Other News

1 October 2014

Report on subclass 457 visa programme

On 10 September 2014 the Government announced the release of the review - *An Independent Review into Integrity in the Subclass 457 Programme*. Some recommendations in the review concern the role of the Australian Taxation Office (ATO) including a recommendation that there be greater collaboration between the Department of Human Services and the ATO to uphold integrity within the 457 Programme and to minimise the burden on employers. This may include the sharing of information for compliance purposes. In releasing the review for public consumption, the Government in its media release said that it “will announce a detailed response to the report shortly”.

Federation White Paper: First Issues Paper

On 12 September 2014, the Prime Minister announced the release of the First Issues Paper for the Reform of the Federation White Paper. The Federation White Paper will be closely aligned with the White Paper on the Reform of Australia’s Tax System. A Federation Green Paper will be published in the first half of 2015 before the Federation White Paper which is planned to be finalised towards the end of 2015.

One of the issues raised for consideration in the Issues Paper is the ‘vertical fiscal imbalance’ (VFI) that results from the Federation in that the Commonwealth Government raises more revenue than it needs to fund its own-purpose expenditure, and the sub-national governments (State, Territory and Local Governments) raise less revenue than they need to fund their expenditures. The consequence is that the Commonwealth Government finances, through transfers to the sub-national governments, a proportion of those Governments’ expenditures. The Issues Paper states that “in Australia, VFI has grown largely as a result of High Court decisions on the interpretation of the Constitution in relation to taxation matters, and also because States have passed up opportunities to take back a greater role in levying income tax”.

According to the Issues Paper, the Commonwealth raises 82 per cent of all tax revenue in Australia whereas in Canada, the national government raises only 45 per cent of all tax revenue. The Paper asks the question:

*What are the best ways to address the situation whereby there is a mismatch between what the Commonwealth and the States and Territories each spend on the one hand, and what they each raise in revenue on the other?*

The Issues Paper does not specify details of the public engagement process, however it states that these will be released shortly on the website: www.federation.dpmc.gov.au.

Customs & Excise: New rates for tobacco products

Following recent legislative changes, excise and excise equivalent customs duty on tobacco and tobacco products are indexed based on average weekly ordinary time earnings instead of the Consumer Price Index, with indexation of rates scheduled to occur on 1 March and 1 September of each year. On 1 September 2014 the relevant administering Authority formally published the Customs and Excise substituted rates of excise and duty in respect of these products. The rates are effective from 1 September 2014.

Exposure draft Bill proposes changes to the Commissioner’s information gathering and access powers

On 27 August 2014, the Commonwealth Treasury released for public consultation, an exposure draft Bill and
Explanatory Material which includes provisions to:

- consolidate duplicated taxation administration provisions contained in various taxation statutes into a single set of provisions in Schedule 1 to the Taxation Administration Act 1953 (TAA 1953)
- repeal spent or redundant taxation laws, and
- move longstanding regulations into the ‘primary law’.

In relation to income tax, one of the proposed changes is the repeal of sections 263 and 264 of the Income Tax Assessment Act 1936 (ITAA 1936). These provisions currently give to the Commissioner, information gathering powers and access powers for the purposes of the income tax law. It is proposed that these powers will be consolidated into provisions in Division 353 of Schedule 1 to the TAA 1953 which will be expanded so that they will apply to any ‘taxation law’, being in effect any Commonwealth law in respect of which the Commissioner of Taxation has powers of administration. Although the proposed consolidated provisions are in many ways consistent with the Commissioner’s existing powers, the scope of what the Commissioner can do after accessing a site is to be expanded.

For further information on this proposed change or on the Commissioner’s information gathering powers generally, contact Judy Sullivan on (02) 8266 3216.

Development of Northern Australia - Final Report

On 4 September 2014 the Inquiry into the Development of Northern Australia - Final Report was tabled in the Commonwealth Parliament. The Report, which was prepared to assist the Government in formulating its policy for the future development of Northern Australia, features the following tax-related recommendations to the Government:

- explore reforms to the taxation system to better promote investment and development in Northern Australia (including the possibility of measures targeting the resources and agriculture sectors and the establishment of special economic zones)
- investigate the equity of the current application of the Zone Tax Offset arrangements, and
- review of the taxation treatment of fly-in, fly-out (FIFO) work arrangements including a review of access to the Fringe Benefits Tax exemptions for FIFO work arrangements, ‘up-front’ deductibility of certain expenses, and putting residential housing on a level playing field with transient worker accommodation in terms of.

The Government is expected to respond to the recommendations via its Tax Reform White Paper.

Let’s talk

For a deeper discussion of how these issues might affect your business, please contact:

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