

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

21 – 22 October 2009

Question: sbt 8

Topic: Division 7A

Hansard Page: Written

Senator HEFFERNAN asked:

1. On 14 September 2009, the Assistant Treasurer, Senator Nick Sherry advised farmers who live on a farm owned by a private company will not be taxed, is this a result of pressure from farmers and why has it taken so long for this ruling to be clarified?
2. From the Treasury discussion paper that was released and closing date for submissions was 3 July 2009, how many submissions did you receive?
3. When do you expect to release the Exposure Draft legislation?
4. In an answer by DAFF at last Budget Estimates, DAFF state they were not consulted in relation to the Division 7A measure prior to the Budget but now state they are in consultation with Treasury? Why didn't Treasury consult DAFF before and why now? Is this an oversight, it only makes sense to receive feedback from a department that has responsibility for agricultural issues, please explain why you're liaising with DAFF now and not before Budget?
5. Prior to the Budget, I understand Australian farmers were not consulted? Why not? Have they been consulted now?

Answer:

1. On 5 June 2009 Treasury released for public consultation a discussion paper entitled "Improving fairness and integrity in the Tax System - Tightening the non-commercial loan rules in Division 7A of the Income Tax Assessment Act 1936". After examining the submissions received from interested stakeholders, including those representing farmers, the Government announced changes to clarify the operation of the Budget measure. The announcement was made by the Assistant Treasurer on 14 September 2009 via Media Release no.51 *Targeting Non-Commercial Loan Rules in Support of Rural Communities and Small Business*.
2. Treasury received 24 submissions from interested parties on its discussion paper.
3. Treasury is working to have the exposure draft legislation dealing with this measure released before the end of the year.
4. The measure, announced in the 2009-10 Budget, forms part of a package of taxation measures that are designed to improve the integrity of the tax system

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and prevent tax avoidance. As this measure was developed in the Budget context and is a taxation measure that has wider application than just to farmers, Treasury did not consider it appropriate to involve the Department of Agriculture, Fisheries and Forestry. However, since the Budget the Department of Agriculture, Fisheries and Forestry has been liaising with Treasury in relation to this measure. Once a decision has been made by the Government, it is usual for Departments that have an interest in that decision to consult with each other as part of the implementation process.

5. This measure was part of a package of tax integrity measures that were announced in the 2009-10 Budget. The focus of the measure is on preventing tax avoidance. It is not a common practice for Departments to consult the public on tax integrity measures before they are agreed to by the Government and announced in the Budget.

On 5 June 2009 Treasury released a discussion paper that that outlined how the decisions announced by the Government would operate and how they might be implemented. The discussion paper provided interested parties, including Australian farmers, with an opportunity to comment on the implementation details of this measure.

Further public consultation will be undertaken on the exposure draft legislation implementing this measure. This will provide Australian farmers with an additional opportunity to comment on the implementation details of this measure.