



Budget 2016



Improved integrity for the consolidation regime

The Government is committed to improving the fairness, integrity and effectiveness of the business tax system. The Government is introducing three new measures that together will address anomalies in the tax consolidation rules.

The issues

The Board of Tax identified loopholes allowing undesirable tax outcomes when an entity joins or leaves a consolidated group. The Government is taking action to address integrity issues to ensure the ongoing effectiveness of the consolidation rules and improve the fairness of the business tax system.

Better targeting the deductible liabilities measure

The Government is introducing a better targeted integrity measure to prevent a consolidated group from obtaining a double tax benefit when an entity joins the group.

This measure replaces the 2013-14 Budget measure introduced by the former Government and will apply from 1 July 2016. If introduced as originally announced the 2013-14 Budget measure would have applied even where no double tax benefit arose in practice, resulting in unfair and potentially costly outcomes for Australian businesses.

Budget impact

The elimination of the double tax benefit will result in increased revenue. However, modifying the 2013-14 Budget measure results in a cost to revenue of \$270 million over the forward estimates period, reflecting both the deferred start date and a timing difference for when the double tax benefit is removed under the modified approach.

Deferred tax liabilities

The Government will amend the tax consolidation regime's treatment of deferred tax liabilities to more closely align commercial and tax outcomes and reduce complexity.

The commercial and tax treatment of deferred tax liabilities do not match. This gives rise to integrity risks

and uncertainty. In some cases, this mismatch can mean that a commercial benefit that arises as a result of a change in the value of a liability is not taxed.

This measure will apply to transactions from the date amending legislation is introduced in Parliament.

Budget impact

This measure has an unquantifiable gain to revenue.

Broadening the securitised asset measure

The Government will extend the 2014-15 Budget integrity measure to also apply to non-financial institutions with securitisation arrangements.

The 2014-15 Budget measure was originally targeted at securitisation arrangements within financial institutions because the distortions in the consolidation rules had been first identified in relation to them. The measure is being broadened as the distortions also arise for other entities.

This measure will apply to transactions that commence on or after 7:30pm AEST on 3 May 2016. Transitional rules will apply to arrangements that commence before this time.

Budget impact

This measure has an unquantifiable gain to revenue.