



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

**TAXATION LAWS
AMENDMENT BILL (NO. 5) 2003**

Consideration in Detail

SPEECH

Wednesday, 26 November 2003

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

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Questioner		Responder	
Speaker	Cox, David, MP	Question No.	

Mr COX (Kingston) (11.00 am)—These amendments deal with thin capitalisation, the decrease in tax on excessive termination payments and tax loss measures in the Taxation Laws Amendment Bill (No. 5) 2003. While Labor have moved to omit both the taxation on excessive termination payments and the tax losses measures, we do support these amendments. These amendments are largely technical and will improve the operation of these measures if they are passed by the Senate.

Amendments (1) to (7) deal with the thin capitalisation provisions. Amendments (1) to (4) clarify that the new arrangements for borrowing securities, which Labor supports, will only apply to financial entities. This aligns the bill with the current legislation and removes any ambiguity. Amendment (5) aims to ensure that only Australian operations are included when the arms-length debt amount is determined. Amendment (6) ensures that companies with negative worldwide equity, a situation not envisaged in the original drafting of the bill, will not be able to claim interest deductions. Amendment (7) deals with the definition of non-debt liabilities and ensures that all entities use the same definition. Currently, the definition includes only the provision for a distribution made by a corporate entity, which excludes other entities such as trusts.

Amendments (8) and (9) will ensure that entities cannot artificially increase their equity on valuation day and thereby increase their maximum allowable debt. Amendments (10) to (13) deal with the reduction in the tax on the excessive component of ETPs paid by superannuation funds applying to the death benefits paid to a dependent of a deceased member. Whilst Labor does not agree with this measure, it would not be fair if a reduction was to apply in these circumstances. For this reason Labor will support these amendments. Amendments (14) and (15) deal with the tax losses measure and will ensure that, consistent with the rest of the consolidation legislation, companies cannot use transferred losses before group losses. This is an integrity measure that Labor will support.

Question agreed to.

Bill, as amended, agreed to.