

## **FURTHER STEPS TO MODERNISE AUSTRALIA'S FINANCIAL TAXATION SYSTEM**

The Assistant Treasurer, Senator Nick Sherry, today announced several amendments to the income tax law relating to the Taxation of Financial Arrangements, known as TOFA, in a move to further modernise Australia's financial taxation system.

"These important reforms build on earlier work undertaken by the Rudd Government and mean our financial taxation system will better reflect the economic and commercial substance of financial arrangements," said the Assistant Treasurer.

"Financial arrangements include a range of financial instruments, including bonds, derivatives, promissory notes, swaps, forwards and options, and are used widely by companies and financial institutions, but also individuals - so they form a critical part of our economy."

"This important reform program provides greater flexibility as it allows more sophisticated decision-making in relation to the timing of the realisation of losses or gains arising from financial arrangements, meaning the financial taxation system will better reflect the economic and commercial substance."

"Since passing the substantive TOFA Stages 3 and 4, which received Royal Assent in March this year, the Rudd Government has been working closely with industry stakeholders and we're pleased to announce today a package of further technical refinements to the regime."

"These refinements ensure the clear policy intent of the TOFA reforms is delivered and our financial taxation system works as intended and at global best practice standards."

"One particular area where we'll be immediately introducing and seeking to pass changes in the current sittings of Parliament relates to the interaction of TOFA and the pay as you go (PAYG) instalments system."

Treasury and the Australian Taxation Office (ATO) have been working on TOFA issues with stakeholders through the ATO National Tax Liaison Group and consultation on the particular issues arising from the TOFA/PAYG interaction will continue over coming days.

Consultation on the Exposure Draft provisions relating to all other amendments will be undertaken separately in the near future. Full details of all amendments are set out below.

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