

Chapter 1

Introduction and background to the bill

Referral and conduct of the inquiry

1.1 On 25 February 2016, the Senate referred the provisions of the Tax and Superannuation Laws Amendment (2016 Measures No. 1) Bill 2016 (the bill) to the Senate Economics Legislation Committee for inquiry and report by 10 March 2016.¹ The bill was introduced into the House of Representatives on 10 February 2016 by the Treasurer, the Hon Scott Morrison MP.

1.2 The committee advertised the inquiry on its website and received six submissions. A list of the submissions received is at Appendix 1.

1.3 The committee received several pieces of correspondence from stakeholders noting that the short amount of time between the bill's referral and the committee's reporting date meant that they were unable to prepare written submissions.

Structure of report

1.4 This report comprises three chapters. The remaining part of this chapter provides an overview of the bill. The second chapter discusses the proposed changes in Schedule 1 of the bill. The third and final chapter considers the proposed changes contained in Schedules 2 and 3 of the bill. The committee's overall conclusion is at the end of chapter 3.

Explanatory memorandum

1.5 Many of the changes proposed by the bill are highly technical in nature. While this goes some way to explaining the length and density of the explanatory memorandum (EM), the committee encourages the Departments involved in the production of these documents to remember their purpose—namely, to clarify for members, Senators and the general public the purpose and the operation of the proposed amendments in the bill. Given the provisions of this bill affect domestic and international businesses, as well as small and medium agriculture business, the EM could have been clearer and more informative.

The Senate Standing Committee for the Scrutiny of Bills

1.6 The Senate Standing Committee for the Scrutiny of Bills assesses legislative proposals against a set of accountability standards that focus on the effect of proposed legislation on individual rights, liberties and obligations, and on parliamentary propriety. The Scrutiny of Bills Committee considered the bill, but had no comment to make.²

1 *Journals of the Senate* No. 141, 25 February 2016, p. 3816.

2 Senate Standing Committee for the Scrutiny of Bills, *Alert Digest No. 2 of 2016*, 24 February 2016, p. 82.

Purpose of bill

1.7 The bill has three schedules, and 10 parts in total. Schedule 1 of the bill extends the Goods and Services Tax (GST) to digital products and other services imported by consumers. GST will be collected by international businesses with Australian revenue greater than \$75,000 and remitted to the Australian Tax Office. This measure will go some way to ensuring that Australian companies are competing without a tax disadvantage, and that Australia's GST revenue base does not erode with the growth of the availability of digital content.

1.8 Schedule 2 amends the GST treatment of cross-border transactions between businesses to minimise the number of non-resident businesses required to register for GST purposes. This measure reduces regulatory burdens on non-resident businesses wishing to do business in Australia on a non-permanent basis.

1.9 Schedule 3 amends the administration of Farm Management Deposits (FMD) to raise the deposit cap and makes allowances for early withdrawal in times of severe drought. The changes will also facilitate the use of funds in FMDs to offset the interest on loans related to a primary production business.

Financial implications

1.10 The bill has a net financial impact of \$340 million over the forward estimates. This figure includes the collection of \$350 million through expanding the scope of GST collections to digital goods and services, and additional costs of \$10 million caused by raising the FMD deposit cap.³

Regulation Impact Statement

1.11 Extending the GST to digital products and other imported services is reported to have 'some transitional and ongoing compliance costs', whereas the changes in Schedules 2 and 3 are reported to only have minor transitional compliance costs.⁴

Human rights

1.12 According to the Explanatory Memorandum, the bill is compatible with human rights as 'it does not raise any human rights issues'.⁵

Acknowledgements

1.13 The committee thanks all those who contributed to the inquiry.

3 Explanatory Memorandum, *Tax and Superannuation Laws Amendment (2016 Measures No. 1) Bill 2016*, pp. 4, 7.

4 Explanatory Memorandum, *Tax and Superannuation Laws Amendment (2016 Measures No. 1) Bill 2016*, pp. 4, 6-7.

5 Explanatory Memorandum, *Tax and Superannuation Laws Amendment (2016 Measures No. 1) Bill 2016*, paragraphs 1.198, 2.242, and 3.73.