

## **RELEASE OF CONSULTATION PAPER ON REFORM OF CONTROLLED FOREIGN COMPANY (CFC) RULES**

The Assistant Treasurer, Nick Sherry, has today released a consultation paper setting out the proposed high-level design of the taxation laws to modernise the controlled foreign company (CFC) rules.

The Government announced the modernisation of the CFC rules in the 2009-10 Budget as part of wider reforms to Australia's foreign source income anti-tax-deferral (attribution) rules.

"The existing CFC rules were designed to address integrity risks to the Australian tax base – but this must be balanced against other policy objectives such as equity, efficiency, simplicity and low compliance costs," the Assistant Treasurer said.

"These objectives are fundamental to ensuring Australian businesses remain competitive in an increasingly globalised world economy."

"These proposals will further improve the competitiveness of Australian businesses which have offshore operations by better targeting the rules to those areas at risk of inappropriate tax deferral while reducing red tape and compliance costs for those businesses."

"These proposals to Australia's notoriously complex attribution rules follow earlier consultation processes and representations from industry."

"Further input from interested parties will assist significantly in drawing up the final legislation and I look forward to receiving feedback on the proposed design of these reforms," the Assistant Treasurer said.

Copies of the consultation paper can be obtained at [www.treasury.gov.au](http://www.treasury.gov.au). Submissions close on 1 March 2010.

Draft legislation giving effect to the remaining reforms that repeal the foreign investment fund (FIF) and deemed present entitlement (DPE) rules is also available on the Treasury website.

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