

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2016 - 2017

Department/Agency: Treasury

Question: BET152-160

Topic: Diverted Profits Tax (Google Tax)

Reference: Written - 5 May 2016

Senator: Chris Ketter

Question:

152. What is the Diverted Profits Tax?
153. Robert Jeremenko – Morrison’s chief of staff (originally chosen by Hockey) on the Tax White Paper – said ""How can this actually work?...A 25 per cent tax on profits is perhaps a nice soundbite for media reporting and it might get some good political traction for the UK government, but it's certainly not that easy". Do you share those views?
154. Was a Diverted Profits Tax considered by the Tax White Paper?
155. How does the Diverted Profits Tax differ from the measures in the Multinational Anti-Avoidance Law (MAAL) legislated in 2015 (and Part 4A of the Income Tax Assessment Act broadly) and the multinational measures announced in the 2016-17 Budget?
156. The revenue from MAAL in the 2015-16 Budget and the Explanatory Memorandum for the Tax Laws Amendment (Combating Multinational Tax Avoidance) Bill 2015 was indicated by asterisks, i.e. ‘unquantifiable’. Has Treasury changed the assumptions underpinning such costing between then and now?
157. What assumptions have changed?
158. Why did those assumptions change?
159. Did the Government request a change in the assumptions?
160. Could the Google Tax violate any tax treaties Australia has signed?

Answer:

152. The Government released a consultation paper on Budget night of the 2016-17 Budget regarding the implementation of a Diverted Profits Tax (DPT). The DPT will impose a 40 per cent tax on profits of multinational corporations that are artificially diverted from Australia. The DPT will apply to income years commencing on or after 1 July 2017 and will apply to entities with global revenue of \$1 billion or more and Australian income of \$25 million or more.
153. The question of whether or not to introduce a DPT is a matter for Government policy.
154. As noted on page 83 of the Hansard of 6 May 2016, the tax discussion paper:
Re: think incorporated a range of issues, including the issue of large corporates paying the correct amount of tax.
155. The Multinational Anti-Avoidance Law (MAAL) applies to artificial or contrived arrangements entered into to avoid the attribution of income to Australia. In contrast, the DPT is designed to help ensure that entities operating in Australia cannot avoid Australian taxation by transferring profits, assets or risks offshore through related party transactions.

156. As noted on page 84 of the Hansard of 6 May 2016, as more information has become available the effect of the MAAL has been quantified and folded into the relevant revenue forecasts.

157. Please refer to the answer to question 156.

158. Please refer to the answer to question 156.

159. Please refer to the answer to question 156.

160. As noted on page 84 of the Hansard of 6 May 2016, the DPT will be incorporated into Part IVA of the *Income Tax Assessment Act 1936*. It will be consistent with Australia's tax treaty obligations.