

Chapter 1

Introduction

Background

1.1 Tax Laws Amendment (2010 Measures No. 2) Bill 2010 aims to improve the integrity and operation of Australia's taxation laws by introducing a range of measures; set out in its six schedules. These measures will:

- prevent shareholders of private companies from accessing tax free dividends from the provision of company assets for less than market value (Schedule 1);
- extend the existing tax file number withholding arrangements to cover closely held trusts, including family trusts (Schedule 2);
- ensure the HECS–HELP benefit received by an eligible applicant is exempt from income tax (Schedule 3);
- update the list of deductible gift recipients through the addition of two new entities and extend the DGR status of an existing entity (Schedule 4);
- provide the Global Carbon Capture and Storage Institute Limited with income tax exempt status for a period of four years (Schedule 5); and
- repeal over 100 provisions throughout the various taxation laws that provide the Commissioner of Taxation with an unlimited period in which to amend taxpayers' assessments.¹

1.2 The majority of measures contained in the bill were previously announced.²

Conduct of the inquiry

1.3 On 17 March 2010 Tax Laws Amendment (2010 Measures No. 2) Bill 2010 was introduced into the House of Representatives when it was read a second time and debate was adjourned.

1.4 On 18 March 2010, on the recommendation of the Senate Selection of Bills Committee, the Senate referred the provisions of the bill to the Senate Economics Legislation Committee for inquiry. The Senate resolved that the committee report by 11 May 2010.

1 Mr Griffin MP, Minister for Veterans' Affairs, *House of Representatives Hansard*, Wednesday 17 March 2010, pp 6–7.

2 Explanatory Memorandum, Tax Laws Amendment (2010 Measures No. 2) Bill 2010, pp 3–6.

1.5 In referring the provisions of the bill for consideration, the Senate requested that the committee ensure there will be no unintended consequences as a result of the bill, particularly arising from the amendments set out in Schedule 1.³

1.6 The committee advertised the inquiry in *The Australian* and on its website. A large number of stakeholders across all schedules of the bill were also invited to make submissions.

1.7 The committee received 12 submissions (listed in Appendix 1) which are available for viewing on the committee's website (http://www.aph.gov.au/Senate/committee/economics_ctte/tlab_02_2010/submissions.htm) and held public hearings in Sydney, Melbourne and Canberra on 28, 29, and 30 April 2010. (A list of the stakeholders who appeared before the committee is set out in Appendix 2.)

1.8 The committee thanks all those submitters and witnesses for their contribution and participation in the inquiry process.

Structure of the report

1.9 The main issues raised throughout the inquiry concerned the operation of the changes proposed in relation to non-commercial loans (Schedule 1) and tax file number withholding (Schedule 2). This report examines the particular issues raised in respect of these amendments in Chapters 2 and 3.

1.10 The remaining schedules of the bill are discussed in Chapters 4 and 5. Chapter 4 addresses the tax concession measures proposed in Schedules 3, 4 and 5 and Chapter 5 examines Schedule 6 of the bill.

1.11 At the time of writing this report, the Senate Scrutiny of Bills Committee had not tabled any comments on the bill.

3 Selection of Bills Committee, Report No. 5 of 2010, 18 March 2010, Appendix 2.