

Corporate Tax Association – Opening Statement: Senate Economics Inquiry into Taxation (Multinational—Global and Domestic Minimum Tax) Imposition Bill 2024 [Provisions] and related bills

6 August 2024

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Thank you, Senators, for the opportunity to appear and to provide evidence at this hearing.

The introduction of these Bills into the House of Representatives and the subsequent referral of the Bills to this Committee represents a significant milestone for Australia in this complex and long-running process. This milestone is important given that the Rules will apply with effect to fiscal years commencing on or after 1 January 2024.

We acknowledge the importance of the OECD in its role as a multilateral forum for progressing changes to global tax laws and Australia's ongoing support and commitment to implementing these rules in our domestic legislation. The importance of the OECD's approach is reflective of the fact that several jurisdictions have implemented a version of the Rules that now brings their tax systems in line with what the OECD considers to be baseline norms.

For Australia where the headline corporate tax rate is 30%, implementation of the Model Rules is effectively about ensuring Australia is part of a global solution as well as ensuring that a small number of taxpayers will now be subject to a baseline of at least 15% tax. This was confirmed by Treasury's Impact Analysis which also estimated that 97% of companies will be required to incur significant implementation costs but not pay any extra tax under this regime.

It is therefore important that an appropriate balance is struck between ensuring Australia's regime is qualifying, and that ATO and taxpayer resourcing and compliance costs are not disproportionate to the revenue that this measure is expected to raise.

Further, since making our submission, we have had the opportunity to meet with Treasury and the ATO on aspects of the Bills that will require further clarification and guidance. As such, some of the issues raised in our submission have now been clarified but will require additional guidance during the implementation of these complex Rules.

In closing, we note that implementation of the Australian Rules is a two-part process – the Bills before you and the mechanical Rules and calculations which will be a disallowable legislative instrument. Given the importance of the Rules to the effective operation of the regime, we submit that the Rules should also be subject to some level of parliamentary scrutiny.

If not referred to this Committee or subject to scrutiny before registration, then we recommend that a post-implementation review of both the Bills and the Rules be legislated to occur.

Thank you and we look forward to your questions.