



Australian Government
The Treasury



Senate Committee on Economics

Treasury Submission to the Inquiry into the Government
Amendments to Treasury Laws Amendment (Making
Multinationals Pay Their Fair Share-Integrity and
Transparency) Bill 2023

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Introduction

Treasury welcomes this opportunity to comment on the parliamentary amendments to Schedule 2 to the *Treasury Laws Amendment (Making Multinationals Pay Their Fair Share-Integrity and Transparency) Bill 2023* (the Bill).¹ The parliamentary amendments circulated by the Government in December 2023 reflect policy and legislative drafting changes to Schedule 2 of the Bill.

These amendments reflect a commitment to continue to work with industry stakeholders to ensure the thin capitalisation (interest limitation) rules operate as intended. As a whole, the amendments better accommodate the broad range of commercial financing structures and arrangements (including for trusts) and ensure a more targeted scope of application for the debt deduction creation rules.

The thin capitalisation regime targets known base erosion and profit shifting techniques entities use to minimise tax by claiming excessive debt deductions. Specifically, the use of interest-bearing debt has been identified by the OECD as “one of the most simple of the profit-shifting techniques available in international tax planning”². More information on the OECD’s work to combat base erosion and profit shifting can be found at [Attachment A](#).

The changes reflected in the Bill bring Australia’s existing thin capitalisation rules into alignment with OECD best practice by ensuring an entity’s debt deductions are more directly linked to its economic activity and taxable income in Australia.

The intended policy outcome is to establish a tighter nexus between taxable economic activity and interest expenses. This is supported by the debt deduction creation rules contained in the Bill – an important integrity measure to reduce the ability of multinational entities using related party transactions to create related party debt deductions that minimise their tax payable in Australia (such as through wholly-controlled financial arrangements with no additionality or economic value-add). The OECD framework recognises the role for targeted integrity rules, to deal with specific base erosion and profit shifting risks.³

The reforms in the Bill are intended to apply across the economy (and to the same taxpayer base, generally, as the current asset-based thin capitalisation rules), consistent with how other tax integrity rules apply more broadly.

The Bill represents a comprehensive policy change to a complex area of tax law. As such, the amendments are the product of ongoing efforts to refine the operation of the draft legislation in response to stakeholder concerns, while preserving the integrity intent of the reform.

The parliamentary amendments reflect extensive consultation with stakeholder groups and respond to feedback provided, as foreshadowed by Treasury in the Senate Economics Legislation Committee (Senate Committee) public hearing on the Bill⁴, and additional policy changes as informed by

1 Parliament of Australia, Treasury Laws Amendment (Making Multinationals Pay Their Fair Share-Integrity and Transparency) Bill 2023, <https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=r7057>.

2 OECD (2016), *Limiting Base Erosion Involving Interest Deductions and Other Financial Payments, Action 4 - 2016 Update: Inclusive Framework on BEPS*, p. 19, <<https://doi.org/10.1787/9789264268333-en>>.

³ Ibid., p. 31.

⁴ Parliament of Australia, Treasury Laws Amendment (Making Multinationals Pay Their Fair Share-Integrity and Transparency) Bill 2023 [Provisions], Public Hearings (15 August 2023), p. 47-54 <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/TLABMultinationalTax/Public_Hearings>.

Treasury's ongoing public consultation with industry stakeholders. This includes new information not previously provided by stakeholders in the previous rounds of consultation undertaken by Treasury.

The ATO has written to members of the Large Business Stewardship Group, National Tax Liaison Group, and Private Groups Stewardship Group with respect to their public advice and guidance consultation on the thin capitalisation amendments, including requesting feedback on specific topics. The ATO is expected to update their 'Advice under development program' webpage in January 2024.

Treasury consultation

The development of legislation, including the parliamentary amendments, has been an iterative exercise. In our experience, through the process of implementing complex tax policy changes, stakeholder groups often identify policy and drafting issues incrementally; that is, stakeholder groups consider the policy settings (and legislative drafting) at a point in time, and as Treasury considers and responds to these issues, additional issues are identified in return. This is typically due to stakeholders either seeking additional certainty, or by sharing further information on commercial arrangements that prompt further Treasury consideration.

Decisions on any changes to announced policy settings are a matter for Government. Treasury's advice and recommendations are considered on balance; that is, the core policy intent of the thin capitalisation reform (as a tax integrity measure) must also appropriately balance equity and neutrality considerations and non-revenue objectives.

Equity and neutrality are common principles of taxation policy: equity, reflecting that similarly situated taxpayers should be taxed similarly; and neutrality, regarding the international aspect of the domestic corporate tax system. Implicit within this framework is that imposing a tax changes the behaviour of a business; this introduces trade-offs with other (non-revenue) policy objectives, for example supporting business investment and foreign capital attraction.

Given these trade-offs, the impact on taxpayers of any tax integrity reform needs to be carefully evaluated. Stakeholder requests for policy changes must also be thoroughly tested, particularly due to the interconnectedness of tax legislation, to preserve consistency with policy intent and the government's broader policy objectives, support optimal resource allocation, and avoid unintended consequences in the law.

In light of this, Treasury has ensured multiple interaction points for stakeholders to provide their views on the proposed legislation, particularly with regards to the parliamentary amendments. The approach taken also draws on long-running OECD and G20 work on this matter as part of Action 4 of the Inclusive Framework on BEPS. For completeness, further details on consultation and a timeline on consultation on the Bill is provided in [Attachment A](#).

Parliamentary amendments

The parliamentary amendments were informed by the initial Senate Committee inquiry, and subsequently via the Treasury's public consultation from 18 – 30 October 2023.⁵

⁵ The Treasury, Multinational Tax Integrity – strengthening Australia's interest limitation (thin capitalisation) rules, Draft Amendments consultation (18 October 2023 - 30 October 2023), <<https://treasury.gov.au/consultation/c2023-454217>>.

Treasury held 17 stakeholder meetings in parallel to the Senate Committee's initial inquiry. As examples, Treasury met with members and representatives of the Corporate Tax Association, Property Council of Australia, superannuation funds (domestic and foreign), infrastructure groups, and financial service groups. These meetings provided a direct forum for stakeholders to raise issues and provide live examples, and allowed us to test whether the issues were systematic or isolated to particular taxpayers.

Treasury received 38 submissions in response to the public consultation on the parliamentary amendments, which are available on the Treasury consultation website (excluding seven in-confidence submissions).⁶ Throughout and following the public consultation, Treasury continued to engage with stakeholder groups. Treasury held 21 stakeholder meetings as part of this public consultation process, including regular meetings with the Corporate Tax Association and its members.

Policy changes arising from consultation

Treasury's consultation on the parliamentary amendments was effectively undertaken in two parts.

The first phase of consultation (in parallel to the initial Senate Committee inquiry) principally focused on responding to issues regarding entities operating in trust structures and their existing commercial financing arrangements, as well as the scope of the debt deduction creation rules.

Phase 1 of parliamentary amendment consultations

This phase of consultation resulted in the following key changes:

- **Fixed ratio test:** changed the taxable earnings before interest, tax, depreciation, and amortisation (EBITDA) method to enable plantation depletion costs and plantation establishment costs to be added in at step 3 of the tax EBITDA method and provided for shared tax EBITDA capacity between related trusts (trust excess tax EBITDA amount).
- **Third-party debt test:** amended technical provisions to ensure the test applied appropriately to trust structures (including that Australian trusts and partnerships can access the test), and amendments to permit a wider range of existing third party lending arrangements.
- **Debt deduction creation rules:** deferred the application of the rules for financial arrangements entered into before 22 June 2023 to 1 July 2024; narrowed the gateway application of the rules to exclude certain entities from the rules (special purpose entities, Authorised Deposit-Taking Institutions, and securitisation vehicles), and only applied the rules to related party debt. Targeted exclusions to the rules were introduced, principally for specific CGT asset acquisitions, to minimise unintended consequences for existing commercial arrangements.

These changes responded to the recommendations of the Senate Committee's final report (including many recommendations in the Dissenting Report) and comprised the exposure draft parliamentary amendments publicly consulted on in October 2023.⁷

Subsequently, the public consultation process on the exposure draft parliamentary amendments gave rise to further substantive policy changes.

⁶ Ibid.

⁷ Ibid.

Phase 2 of parliamentary amendment consultations

The key outcomes of this consultation process were:

- **Expanding the Fixed Ratio Test excess capacity rule:** to accommodate a wider range of entity structures and financing arrangements, ensuring neutrality of tax treatment across different entity types under the Fixed Ratio Test.
- **Clarifying (and explicitly broadening) the third party debt test credit support concession:** to apply to specified renewable infrastructure assets, consistent with the policy intent of the third party debt test to support greenfield investment (and continued foreign investment in Australia).
- **Further targeting the debt deduction creation rules:** by narrowing and specifying the type of related party payments captured by the rules and clarifying the interaction with the third party debt test.
- **Deferring the commencement of the debt deduction creation rules, in entirety, by 12 months:** to 1 July 2024. This is a pragmatic, further concession responding to stakeholder feedback, to provide taxpayers with more time to analyse the final form of the debt deduction creation rules once the Bill passes Parliament, and to restructure their arrangements as needed.

Treasury acknowledges that the parliamentary amendments extend beyond mere ‘technical amendments’. However, as noted above, the nature of the amendments reflects the complexity of the policy change, the underlying legislation, and the variety of commercial financing arrangements. It also reflects an iterative consultation process, with stakeholders sharing new information on examples of affected commercial arrangements (including entity specific financial details) at various stages of the process.

We also observe that it is not uncommon for significant tax reforms to require additional legislative amendments post introduction, particularly through the early stages of initial implementation as taxpayers begin applying the new law in practice.

Treasury view on the parliamentary amendments

The policy changes in the parliamentary amendments were considered on balance, having appropriate regard for the tax integrity policy intent of the reforms while seeking to minimise transition costs in applying the changes.

We are aware that some stakeholder groups continue to claim that the parliamentary amendments should contain further changes to accommodate various ordinary and bespoke business arrangements. However, as noted above, the thin capitalisation and debt deduction creation rules are ultimately tax integrity measures and these changes will require a change in practice within the taxpayer community, as they adjust to the new rules.

Some industry groups have sought a 12-month deferral of the thin capitalisation changes to 1 July 2024 (from 1 July 2023), on the basis it would support taxpayer certainty given the legislation is yet to pass Parliament. In our view, this is not required as there has been sufficient certainty on the framework of the earnings-based rules and third-party debt test and the entities subject to these

changes (noting the amendments process has focused on improving the operation of these rules). This is distinct from the debt deduction creation rules (refer below).

Our reflections on the policy issues which were the focus of the latest public consultation process are outlined below.

Excess tax EBITDA amount

Shared tax EBITDA capacity better accommodates varying financing structures.

The ability to share excess tax EBITDA capacity supports a broader range of entities and financing arrangements to continue operating as normal under the new earnings-based rules (i.e., to preserve their ability to deduct net interest costs without needing to incur costs associated with restructuring or refinancing their debt).

The objective of the thin capitalisation reform is to establish a more direct nexus between the borrowing entity's standalone economic/income-producing activity and their permitted debt deductions. In this respect, allowing for shared tax EBITDA capacity (within the Fixed Ratio Test) is a concession to taxpayers, in response to consistent requests from stakeholders for greater flexibility in the Fixed Ratio Test. The excess tax EBITDA rule has been designed to maintain some consistency with the overall purpose of the thin capitalisation changes, through a 50 per cent controlling interest requirement.

Some stakeholders have expressed that the requirement for a direct control interest of 50 per cent or more before excess tax EBITDA amounts are eligible to be transferred, should be reduced (e.g., to 10 per cent).

The 50 per cent threshold means that only entities with sufficient influence over the financial decisions of their 'controlled' subsidiary can benefit from an excess tax EBITDA transfer. This specifically targets single (non-consolidated) economic groups or controlled investments, where debt is either multi-tiered or held in a single entity (such as the head entity or a specific finance vehicle).

We note that this represents a tightening compared to the current rules. The objective is to ensure a genuine link between interest deductions and taxable economic activity, by allowing excess tax EBITDA capacity to be transferred only where the earnings can be linked to active investment decisions by the controlling entity.

Debt deduction creation rules

Modernising the debt deduction creation rules

The debt deduction creation rules reflect a modernised version of the previous debt creation rules under Division 16G of the *Income Tax Assessment Act 1936*. That is, they do not replicate the former Division 16G in its original form, but instead adapt the rules to address new, modern forms of financial arrangements commonly available to multinational groups. Often these are sophisticated structures, reflecting the fungibility of debt, participation in a globalised economy, and deep access to global capital markets. The financial arrangements and practices available to multinational groups have evolved significantly since the former Division 16G was originally introduced in 1988.

The debt deduction creation rules are necessary to support the effective operation of the thin capitalisation rules, by limiting the ability of entities to use (create) interest-bearing debt between related parties to increase their interest expenses up to 30 per cent of tax EBITDA. The absence of such a rule would provide opportunities for the avoidance of tax, by facilitating profit shifting in the form of tax-deductible interest payments between related parties.

The industry feedback regarding the debt deduction creation rules has focused on the breadth of the application of the rules. The scope reflected the initial principles-based policy design of the rules, rather than a prescriptive policy (narrow drafting) approach. That is, the settings were intended to have regard for evolving integrity risks, noting that prescriptive rules can be circumvented through the design of new structures or arrangements.

In general, a principles-based approach to policy can support policy stability by minimising the need for subsequent changes to the law and is consistent with having simpler laws. Taking a principles-based approach to legislative drafting will support less complex laws but may lead to greater policy guidance being sought from regulators and administrators.

The amendments to the debt deduction creation rules have been carefully considered to assist with taxpayer certainty and to help mitigate the practical compliance burden associated with the new rules, while ensuring the rules still operate to address integrity risks and arrangements that arise over time.

Targeting the debt deduction creation rules to related party transactions of concern

In response to stakeholder claims that these rules were too broad, the parliamentary amendments comprise changes to improve certainty. The changes are prescriptive in nature. The intended outcome is to specify the types of business transactions which can enliven the rules, with all other business transactions therefore explicitly out of scope.

Specifically, the amendments narrow the gateway provision to require that a relevant related party debt deduction condition must be satisfied, to be in scope of the rules. The requirement for the 'related party debt condition' (between two or more entities) broadly reflects the concept of sufficient influence, for example by one entity holding majority voting rights over the other. That is, it is not the case *any* related entities are automatically caught by the rules.

While this means that third party debt arrangements are no longer within the scope of the operative provisions of the debt deduction creation rules, it doesn't mean that such arrangements are not without risk (as identified by the OECD). Rather, it reflects that debt creation activities are *more* commonly associated with related party debt financing and, accordingly, the rules have been targeted to these arrangements.

In this regard, the design of the new rules is narrower than the former Division 16G rules. However, the final design still has regard for potential avoidance and integrity risks through the application of other integrity rules such as the specific and general anti-avoidance rules.

Additionally, the amendments also prescribe certain asset exclusions to the related party asset acquisition test. This is primarily to accommodate new acquisitions of equity in subsidiaries and new purchases of certain third party tangible depreciating assets.

The amendments also now prescribe the types of related party payments in scope of the debt deduction creation rules. Broadly, these payments reflect a narrow list of transactions, focused on distributions, membership interests and royalties. As these transactions are generally infrequent, or planned, the intended outcome is to reduce the burden of 'tracing' the original use of the debt proceeds to only specific types of payments (although we note that tracing and documentation remain an administrative requirement to taxpayers).

These amendments also clarify that the disallowance of debt deductions is proportionate to the use of the related party debt for a prescribed related party payment. The intended outcome is to avoid a 'cliff face' type scenario, resulting in a fairer (and more balanced) outcome for affected taxpayers.

While these exemptions have generally been welcomed by stakeholders, there are views among taxpayer groups that the exemptions do not go far enough and the former Division 16G should be transposed in full (in particular, an exemption for the acquisition of related party trading stock). As

noted above, the new debt deduction rules are intended to reflect the evolution of financial arrangements since Division 16G was originally introduced in 1988.

Cash pooling

Within this policy change, stakeholders have continued to seek certainty on the treatment of ‘cash pooling’ or cash management systems, with the feedback, generally, that such arrangements should be excluded from the application of the debt deduction creation rules. However, the proposed amendments to the debt deduction creation rules need to be considered as a whole, including, for example, the proposed delayed commencement of these rules (to 1 July 2024), which will support taxpayers to restructure arrangements (including entity specific practices) to comply with the legislation.

More broadly, as a matter of principle (and policy), there is no difference between a related party borrowing under a ‘cash pool’ arrangement used to fund a related party acquisition/payment and a related party borrowing under a non ‘cash pool’ borrowing arrangement used to fund a related party acquisition/payment.

On this basis, we do not accept that a prescribed payment (per above) should be excluded on the basis it is funded from a cash pool. We also note there are practical issues with defining a cash pooling arrangement from a legislative design perspective, and that doing so (as part of any exclusion) would create an obvious incentive/behavioural response to avoid application of these rules.

As noted above, the narrowed scope of the debt deduction creation rules alleviates practical tracing concerns by prescribing payments where the creation of related party debt would no longer create debt deductions. This will provide stakeholders with greater certainty on the application of this provision, particularly regarding which specific payments to related parties will need to be traced.

We also note that the mere presence of related party debt within an entity does not override circumstances in which a dividend may be paid, as there must be a direct or indirect (e.g., via an interposed entity) link between the related party debt and the payment of the dividend to a related party (or other listed payment type). That is, this provision does not prevent the payment of a dividend to a related party. ATO guidance will assist taxpayers on how these arrangements will be administered.

Related party debt funded acquisitions of related party trading stock

We are aware that some parts of industry continue to advocate for trading stock to be an excluded asset for the purpose of the asset acquisition limb of the debt deduction creation rules. This is on the basis that certain trading stock transactions were excluded assets under the former Division 16G, and because trading stock reflects an ordinary business transaction.

While we recognise that trading stock represents a recurrent business transaction, one of the overarching policy objectives of the debt deduction creation rules is to disallow related party debt deductions created through the mere transfer of assets between related entities. Noting the purchase of trading stock from a related party is usually capable of being financed from the working capital of the purchasing entity or settleable without attracting interest, the amendments in their current form are only likely to apply to scenarios where interest has accrued on unpaid stock purchases.

Circumstances where an entity does not have funds available to purchase inputs – that is, a business relying on using related party debt to acquire related party assets (to fund day-to-day business transactions) – is likely to be reflective of a thinly capitalised entity, which is what the underlying thin capitalisation framework is targeting, rather than being the norm. For businesses with a high volume of trading stock transactions, ATO guidance is expected to assist taxpayers on how to apply the debt deduction creation rules.

Delaying commencement of the debt deduction creation rules provides for transitional relief

Following consultation, the commencement of the debt deduction creation rules were deferred in whole to apply for income years commencing on or after 1 July 2024. While the rules will still apply from 1 July 2024, irrespective of when the financial arrangement was entered into (in line with the policy intent to limit artificial debt deductions), the delayed start date is a further concession to taxpayers in recognition that the Bill is yet to pass Parliament.

Practically, this provides taxpayers with time to restructure their arrangements, as required, noting that the ongoing consultation with industry has helped to provide certainty on the structure of the Bill. The deferred commencement responds to claims by stakeholders that the debt deduction creation rules could have significant retrospective effect, and the absence of transitional relief rules. This will support compliance with the new rules.

We are aware that some stakeholder groups continue to make claims on the potential ‘retrospective’ application of the debt deduction creation rules, and are seeking full ‘grandfathering’ of all existing arrangements to provide certainty. That is, the debt deduction creation rules would never apply to financial arrangements existing prior to 1 July 2023 (for example).

However, a wider concession, as sought by industry, would introduce competitive neutrality issues, reduce the integrity of the new thin capitalisation rules, and increase compliance complexity going forward. Integrity risks would include businesses seeking to roll over grandfathered financing arrangements (that would otherwise result in denied debt deductions) to avoid the integrity rules in perpetuity. We expect that the ATO, consistent with other legislative changes, will issue guidance on transitional arrangements to assist taxpayers.

Third party debt test

The new rules apply equitably across all sectors in the economy

The third party debt test replaces the existing arm’s length debt test. It is intended to operate as a third party credit assessment test, based on the borrowing capacity of the Australian ‘borrowing entity’.

The test is an Australian specific, bespoke policy setting. While it operates as a concessionary departure from the OECD best practice approach – to principally accommodate capital intensive sectors, in recognition of their long investment horizons and cash-flow profiles – it nonetheless reflects the OECD guidance (generally, in relation to certain public benefit projects) that exclusions from the fixed ratio rule be ‘tightly targeted’ to third party loans linked to specific assets.⁸

The policy principle of the third party debt test is simple in concept, however, it is a complex piece of legislation. It has benefitted from extensive stakeholder engagement through the consultation process on many technical issues, to address and resolve unintended consequences.

Broadly, the third party debt test allows entities to claim all debt deductions which are attributable to genuine third party debt used to fund commercial activity in Australia. This is intended to facilitate investment, specifically in Australian real property and infrastructure projects, including greenfield projects in the development and construction phase.

Reflecting the concessionary nature of the test, debt deductions attributable to related party debt are disallowed under the test. This is by design, to protect against multinational groups funding their

⁸ OECD, *Action 4 - 2016 Update*, p. 43.

Australian operations solely with debt. It also reflects the 'alternative' nature of the test (compared to the fixed ratio test), targeting sectors typically reliant on significant third party capital.

We are aware, however, that some industry groups have sought a sectoral carve out from the thin capitalisation changes as a whole: specifically, the property and infrastructure sectors. This is on the basis that comparable economies (such as the US and UK) provide for a similar outcome and that the earnings-based (fixed ratio) rule on its own can be overly 'blunt'.

Cross-jurisdictional comparisons of tax regimes – particularly in respect of *specific* policy settings – are often fraught, as they require an in-depth understanding of the foreign jurisdiction's tax system (as a whole) including how various concessions and integrity settings operate, on balance.

More broadly, sectoral carve-outs detract from the principle of neutrality. As noted above, the thin capitalisation changes are intended to apply to all sectors, and the third-party debt test is an explicit recognition that certain sectors have a different investment profile, and that some flexibility is warranted to minimise transition costs and support investment attraction.

Attachment A – Additional Information

OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS)

The OECD/G20 Inclusive Framework on BEPS is made up of over 140 countries and jurisdictions collaborating on the implementation of the BEPS Package. The BEPS Package consists of 15 Actions which provide a common framework for countries to address tax avoidance by multinational enterprises. In 2015, the OECD published a final report on the 15 BEPS Actions.⁹ This work had a high level of cooperation, led by the OECD (providing technical expertise and coordination experience), and the G20 who gave global political legitimacy for action.

The BEPS Project focused on clarifying taxing rights and reducing tax avoidance opportunities. It did this by clarifying the alignment of taxing rights with the economic location of value creation, rather than changing the underlying principles of the 'source based' system.

Action 4 of the 15 BEPS Actions involves limitations on interest deductions. It aims to limit base erosion through the use of interest expense to achieve excessive interest deductions or to finance the production of exempt or deferred income. Action 4 (specifically the 2015 and 2016 Action 4 reports on *Limiting Base Erosion Involving Interest Deductions and Other Financial Payments*) is the basis for the proposed reform of Australia's thin capitalisation rules.

Treasury consultation process on the Bill

After reform of Australia's thin capitalisation rules were first signalled to industry in early 2022 as part of the Government's election commitment platform, public consultation on a multinational tax integrity discussion paper (which included the thin capitalisation reforms) was held in August/September 2022.¹⁰ Following this and the Government's announcement of the measure in the October 2022 Budget, public consultation on the thin capitalisation exposure draft legislation was held in March/April 2023.¹¹ After the Bill was introduced into Parliament and referred to the Senate Economics Legislation Committee on 22 June 2023, the Bill was subject to public consultation through the Committee inquiry process,¹² which was then followed by public consultation on the exposure draft parliamentary amendments in October 2023.¹³ The current Committee process is the fifth round of public consultation on the thin capitalisation amendments to occur. Treasury has continued to consult with stakeholder groups throughout and between these stages.

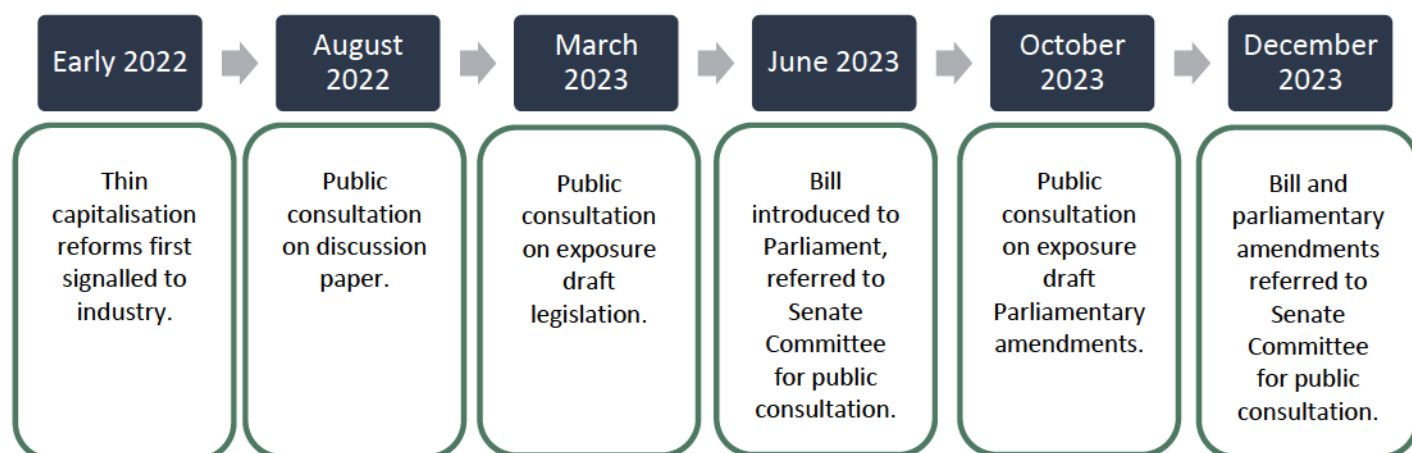
9 OECD. "BEPS 2015 Final Reports." Accessed January 5, 2024. <https://www.oecd.org/ctp/beps-2015-final-reports.htm>.

10 The Treasury, Multinational Tax Integrity and Tax Transparency, Discussion Paper consultation (05 August 2022 - 02 September 2022), <<https://treasury.gov.au/consultation/c2022-297736>>

11 The Treasury, Multinational Tax Integrity – strengthening Australia's interest limitation (thin capitalisation) rules, Draft Amendments consultation (16 March 2023 - 13 April 2023), <<https://treasury.gov.au/consultation/c2023-370776>>

12 Parliament of Australia, Economics Legislation Committee Inquiry, Treasury Laws Amendment (Making Multinationals Pay Their Fair Share-Integrity and Transparency) Bill 2023 [Provisions] <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/TLABMultinationalTax>

13 The Treasury, Multinational Tax Integrity – strengthening Australia's interest limitation (thin capitalisation) rules, Draft Amendments consultation (18 October 2023 - 30 October 2023), <<https://treasury.gov.au/consultation/c2023-454217>>.



Initial policy design and exposure draft consultation

Stakeholders raised numerous issues at various stages of the consultation process. In identifying solutions to these issues, Treasury had to strike a balance between accommodating existing commercial arrangements whilst balancing tax integrity concerns. The [Impact Analysis – Multinational tax avoidance package](#), published in May 2023, outlines the key issues raised by stakeholders during the discussion paper and exposure draft public consultation rounds, and Treasury’s response.