community. Most importantly, it will explain our consultation process. Your contributions will inform the Board's final report to Government in October 2018.

## A Review of FBT compliance costs

The Board will review the compliance costs associated with obligations under the FBT legislation. We will also examine the approach in some comparable countries in respect of taxing fringe benefits provided by employers to their employees.

The Board will provide more information on this review in the coming weeks. Please contact us to register your interest in this project (if you have not already).

## Tax and Agriculture

In December 2016 a report entitled *Tax in Agriculture – a collaborative research project for the agricultural sector*, commissioned by the Australian Government 'Rural Industries Research and Development Corporation' (RIRDC) and prepared by Boyce Chartered Accountants and Su McCluskey was released (the Report).

The Board has reviewed the Report and subsequently held a number of scoping discussions to understand whether there are any additional issues that are applicable to the sector and whether to investigate all or some or none of the issues raised.

## A comparison of the taxing rights for real property under Australia's double tax agreements and domestic laws

The Board is undertaking an international comparison of the taxing rights reserved under Australia's international double taxation agreements for the purposes of a comparison with Australian domestic taxation laws. This is a research project only, intended to identify and note any material differences and understand the historical context.

## Contingent consideration

The Working Group is nearing completion of this project. The Working Group is focusing on its review of the CGT look-through earnout rules as well as considering the observations it has made throughout this project regarding other aspects of deferred contingent consideration arrangements.

We anticipate this work will be provided to Government for their consideration in the first half of 2018. We are grateful to the stakeholder engagement that has assisted to progress this work.

## Taxation of Digital Economy

The Board is undertaking a self-initiated watching brief in relation to international developments responding to disruption within the tax system by the digital economy. The Board noted several recent developments at both the March and April Board meetings, including:

- The OECD's Interim Report on Tax Challenges Arising from Digitalisation;
- The European Commission's Digital Tax Package;
- A variety of unilateral international responses to different aspects of the digitalisation of the global economy (including equalisation levies, 'web' taxes, advertising taxes, royalty and other withholding taxes and digital taxable presences or virtual permanent establishments).

The Board notes the Government announced as part of the 2018-19 Budget that a discussion paper will be released for the purposes of consulting on recent international developments and how digital businesses are taxed in Australia.

## Sounding Board

The Board discussed a new idea recently posted to Sounding Board and a number of ideas that are currently under consideration by the Board. Please see the Sounding Board site to make comments on existing ideas or to post your own new ideas – <https://taxboard.ideascale.com/>. The Sounding Board continues to be a standing agenda item at every Board meeting.

It was agreed that two ideas from Sounding Board relating to Fringe Benefits Tax will be investigated as part of the Board's new FBT compliance costs project.

The Board also decided that a review of Sounding Board and how it is being utilised would be undertaken in time for consideration at the Board's November meeting. If you have any thoughts or feedback on your experience with Sounding Board and its operation, we are interested to hear from you.

## Tax Transparency Code

The Board continues to discuss the take-up of the Voluntary Tax Transparency Code (the Code). As at 15 May 2018, there were 136 signatories to the Code and 113 signatories have published a tax transparency report. As new signatories sign up to the Code, the Board will provide an introductory guide to assist companies understand the "best practice" for the preparation and publication of their entities Code.

As part of the 2018/2019 Budget announcements, the Government announced that it would support the Black Economy Taskforce recommendation to increase the integrity of Government procurement processes (Recommendation 9.1). This will include a requirement that for large contracts, tenderers must also provide evidence of their tax record, including the fact that they have adopted the Tax Transparency Code requirements.

The Board encourages you to adopt the Code and support and assist your clients to adopt it. It is as simple as sending us an email setting out your groups' intentions! For further information on the Code or to register your intention to adopt it, please contact us at [taxboard@treasury.gov.au](mailto:taxboard@treasury.gov.au).

## Our meeting dates for 2018

The Board meeting dates and locations for 2018 are set out below. Any updates will be reflected on the Board's website.

|                              |                     |                         |
|------------------------------|---------------------|-------------------------|
| No January meeting           | 25 May – Canberra   | 13 September – Sydney   |
| 15 February 2018 - Melbourne | No June meeting     | 18 October – Perth      |
| 22 March 2018 - Sydney       | 5 July – Melbourne  | 15 November – Melbourne |
| 19 April – Brisbane          | 9 August – Adelaide | 14 December – Sydney    |

## Thank You!

Thank you to the Partners of KPMG and Rio Tinto for hosting the Board meetings in March and April. Thank you also to the Partners and clients of KPMG, our stakeholder advisory panel and the Brisbane members of the Corporate Tax Association for an interesting stakeholder discussion.

Our next Board meeting will be held in Canberra on 25 May 2018.

Don't forget, the Board is live on LinkedIn! You can follow TaxBoard for those of you who are on LinkedIn.

