

**Senate Economics Reference Committee**

**Inquiry into corporate tax avoidance: Australia's offshore oil and gas industry**

**ANSWERS TO QUESTIONS ON NOTICE**

**Australian Taxation Office**

JULY 2017

**Department/Agency: ATO**

**Question: Hansard Page 52**

**Topic: ATO involvement between Callaghan report and discussion paper**

**Question:**

**Senator DASTYARI:** Last Friday, the consultation process began for the government's discussion paper, which is their response to the Callaghan report. I want to understand the time lines. What was the involvement of the ATO in between the bringing down of the Callaghan report and the creation of the discussion paper? You may want to take that on notice?

**Mr Hirschhorn:** I could say 'not much', but I would like to take that on notice. Because that is primarily a Treasury process, I would have to check to see if we had had some peripheral involvement.

**Senator DASTYARI:** That is fair enough; you could take that on notice. You are saying there was no process that was run by you that you are aware of but you may have fed into another process that may have been there and you will find that out and bring that back on notice.

**Answer:**

The ATO provided comments on a draft version of the consultation paper authored by Treasury that was released on 30 June 2017.

One ATO officer was seconded to the Treasury to assist with the preparation of the consultation paper. The ATO officer will also assist with ongoing work arising from the consultation paper.

**Senate Economics Reference Committee**

**Inquiry into corporate tax avoidance: Australia's offshore oil and gas industry**

**ANSWERS TO QUESTIONS ON NOTICE**

**Australian Taxation Office**

JULY 2017

**Department/Agency: ATO**

**Question: Hansard Page 53**

**Topic: Integrity of foreign capital allowances**

**Question:**

**Mr Hirschhorn:** [...]A very important area for us around integrity—and I have previously spoken to this Committee about this—is to ensure that people are not abusing that allowance. That might be through the interest rate charged—and we have seen the Chevron case. It might be through abuse of the thin capitalisation integrity rules. Although none of those cases are in the public domain yet, we have several—we have put out some practical guidelines and taxpayer alerts that demonstrate some of our concerns.

**Senator DASTYARI:** How many do you have in the pipeline at the moment—how many cases do you have at the moment from your group?

**Answer:**

As at 31 May 2017, there were approximately five audits of public groups and multinational taxpayers, where the application of the thin capitalisation rules was the primary issue being considered.

There were a further 16 audits of public groups and multinational taxpayers where thin capitalisation rules were being considered as a secondary issue.

**Senate Economics Reference Committee**

**Inquiry into corporate tax avoidance: Australia's offshore oil and gas industry**

**ANSWERS TO QUESTIONS ON NOTICE**

**Australian Taxation Office**

JULY 2017

**Department/Agency: ATO**

**Question: Hansard Page 53-54**

**Topic: Treatment of closing down expenditure**

**Question:**

**Senator WHISH-WILSON:** In relation to the data—which we talked about briefly in Perth—is it the case that you are still reviewing the treatment of closing down expenditure? [...]

**Mr Hirschhorn:** and/or against immediate revenues, but it does not put you into a situation where you can get a refund. We are consulting around that view, but our initial position is that partial closing down expenditure is different from whole-of-project closing down expenditure.

**Senator WHISH-WILSON:** You say you are consulting around that view. Does that mean that you will take feedback from the companies themselves as to whether that is appropriate? When will you make a hard and fast ruling on that?

**Mr Hirschhorn:** I would have to take on notice when our anticipated issue date is

**Answer:**

The ATO is consulting in relation to partial project closing down expenditure by continuing discussions with industry members, the tax profession and the Treasury.

The ATO expects consultation to be finalised around the end of September 2017. The nature and content of any public guidance on this issue is dependent upon the outcome of the consultation process.