



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

BILLS

**Tax and Superannuation Laws Amendment
(2014 Measures No. 6) Bill 2014**

Second Reading

SPEECH

Tuesday, 25 November 2014

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date Tuesday, 25 November 2014	Source House
Page 13157	Proof No
Questioner	Responder
Speaker McCormack, Michael, MP	Question No.

Mr McCORMACK (Riverina—Parliamentary Secretary to the Minister for Finance) (18:21): First, I would like to thank those members who have contributed to this debate, although I must take issue with the member for Fraser. Whilst I appreciate his contribution, I do need to point out that if Labor had really cared about low-income earners, they would have been more responsible in government. In six years in government they had the opportunity to be more responsible, to look after the interests of low-income earners and they missed grasping that opportunity.

This bill does make several important improvements to our tax law. The measures in this bill are part of the government's commitment to give business and investors the certainty that they need.

This bill includes two measures that are part of the backlog of 92 announced but unlegislated measures that we inherited when we came to government on 7 September last year. One of the measures improves the arrangements for business restructures and the other improves the law around investments in managed investment trusts. Each of these measures will give local and overseas investors greater confidence to make investment decisions. We are making Australia open for business. We have heard the Prime Minister say that on many occasions—'open for business'. The government is getting on with clearing the backlog of unenacted legislation. Unfortunate, but true; we have to do it. We are committed to giving business the certainty it needs to get on with doing business.

This bill also makes sure that there are no cashflow issues for businesses from the government's implementation of the budget measure reintroducing the biennial indexation of fuel excise to the consumer price index. In difficult budget circumstances, this is the responsible way to immediately start building the productivity-boosting roads Australia needs. In the long run, this will assist all businesses by reducing the costs of transporting goods around the country.

Schedule 1 amends the income tax provisions to make it easier for businesses to restructure and to be able to make more efficient use of their capital. In particular, these amendments will extend some of the business restructure roll-over provisions to revenue assets and trading stock. These roll-over provisions are important because they allow businesses to defer the income tax consequences which can arise during a restructure. This measure also includes technical amendments which improve the operation of the law. Through removing income tax barriers to restructuring, the government is supporting Australian businesses, large and small, to grow and prosper.

Schedule 2 of this bill will amend the law so that foreign pension funds will be treated as the final beneficiary of a fund payment and will have access to the concessional managed investment trusts withholding tax. This treatment is consistent with the original intention of parliament. These amendments ensure that a foreign pension fund that receives payment as a trustee will be taken to be a beneficiary in its own right. As a result, it will be liable to pay income tax at the concessional managed investment trusts withholding tax rate. This reform is one of several announced but unenacted measures left behind by the former government. These amendments were actively sought by the Australian funds management industry. Foreign capital is crucial to funds that will invest in new infrastructure. The government has responded by getting this amendment done.

Schedule 3 of this bill will amend the law to give effect to taxation arrangements for the US force posture initiatives in Australia. The US force posture initiatives in Australia were first announced by the government of Australia and the government of the United States of America in 2011. The initiatives represent an important development in Australia's alliance and bilateral defence relationships with the United States. They involve annual rotational US Marine Corps deployments and aircraft cooperation activities in Northern Australia. A legislative amendment to the tax law is required to give effect to provide an exemption from Australian tax for the Australian-source income of US contractors in connection with the US force posture initiatives. The legislative amendment will apply only to US contractors performing duties directly connected with the force posture initiatives in Australia and not to US contractors in Australia performing other unrelated duties for the United States government. The exemption from Australian tax will only apply if the relevant income is taxable in

the United States. This ensures that the United States would not be able to use contractors for work that could be done by Australian workers and service providers, which in turn maximises the potential benefits for Australian small businesses.

The government announced as part of the 2014-15 budget that it would reintroduce the indexation of excise and excise-equivalent customs duty on fuel. This will provide a secure source of funding for additional road infrastructure, which is sorely needed. The government has tabled fuel excise and customs tariff proposals to give effect to this commitment. For a typical household which consumes 50 litres of fuel per week—a tankful—the estimated price impact of fuel indexation by the end of 2014-15 will be about 40 cents per week; just 40 cents per week. The amendments made by schedules 4 and 5 of this bill will simplify the current law and will apply to the current tariff proposals and any future fuel duty tariff proposals. Schedule 4 will ensure that businesses eligible to claim fuel tax credits will receive increased fuel tax credits to fully offset the increase in fuel excise paid, claimable as soon as possible.

This bill will introduce amendments so that, when a tariff proposal increases the rate of fuel duty being collected, businesses claiming fuel tax credits or grants under the Cleaner Fuels Grants Scheme will continue to receive the appropriate credit or grant. The amendments to fuel tax credits ensure that fuel duty is a tax on final consumption of fuel rather than a tax on business inputs. This will avoid any negative cashflow consequences that result from the use of tariff proposals. This bill will also make similar amendments to the operation of the Cleaner Fuels Grants Scheme. Full details of each of these measures are contained in the explanatory memorandum.

The government has outlined a plan to build a future that is just, that is pioneering and that is prosperous. That is something that we all want. A key part of this is creating the environment in which Australian businesses can grow and flourish and, in difficult budget circumstances, taking responsible steps now to immediately start building the productivity-boosting roads that Australia so desperately needs. The measures in this bill are part of the government's plan to help investors, small business and corporate Australia get on with the job they do best—creating opportunities so that all Australians can benefit. I commend this bill to the House.

Question agreed to.

Bill read a second time.

Message from the Governor-General recommending appropriation announced.