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Senate Standing Committee on Economics
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Submission from the Tax Justice Network Australia on *Treasury Laws Amendment (2019 Tax Integrity and Other Measures No. 1) Bill 2019*

August 2019

The Tax Justice Network Australia (TJN-Aus) welcomes this opportunity to make submission on the *Treasury Laws Amendment (2019 Tax Integrity and Other Measures No. 1) Bill 2019*. The TJN-Aus supports the Bill and urges the Committee recommend its passage through the Parliament. The TJN-Aus particularly supports Schedule 2 on enhancing the integrity of the small business CGT concessions in relation to partnerships, Schedule 4 to address extending anti-avoidance rules for circular trust distributions, Schedule 5 on the disclosure of business tax debts and Schedule 7 to improve the integrity of the superannuation system by ensuring that an individual's salary sacrifice contributions cannot be used to reduce an employer's minimum superannuation guarantee contributions.

The TJN-Aus supports Schedule 4 and believes that income tax should be imposed on circular trust distributions that apply to family trusts at a rate of tax equal to the top marginal tax rate plus the rate of the Medicare levy.

The government is to be commended for being willing to address the tax avoidance arrangement in which using family trusts as beneficiaries of each other in a 'round robin' arrangement, a distribution can be ultimately returned to the original trustee in a way that avoids any tax being paid on that amount.

The TJN-Aus would have preferred that a trustee of a family trust be required to lodge a trustee beneficiary statement with the Commissioner of Taxation as applies to other trustees. The TJN-Aus is concerned that without this requirement, how easy it will be for the ATO to detect round robin arrangements involving family trusts.

The TJN-Aus is supportive of Schedule 5 as a means to get businesses to engage with the Australian Taxation Office for the payment of larger outstanding tax debts.

The TJN-Aus recommends that while the threshold for the debt be maintained at \$100,000 the period the debt has been outstanding for before it can be disclosed be reduced to 69 days, as the Commissioner of Taxation needs to give the entity with the tax debt at least 21 days notice before the disclosure. Currently, with the 90 days the debt has been outstanding and 21 days notice the period before the disclosure can take place is at least 111 days.

The TJN-Aus has concerns that if the legislative instrument that limits disclosure of tax debts includes where the entity disputes the tax debt, it may lead to entities not wishing to pay the tax debt lodging appeals against the tax debt that have no merit to avoid the ATO disclosing the tax debt to credit reporting bureaus. A business owner may be able to obstruct the disclosure through multiple complaints and appeal processes to the Commissioner for

Taxation, to the Inspector-General of Taxation, to the Administrative Appeals Tribunal and to the Federal Court effectively frustrating the effectiveness of the disclosure measure.

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Background on the Tax Justice Network Australia

The Tax Justice Network Australia (TJN-Aus) is the Australian branch of the Tax Justice Network (TJN) and the Global Alliance for Tax Justice. TJN is an independent organisation launched in the British Houses of Parliament in March 2003. It is dedicated to high-level research, analysis and advocacy in the field of tax and regulation. TJN works to map, analyse and explain the role of taxation and the harmful impacts of tax evasion, tax avoidance, tax competition and tax havens. TJN's objective is to encourage reform at the global and national levels. The Tax Justice Network aims to:

- (a) promote sustainable finance for development;
- (b) promote international co-operation on tax regulation and tax related crimes;
- (c) oppose tax havens;
- (d) promote progressive and equitable taxation;
- (e) promote corporate responsibility and accountability; and
- (f) promote tax compliance and a culture of responsibility.

In Australia the current members of TJN-Aus are:

- ActionAid Australia
- Aid/Watch
- Anglican Overseas Aid
- Australian Council for International Development (ACFID)
- Australian Council of Social Service (ACOSS)
- Australian Council of Trade Unions (ACTU)
- Australian Education Union
- Australian Manufacturing Workers Union
- Australian Nursing & Midwifery Federation
- Australian Services Union
- Australian Workers Union, Victorian Branch
- Baptist World Aid
- Caritas Australia
- Centre for International Corporate Tax Accountability and Research
- Community and Public Service Union
- Electrical Trades Union, Victorian Branch
- Evatt Foundation
- Friends of the Earth
- GetUp!
- Greenpeace Australia Pacific
- International Transport Workers Federation
- Jubilee Australia
- Maritime Union of Australia
- National Tertiary Education Union
- New South Wales Nurses and Midwives' Association
- Oaktree Foundation
- Oxfam Australia
- Save the Children Australia
- Save Our Schools
- SEARCH Foundation
- SJ around the Bay
- Social Policy Connections
- TEAR Australia
- The Australia Institute
- Union Aid Abroad – APHEDA
- UnitedVoice
- Uniting Church in Australia, Synod of Victoria and Tasmania

- UnitingWorld
- Victorian Trades Hall Council
- World Vision Australia