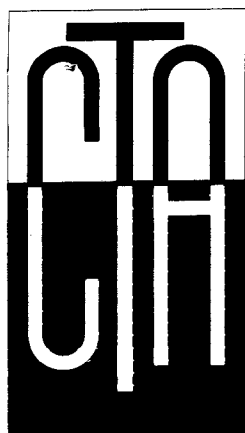


## Senate Economics Legislation Committee

### New Business Tax System (Consolidation and Other Measures) Bill (No. 1) 2002

Submission No.	3
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Attachments?	No Attachments



**CORPORATE TAX  
ASSOCIATION**  
of Australia incorporated

7 November, 2002

The Secretary  
Senate Economics Legislation Committee  
Parliament House  
CANBERRA ACT 2600



Dear Dr. Dermody,

**CORPORATE TAX ASSOCIATION OF AUSTRALIA INC.  
SUBMISSION TO SENATE ECONOMICS LEGISLATION COMMITTEE  
NEW BUSINESS TAX SYSTEM (CONSOLIDATION AND OTHER  
MEASURES) BILL (NO.1) 2002**

The Corporate Tax Association represents the taxation interests of some 114 of the largest corporate groups in Australia. We have been closely involved in the development of the Consolidation measures since 1999, and we are pleased to make this brief submission to the Senate Economics Legislation Committee in respect of the above Bill. A list of the corporate groups that make up the CTA's membership is attached as Appendix A.

The Bill is the third in a series of Bills designed to implement the Consolidation proposals, which were an important element of the package of measures recommended by the Review of Business Taxation in *A Tax System Redesigned*.

The CTA supports the staged approach adopted to the release of the legislation. The alternative "big bang" approach would have involved a single legislative package covering the entire Consolidation system and consequential amendments. This would have been very difficult for practitioners and probably the Parliament to digest, and would have made it difficult to achieve the 1 July 2002 commencement date. Senators would be aware that the Consolidation measures have already been deferred twice, having originally being planned for implementation on 1 July 2000.

The measures included in the Bill have been developed through the Joint Design Team, which comprises Treasury officers and external members, including the CTA. This consultative process has proved very useful in identifying and addressing issues as the legislation is being drafted.

The specific issues dealt with under the Bill include:

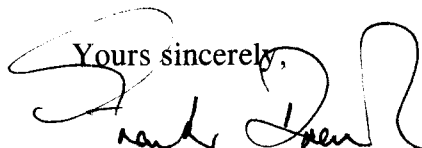
- part-year apportionment rules that apply where an entity joins or leaves a group;
- enabling a consolidated group to remain in place where a shelf company becomes the new Head Company;
- modifications to the cost setting rules where an existing group acquires another consolidated group;
- determining the allocable cost amount (ACA) for a joining trust;
- modifications to the cost setting rules that apply to multiple entry consolidated (MEC) groups;
- consequential provisions relating to the R&D tax concession;
- the withdrawal of the Thin Capitalisation grouping concession;
- the phasing out of grouping relief;
- other related measures; and
- modifications to the cost setting rules on the formation case that reflect the Government's announcements made on 27 June:
  - a reduction in the ACA amount arising from uplifts in the tax value of membership interests relating to the loss of pre-CGT status;
  - the treatment of trading stock as a retained cost base asset; and
  - the adoption of a dual cost base for certain internally generated assets.

On introducing this Bill, the Assistant Treasurer has also made a detailed announcement about the subsequent law modules that are planned to be introduced in later Parliamentary sessions. Consultation on these measures has already commenced, and the announcement has been very helpful in assisting business to understand what is still to come.

Some of our own members have observed that the Consolidation legislation is highly complex. Because of the far reaching nature of the Consolidation measures, a high level of complexity is unfortunately unavoidable. In taking part in the consultation process, we have tried to focus principally on the broader policy issues, while doing our best to fight our way through the thicket of black letter law that now makes up the Consolidation rules.

We do not believe that any major fresh issues arise out of this Bill. Nevertheless, we would be happy to assist the committee if there are to be any public hearings.

Yours sincerely,



Frank Drenth  
EXECUTIVE DIRECTOR