



Committee recommends passage of bill to counter tax avoidance and multinational profit shifting

Existing measures to counter tax avoidance and multinational profit shifting will be strengthened under legislation reviewed and recommended by the House Economics Committee.

The provisions in the Tax Laws Amendment (Countering Tax Avoidance and Multinational Profit Shifting) Bill 2013, which the committee report recommends be passed unamended, include:

- Amendments to ensure that the *Income Tax Assessment Act 1936* continues to counter schemes that comply with the technical requirements of the tax law but are conducted in a particular way mainly to avoid tax. These provisions will enable the Commissioner of Taxation to either remove or reconstruct schemes.
- Amendments that aim to modernise Australia's transfer pricing rules to ensure that an appropriate return for the contribution of Australian operations of a multinational group is taxable in Australia. The basis for these rules is the arm's length principle whereby each enterprise within a multinational group is treated as a separate entity.

These amendments were the subject of prior public consultation by the Treasury and make important changes to the tax laws.

"These amendments are a measured response to exposed weaknesses in the operation of the tax benefit concept," Committee Chair Julie Owens said.

The committee found that the application and effect of the proposed reconstruction rules are clearly based on the language used in the OECD guidelines and will be interpreted consistently with these guidelines.

"The Bill will enable the Commissioner of Taxation to objectively and reasonably enforce tax avoidance measures and collect revenue to which the Commonwealth is entitled under the law," Ms Owens said.

The report includes a dissenting report by the Opposition members of the committee.

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