1 September 2015

**Senate report on Digital Currency**

On 4 August 2015, the Senate Economics References Committee tabled its report, *Digital currency – game changer or bit player* making a number of recommendations including:

- digital currency transactions should be treated in the same manner as money for the purposes of the goods and services tax (GST) and recommends that the government consults with the States and Territories to consider appropriate legislative amendments, and
- the appropriate income tax and fringe benefits tax (FBT) treatment of digital currencies should be considered as part of the tax reform White Paper process (including whether they should be treated in the same manner as foreign currencies).

**Multinational integrity measures – CbC reporting and stronger penalties**

On 6 August 2015, the Commonwealth Treasury released draft legislation designed to implement the following integrity measures announced in the 2015-16 Federal Budget, as part of the package to combat tax avoidance by multinational enterprises:

- implement Base Erosion and Profit Shifting (BEPS) Action Plan 13 requiring transfer pricing documentation and Country-by-Country (CbC) reporting – to apply in relation to income years commencing on or after 1 January 2016, and
- doubling of the administrative penalties for multinational entities that are found to have entered into tax avoidance or profit shifting schemes where the entity does not have a ‘reasonably arguable position’ – to apply to scheme benefits obtained, or that would be obtained, on or after 1 July 2015.

Both of these measures are proposed to apply to entities with annual global revenue of $1 billion or more. Comments can be made until 5 September 2015. These measures are flagged to be high priority for introduction into Parliament and passage into law in the current Spring sittings of Parliament.

This Tax Insights publication provides an overview of the draft legislation to implement the new transfer pricing documentation standards including CbC reporting.

**Barriers to growth in services exports**

On 12 August 2015, the Productivity Commission released a draft report on barriers to growth in services exports in Australia. The report includes draft recommendations directed at establishing priorities for international negotiations and improving domestic policy settings, including from a taxation perspective, that the Government should:

- continue to progress the Asia Region Funds Passport (ARFP)
- simplify Australia’s withholding tax regime through reforms that pursue greater uniformity of rates applying to different types of investment, a reduction in the range of domestic exemptions and the negotiation of more
consistent withholding tax rates in tax treaties
• not introduce additional concessional withholding tax rates for the ARFP as future changes to the withholding tax regime should seek to introduce greater uniformity
• during the course of the Tax White Paper process, make a determination on the optimal rate for withholding taxes having regard to a range of listed factors
• not make changes to the dividend imputation system in order to increase service exports. Instead, consider changes to the system as part of the Tax White Paper process, incorporating analysis on effects on broader issues
• ensure that the Board of Taxation reviews the Investment Manager Regime no later than 2020,

Let’s talk

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

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