



ASSISTANT TREASURER

<http://assistant.treasurer.gov.au>

**PRESS
RELEASE**

NEW BILL TO ASSIST INVESTORS AND SIMPLIFY TAX LAWS

The Assistant Treasurer, Senator Nick Sherry, has welcomed the introduction today of the first tax reform Bill of the Parliamentary year.

The Bill contains several important measures, including those to protect investors in recently collapsed forestry managed investment schemes (MIS) and the simplification of several areas of tax administration.

Tax Laws Amendment (Measures No 1) Bill 2010 was introduced into the House of Representatives today and is an important part of the Rudd Government's commitment to clear the decks of outstanding tax measures.

"This Bill meets our commitment on several taxation reform fronts to provide certainty for taxpayers and industry practitioners," the Assistant Treasurer said.

Specific measures in the Bill include:

- amendments to the tax law to protect the tax deductions of around 19,000 investors in forestry MIS from an unintended and adverse tax outcome; and
- amendments to the corporate consolidation regime in the *Income Tax Assessment Act 1997*.

"The forestry measure protects around 19,000 investors in collapsed forestry managed investment schemes by amending the law relating to the four-year holding period rule – to ensure it cannot be failed for reasons genuinely outside an investor's control."

The legislation amends the four-year rule to allow an investor's deduction to stand if:

- a capital gains tax (CGT) event happens because of circumstances outside the initial investor's control; and
- the initial investor could not have reasonably foreseen this CGT event happening, at the time they acquired the forestry interest.

"While the holding period rule is an important integrity measure, it can also apply in circumstances over which the initial investor may have no control," the Assistant Treasurer said.

"The rule requires investors to hold their interest in a scheme for four years as a condition of an up-front tax deduction – but the Rudd Government believes denying the deduction in the circumstances of these unforeseen scheme collapses, unduly penalises investors."

The rule applies to CGT events from 1 July 2007 and the amendments in the legislation will take effect from this date.

The legislation also amends the promoter penalty provisions to ensure the law continues to deter forestry MIS covered by product rulings from being implemented in a way that is materially different from that described in the product ruling.

The Bill also amends the corporate consolidation regime by clarifying the operation of certain aspects of the regime and improving interactions with other parts of the law.

The consolidation regime applies primarily to a group of Australian resident entities wholly owned by an Australian resident company that choose to form a consolidated group.

Members of a consolidated group are treated as a single entity for income tax purposes. Subsidiary entities lose their individual income tax identity on entry into the group and are treated as part of the head company.

“These amendments respond to issues that have arisen from the practical operation of the consolidation regime since its introduction in 2002,” the Assistant Treasurer said.

The amendments will:

- clarify the operation of the tax cost setting rules that apply when an entity joins or leaves a consolidated group;
- modify the mechanism for making various choices in relation to the formation of, or changes to, a consolidated group;
- reduce compliance costs for consolidated groups;
- improve the interaction with the capital gains tax rules; and
- assist small business corporate groups that wish to consolidate by improving the treatment of pre-capital gains tax membership interests that are held in a joining entity.

Other changes improve the operation of the consolidation regime by removing some minor technical anomalies that arise under the existing law.

“Many of the amendments benefit taxpayers and are what the industry has been looking for,” the Assistant Treasurer said.

“The Rudd Government has heeded industry’s concerns and we are delivering on our commitment to simplify and clarify corporate tax arrangements.”

CANBERRA

10 February 2010

Media Contact: Joe Scavo 0413 800 757