

Business Council of Australia – Questions on Notice

Question

CHAIR: Not so much the same laws, Ms Gropp. I want to get the Australian business perspective on this. The issue of taxation is not really a new issue, particularly in relation to the GST for internet sales of goods, which I am sure you are incredibly well aware of. For example, if I go and buy Amazon book A I will not pay tax on it, and if I walk into an Angus & Robertson bookstore—which I know may have even gone bust because of the struggling book industry in this country—I will have to pay 10 per cent more. Is that something the BCA has got a view on, or have you expressed a view on that? You may have already done so in one of the many documents you have written.

Ms Gropp: On the lower value threshold of the GST? I have only recently joined the BCA. I am not sure if it has a position on that.

Mr Stojanovski: I am not aware of any work. That is not to say that there may not be any, but I have not been aware of anything while I have been here.

CHAIR: Can you take on notice what the position of the BCA is on whether it should be—

Ms Gropp: I can take that on notice.

CHAIR: Fine. That is completely reasonable.

Response

The Business Council of Australia has not developed a formal position on GST exemption of imported goods valued less than \$1,000. This would be supported in principle subject to the revenue gains not exceeding the cost of compliance, as determined by a full regulatory impact assessment.

Question

Senator KETTER: I am fairly persistent on this line of questioning, so I am going to try a different angle: do you feel that the corporate entities that the BCA represents are operating on a level playing field in relation to their tax burden?

Ms Gropp: I really do not know. I do not know the detail enough to know that.

Senator KETTER: All right. That is fair enough.

Ms Gropp: There are lots of different tax treatments, and it is hard to know.

Senator KETTER: Yes.

Ms Gropp: There are not only tax policies, but other assistance policies et cetera, which interact with taxation policies. So you have to look at the whole suite of policies.

Senator KETTER: Is it something that I could put to you on notice?

Ms Gropp: Yes, sure.

Response

The Business Council has not developed a view on this matter. Australian laws apply equally to all Australian companies and to the extent that businesses operate across other jurisdictions those laws also apply equally. Where companies do not adhere to the law, appropriate authorities must take action. Where global tax arrangements have not kept pace with the rate of global change, reforms should be agreed multilaterally through the OECD's Base Erosion and Profit Shifting process, and implemented in a way that does not undermine competitiveness and economic growth at the domestic level.

Question

Senator MILNE: Did you lobby the government to drop the proposed repeal of sections 25 to 90 of the tax code?

Ms Gropp: I am not the person to ask. I have only recently joined the BCA. Pero probably might—

Mr Stojanovski: I am not aware of anything we have done with this government, but I would have to take that on notice.

Senator MILNE: Could you take on notice whether the Business Council of Australia had any meetings with the tax office, with Treasury or with any government ministers in relation to this proposition. As you are aware, there was going to be a repeal of sections 25 to 90, and the current government decided not to proceed with that. I would like to know what the Business Council of Australia's engagement with the government or the tax office or Treasury was in relation to that.

Answer

The Business Council, to the best of our knowledge and based on a search of our systems, has not had any meetings with the Australian Taxation Office, Treasury or any government ministers in relation to not proceeding with the repeal of Section 25-90 of the Income Tax Assessment Act 1997.

The Business Council sent a letter to The Hon Chris Bowen MP as newly appointed Treasurer on 11 July 2013 to outline concerns around a number of business taxation matters. The letter called for any proposed changes to Section 25-90 of the Income Tax Assessment Act 1997 to be referred to The Board of Taxation for further advice.

Question

Senator MILNE: In relation to the proposition that the financial reporting of 700 large private companies proceed, the government has announced that it intends to exempt them from that on the basis of kidnapping and other considerations. Did the Business Council of Australia lobby the government to try to prevent the government allowing that information to be made public in relation to those 700 large privately owned companies?

Mr Stojanovski: Not that I am aware of.

Ms Gropp: Not that I am aware of.

Senator MILNE: Could you take that on notice and check whether you had any engagement with the government in relation to that particular matter. Thank you.

Answer

The Business Council has not raised this issue with the government.

Question

Senator CANAVAN: Have some of your members been involved in court action with the ATO, in contest with the ATO, in recent times?

Mr Stojanovski: Do you mean to the extent that it has been on the public record?

Senator CANAVAN: Sorry, I have not had time to go and look at that, but could you take on notice if any of your members have been and what those cases were?

Mr Stojanovski: Yes.

Answer

The Business Council is a policy forum and does not have any role in discussing the specific tax affairs of our members. To the extent that member companies have been involved in court action with the ATO, this would be on the public record. The Business Council is aware of cases which are on the public record, but does not discuss these cases with members, nor does it archive them.

Question

Senator CANAVAN: Mr Heferen this morning mentioned that in some respects he thinks our system contributes a little bit to this problem because it is a rules based very prescriptive system. We have very detailed rules on how to define a tax benefit and thin capitalisation as well. He expressed the view that it might be better to move to a more principles based system where there would be more discretion for the commissioner to make a decision based on broad principles rather than the application of very specific rules. While that might lead to more court cases it would give the commissioner more discretion and there would be a law that is closer to what we are trying to achieve rather than it being who has the most money to spend on lawyers? Have you looked at that at all? Obviously principles based regulation is something that the commissioner spent a lot of time on. Have you looked at that in regards to the tax law and whether it would be better to move to a system like that?

Ms Gropp: No.

Mr Stojanovski: I do not think we have to date. It certainly would be something that we would look at. As usual, one of the issues with it is where there may be some increased contestability it may not provide taxpayers with certainty so to some extent that may end up eroding the benefits of it or having other disadvantages.

Ms Gropp: Often that can end up being a de facto rules based system as well.

Senator CANAVAN: But you would prefer the certainty of the current regime, would you?

Ms Gropp: We would have to take that one on notice. It is something to be looked at in the context of the tax white paper.

Answer

The Business Council has not compared the benefits of a prescriptive versus a principles based approach to taxation law. This topic can be suitably explored through the tax white paper process.