



# Tax highlights

14 July 2014

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## Key developments this week

**Travel and overtime meal allowances Taxation Determination (TD) released:** [TD 2014/19](#) sets out the amounts regarded by the Commissioner as reasonable for the 2014-15 income year in relation to claims made for:

- Overtime meal allowance expenses, being \$28.20
- Domestic travel allowance expenses, which vary according to salary levels and destinations
- Travel allowance expenses for employee truck drivers
- Overseas travel allowance expenses, which vary depending on destination.

**G20 – key events for the remainder of 2014:** Australia's G20 presidency runs from 1 December 2013 to 30 November 2014. During the next five months, Australia will be leading a series of preparatory meetings that will culminate in the [G20 Leaders Summit](#), on 15-16 November at the Brisbane Convention and Exhibition Centre in Queensland. Herewith a summary of the key lead-up events:

Date	Event	Location
16-18 July 2014	B20 Australia Summit (Business 20 engagement group)	Sydney
19 July 2014	Trade Ministers Meeting	Sydney
10-11 September 2014	Labour and Employment Ministers Meeting	Melbourne
20-21 September 2014	Finance Ministers and Central Bank Governors meeting	Cairns
9-10 October 2014	Finance Ministers and Central Bank Governors meeting (if needed)	Washington
13-15 November 2014	Finance Ministers meeting (if needed)	Brisbane
13-14 November 2014	B20 meeting	Brisbane
15-16 November 2014	G20 Leaders Summit	Brisbane

**Managed investment trusts (MITs) – foreign pension fund access to withholding tax regime – exposure draft (ED) legislation released:** On 11 July 2014, Treasury released [ED legislation](#) to ensure that foreign pension funds can access the MIT withholding tax regime and the associated lower rate of withholding tax on income from certain Australian investments as originally intended. The amendments are proposed to apply to income years commencing on or after 1 July 2008. This measure was originally [announced](#) on 13 February 2013. On 6 November 2013, the Coalition Government [announced](#) it would proceed with this measure. Submissions on the ED are due by Friday 8 August 2014.

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## Weekly tax news

### Business tax

**Progress of bills to repeal the carbon tax:** The [Clean Energy Legislation \(Carbon Tax Repeal\) Bill 2013 \[No. 2\]](#) and related bills (“carbon tax repeal bills”) were defeated in the Senate last week. However, seven of the carbon tax repeal bills have been scheduled for re-introduction into the House of Representatives on 14 July 2014. The Senate Standing Committee on Environment and Communications released its [report](#) last week on the carbon tax repeal bills and recommended that the bills be passed.

**Last week of Winter sittings:** This week is the last week of the 2014 Winter sittings of Parliament. Both the House of Representatives and the Senate will sit this week. A list of the key tax-related Bills currently before the House and the Senate is set out below:

#### *Bills before the House of Representatives*

- [Clean Energy Finance Corporation \(Abolition\) Bill 2014](#)
- [Australian Charities and Not-for-profits Commission \(Repeal\) \(No. 1\) Bill 2014](#)

#### *Bills before the Senate*

- [Minerals Resource Rent Tax Repeal and Other Measures Bill 2013 \[No. 2\]](#)
- [Carbon Farming Initiative Amendment Bill 2014](#)
- [Tax Laws Amendment \(Research and Development\) Bill 2013](#)
- [Paid Parental Leave Amendment Bill 2014](#)
- [Omnibus Repeal Day \(Autumn 2014\) Bill 2014](#)
- [Social Services and Other Legislation Amendment \(2014 Budget Measures No. 1\) Bill 2014](#) and [Social Services and Other Legislation Amendment \(2014 Budget Measures No. 2\) Bill 2014](#)
- [Excise Tariff Amendment \(Fuel Indexation\) Bill 2014](#) and [Customs Tariff Amendment \(Fuel Indexation\) Bill 2014](#)
- [Fuel Indexation \(Road Funding\) Bill 2014](#) and [Fuel Indexation \(Road Funding\) Special Account Bill 2014](#)

The 2014 Spring sittings of Parliament will commence on Tuesday, 26 August 2014.

**Inspector-General of Taxation's (IGT) Review into the ATO's administration of penalties:** On 8 July 2014, the Government [released](#) the IGT's [Review into the ATO's administration of penalties](#). The IGT has suggested a number of recommendations to consider specific opportunities to improve the current tax penalty regime and encourage greater voluntary compliance. The IGT has made 10 recommendations, 9 of which the ATO has agreed with in whole, part or principle. The IGT notes that the recommendations are aimed at improving the ATO's penalty decisions, guidance material and the identification, collection and analysis of penalty information, as well as taxpayer perceptions that penalties may be used as leverage to influence primary tax disputes.

The IGT's recommendation to Government was to consider whether:

- the current penalties regime could benefit from more categories to treat taxpayers according to their behaviour
- penalties are appropriately aligned to factors that influence taxpayer behaviours and
- taxpayers should be compensated for the time-value of money paid on unsustainable penalties.

Given the interaction between the penalties regime and the broader system of taxation administration, the Acting Assistant Treasurer indicated that the Government will consider these issues once the Tax White Paper process has been finalised.

**Taxation of financial arrangements (TOFA) compliance costs survey:** The Board of Taxation (the Board) has [released](#) a short survey to help provide a more informed view of ongoing TOFA-related compliance costs. The TOFA review was originally [announced](#) on 14 December 2013, and was proposed to take place in the second half of 2014. As part of this review, the Board is currently providing input into the process and is liaising with Treasury, the ATO and the private sector. The Board is focused on understanding the costs incurred by business in complying with the TOFA regime in its current form. The survey is due by Friday 18 July 2014.

**Consolidation ATO guide:** The ATO has [updated](#) its guide to the tax consolidation rules.

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## [Individuals and family groups](#)

**Taxation Determination (TD) scheduled for release on 16 July 2014:**

- TD 2014/20: what is the benchmark interest rate applicable for the year of income that commenced on 1 July 2014 for the purposes of Division 7A of Part III of the *Income Tax Assessment Act 1936* and how is it used?

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## [Indirect taxes](#)

**Senate Standing Committee on Economics report – Fuel Indexation (Road Funding) Bill 2014:**

The Senate Standing Committee on Economics [released](#) its report on the [Fuel Indexation \(Road Funding\) Bill 2014](#) and related bills, including the [Excise Tariff Amendment \(Fuel Indexation\) Bill 2014](#) and [Customs Tariff Amendment \(Fuel Indexation\) Bill 2014](#) and recommended that the bills be passed.

**Customs & Global Trade: Significantly liberalised trade agreement signed with Japan:**

Following the conclusion of negotiations for the [Japan-Australia Economic Partnership Agreement \(JAEPA\)](#) in April 2014, the Prime Ministers of Australia and Japan formally signed the agreement in Canberra on 8 July 2014. Japan is Australia's second largest trading partner in terms of trade value, Australia's second-largest export destination (15.5% of total exports) and third-largest source of imports (6.5% of total imports). Australia exporters and service providers currently face high barriers to trade with Japan, including agricultural import tariffs of up to 219%. Once the JAEPA is fully implemented, it is anticipated that more than 97% of Australia's exports to Japan will receive preferential access or duty-free entry. Australian agriculture exporters, resource and manufacturing

exporters, and service suppliers are all expected to benefit (see [‘Outcomes at a Glance’](#)). The Australian Government has also indicated that it will continue to push for additional beneficial outcomes through scheduled renegotiations for key agricultural products under JAEPA, and in other negotiations including those for the [Trans-Pacific Partnership Agreement](#). Implementation of the JAEPA will occur once Australia and Japan have undertaken their respective domestic treaty processes, with both aiming to have these completed this year.

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## International tax

**Australia's future tax treaty negotiation program – submissions:** On 11 July 2014, Treasury [announced](#) that it is inviting submissions on Australia's future tax treaty negotiation program. In particular, submissions should focus on:

- The countries with which it may be desirable to negotiate or update a tax treaty; and
- The key outcomes Australia should seek in negotiating tax treaties with other countries.

Submissions are due by Friday 8 August 2014. (Details of Australia's existing tax treaties are available on the [Treasury website](#)).

**OECD BEPS timeline:** The OECD is continuing with its ambitious Base Erosion and Profit Shifting (BEPS) timeline with the following reports expected to be released in September 2014:

	Action item	Public discussion draft	Reports due in September 2014
1	Address the challenges of the <b>digital economy</b>	March 2014	Report identifying issues raised by the digital economy and possible actions to address them
2	Neutralise the effects of <b>hybrid mismatch</b> arrangements	March 2014	Changes to the Model Tax Convention Recommendations regarding the design of domestic rules
6	Prevent <b>treaty abuse</b>	March 2014	Changes to the Model Tax Convention Recommendations regarding the design of domestic rules
13	Re-examine <b>transfer pricing documentation</b>	January 2014	Changes to the Transfer Pricing guidelines and recommendations regarding the design of domestic rules
5	Counter <b>harmful tax practices</b> more effectively, taking into account transparency and substance – phase 1	n/a	Finalise review of member country regimes
8	Assure that <b>transfer pricing outcomes</b> are in line with value creation – Intangibles phase 1	n/a	Changes to the Transfer Pricing guidelines and possibly to the Model Tax Convention
15	Develop a multilateral instrument – phase 1	n/a	Report identifying relevant public international law and tax issues

**2014-15 India Budget – Deloitte analysis:** On 10 July 2014, Finance Minister Arun Jaitley delivered the [2014-15 India Budget](#). Deloitte India has produced a [detailed analysis](#) of the proposed changes and set out potential implications for businesses and foreign investments. Deloitte India has also prepared a [highlights](#) document which contains a summary of the proposed changes.

**Dbriefs Bytes:** Deloitte Dbriefs Bytes is a short weekly video summary of the significant international tax developments impacting the Asia Pacific region – click to view the latest [Dbriefs Bytes](#).

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## Contacts



### **David Watkins**

Partner – Tax Services

Email: [dwatkins@deloitte.com.au](mailto:dwatkins@deloitte.com.au)

Tel: +61 (0) 2 9322 7251

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