



Tax Insights

Tax and Politics 2016

At the conclusion of 2016, we take a look back at some big events, classic quotes, and memories.

TAX WORD OF THE YEAR

Past winner 2015: MAAL (Multinational Anti-Avoidance Law)

2016 winner: Backpacker tax

Early favourite for 2017: DPT (Diverted profits tax)

TAX HAVEN RECEIVING THE MOST MEDIA THIS YEAR

Panama with the release of the Panama Papers

IT'S NEVER BEEN ARGUED BEFORE

Ireland to appeal the decision of the European Commission arguing that it does not want €13 billion

Landmark speech on Multinational tax avoidance – Commissioner Chris Jordan

“My message to companies operating in Australia is clear: you must pay your fair share of tax on the profits you earn here. There is no getting around. There are no exceptions to be made. There is no weakness in our resolve to administer the tax system.”

“These companies have pushed the envelope on reasonableness. They play games. They string us along. They believe we can be stooged. However, enough is enough and no more of this. We will be reasonable with those that genuinely cooperate, but we will now take a much harder stance on those who do not.”

The big tax (and non-tax) news items this year...

January	<ul style="list-style-type: none"> • Multilateral Anti-avoidance Law & country by country reporting commences
February	<ul style="list-style-type: none"> • GST reform, white paper on tax reform and federation white paper process abandoned by the Government • New Foreign resident CGT withholding regime & new earnout rules passed • Government announces new tax conditions on foreign investment in Australia
March	<ul style="list-style-type: none"> • Tax Transparency report for private companies released • First Draft Practical Compliance Guideline issued
April	<ul style="list-style-type: none"> • Second report by the Senate inquiry into corporate tax avoidance released • Panama Papers story broke
May	<ul style="list-style-type: none"> • Federal budget key announcements: <ul style="list-style-type: none"> ◦ Diverted profits tax & increased penalties ◦ Tax cuts and small business measures ◦ Voluntary corporate disclosure code released ◦ Tax Avoidance Taskforce announced ◦ Superannuation • Managed Investment Trust, GST on services & intangibles by foreign suppliers & innovation investor incentives legislation passed • Double dissolution federal election called
June	<ul style="list-style-type: none"> • Government in caretaker mode • Brexit-Britain votes to leave the EU
July	<ul style="list-style-type: none"> • Federal election held 2 July – a slow wait for results
August	<ul style="list-style-type: none"> • New Federal Parliament sits 30 August
September	<ul style="list-style-type: none"> • Panama Papers raids across Australia • Company tax cuts introduced into Parliament (Debate later deferred till 2017) • Omnibus savings including a 1.5% cut in R&D rate becomes law
October	<ul style="list-style-type: none"> • Personal tax cut relief becomes law • In the year of the underdog, Western Bulldogs and Cronulla Sharks win their grand finals
November	<ul style="list-style-type: none"> • Bulk of superannuation changes finally become law • Announcement of review into Petroleum Resource Rent Tax • Year of the underdog continues: Chicago Cubs win World Series after 108 year drought. Donald Trump wins US election despite being behind in all the polls and losing the popular vote • BEPS OECD multilateral convention released
December	<ul style="list-style-type: none"> • Backpacker tax legislation finally passes after deal with the Greens • Further release of ATO tax paid data for large entities with resultant media focus • Cash Economy taskforce announced • Draft legislation on increased penalties for Significant Global entities • Consultation paper on tax and corporate whistleblower protections • Consultation paper on Australia's response to BEPS OECD multilateral convention

Best quotes on tax and the economy

Andrew Leigh, Shadow Assistant Treasurer, 29 February 2016

"Picture a glorious summer's evening at the SCG: the stadium lights are buzzing, the dusk is settling in, and family and friends are abuzz at the prospect of a close finish to a match that is hanging in the balance. Suddenly a naked man runs out on the pitch, screaming in front of thousands...The issue of multinational tax avoidance, on the other hand, is a significantly more serious one. I would venture to suggest that Australians are more outraged by multinational tax avoidance than they are by a stalker at the SCG"

Treasurer Scott Morrison, 17 February 2016

"This is a Test match, not Twenty20 Big Bash when it comes to fixing the budget and to improving the budget. It requires Test match patience. It requires Test match tactics. It takes Test match endurance. It takes a really clear understanding about what your principles are and the players you have to back in that are going to deliver the big runs and do the big innings and take the big wickets and [for our economy] they are the ones who are out there earning every day."

Adam Bandt MP, 16 February 2016

"Finally Malcolm Turnbull has come out and let the public know that a GST rise is dead, buried and cremated"

"This is just the government bowing to public pressure over a policy it never had the courage to publicly own."

"Worst. Tax 'debate'. Ever."

Andrew Leigh, 23 February 2016

"The member for Cook has been engaged in an extended jazz improv solo for a few months now. It would be fine if he were a musician. He could just say, 'A couple of off notes but, hey, that's jazz.' The fact is, though, tax reform is not a jazz solo. You cannot get away with hitting off notes or just turning up not to play the gig at all. You have to be in tune with your stakeholders, in tune with the Australian public and willing to come out and say clearly what you mean."

The "most press releases ever on a tax topic" award and first place winner for Tax issue causing the most angst in the electorate

We thought the status quo was 0 or was it 32.5%? The Nationals and National Farmers Federation settled on 19% but the tourism lobby groups were unhappy.

Some Senators argued for a "competitive tax rate" for backpackers (but not for company tax)

The Greens wanted 0% and then compromised on 15%.

Senator Lambie wanted 0% and then compromised on 10.5%.

Senator Hinch voted for the Government at 19%, with the ALP at 10.5% and then stated he would have supported 13% or 15%.

ALP wanted 10.5% and then compromised to 13%.

We finally settled at 15% but not before wondering what on earth was happening in the Senate.

Second place winner for Tax issue causing the most angst in the electorate:

- Non-concessional superannuation contribution cap
- \$1.6M superannuation pension cap



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