



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

BILLS

**Tax and Superannuation Laws Amendment
(2014 Measures No. 2) Bill 2014**

Second Reading

SPEECH

Wednesday, 4 June 2014

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date Wednesday, 4 June 2014
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Questioner
Speaker McCormack, Michael, MP

Source House
Proof No
Responder
Question No.

Mr McCORMACK (Riverina—Parliamentary Secretary to the Minister for Finance) (17:11): The government came to office determined to restore integrity to the tax system. Our first order of business was to deal with the backlog of 92 announced but unenacted tax measures. This backlog was the source of considerable uncertainty for taxpayers and their advisers. We moved quickly to announce a position on 28 of those measures and a predisposition not to proceed with the remaining 64 subject to consultation. With the benefit of discussions with the tax profession we then announced a firm decision not to proceed with 48 of those 64 measures.

While this includes measures that some taxpayers would wish we had decided to legislate, at least everyone now knows where they stand—and that is important. In some cases the Commissioner of Taxation announced an administrative approach which permitted taxpayers to reasonably anticipate a change in the law before it occurred, usually where the announced change was expected to operate retrospectively and to be beneficial for taxpayers. In deciding not to implement some announced but unenacted measures, the government also resolved to deal fairly with those taxpayers who had availed themselves of this approach.

Schedule 2 of this bill provides taxpayers who reasonably and in good faith anticipated particular tax law changes from having their tax liability reassessed or adjusted. Importantly, this is a specific accommodation that applies to a discrete list of unenacted measures. It is not a green light for taxpayers to anticipate tax law changes generally either now or in the future, including in respect of those measures the government has announced will proceed. Within the measure there are also safeguards. It will not prevent the Commissioner of Taxation from amending an assessment to give effect to a decision of the AAT or court on review or appeal.

Schedule 3 implements one of the measures the government has decided to proceed with, specifically to deny a taxpayer the benefit of franking credits they receive as a result of dividend washing. The measure addresses a loophole and helps to restore integrity to the tax system.

Acting swiftly and decisively on announced but unenacted tax measures means that we will be able to embark on the development of a tax white paper without a large backlog hanging over us. That does not mean that we will shy away from making the tough decisions that are needed in the short term to get the government's finances back on a credible path to surplus. We did that with the recent budget. We are getting on with the job of restoring integrity of the tax system. We are getting on with the job of getting Australia's finances back on track.

We are introducing a three-year temporary levy at a rate of two per cent on individuals with taxable income in excess of \$180,000 per annum. This recognises that everyone has to contribute to the task of rebuilding the nation's finances. We are also reintroducing indexation of fuel excise. Clearly, this will have implications for people, particularly those in regional and rural Australia, who travel long distances. We recognise that. But people from rural and regional Australia also understand that if you are going to build roads for the 21st century then you have to pay for them. In difficult fiscal conditions, with borrowings still at record highs, this is a responsible and measured approach to securing additional roads funding.

Over time we want a tax system that rewards hard work, enterprise and entrepreneurial endeavour. We also need a tax system that is simpler and that is more resilient to changes in the way commerce is conducted these days. Thanks to the government's swift and decisive action we can focus on that task without being weighed down by a backlog of measures stretching back more than decade. I commend the bill to the House.