

Tax Laws Amendment (Loss Recoupment Rules and Other Measures) Bill 2005

On 12 October 2005, the Senate referred the provisions of the Tax Laws Amendment (Loss Recoupment Rules and Other Measures) Bill 2005 to the Economics Legislation Committee for inquiry and report by 8 November 2005.

This bill is an omnibus bill which makes changes to the taxation and superannuation system. Schedule 1 amends the loss recoupment rules for companies by:

- introducing a new modified continuity of ownership test (COT) to replace the existing modified COT in Division 166 of the *Income Tax Assessment Act 1997*;
- removing the same business test (SBT) for companies whose total income is more than \$100 million in the year of recoupment; and
- removing certain anomalies and clarifying some aspects of the existing law.

Schedule 2 represents the sixth instalment of the Government's reform of Australia's international tax arrangements. It replaces the existing foreign dividend account provisions. The changes provide tax relief for conduit foreign income, which generally is foreign income received by a foreign resident through an Australian corporate tax entity. These rules will allow Australian companies that receive foreign income on which no Australian tax is payable to pay dividends to foreign shareholders that are also free of Australian withholding tax.

Other schedules in the bill make amendments to:

- deny tax deductions for illegal activity;
- include copyright in a film, in the general effective life depreciation of the uniform capital allowances provisions;
- allow employee share scheme (ESS) participants to treat the new shares or rights they are issued because of a corporate restructure as a continuation of their old shares or rights;
- allow the offsetting of a late payment of superannuation guarantee contributions against an employer's superannuation guarantee charge; and
- clarify that mandatory employer contributions under the superannuation guarantee arrangements are payable on wages or salary paid in a quarter following the termination of an employment relationship.

Written submissions are invited and should be sent to:

The Secretary,
Senate Economics Legislation Committee,
Suite SG.64, Parliament House
Canberra ACT 2600.

The closing date for submissions is **Friday, 21 October 2005**.

The Committee requests that where possible, submissions should also be provided by email to economics.sen@aph.gov.au, preferably as MS Word 97 or RTF format documents. Notes to assist in preparing submissions are available from the website

http://www.aph.gov.au/senate/committee/wit_sub/index.htm or the Secretariat telephone 02 6277 3540, fax: 02 6277 5719, e-mail economics.sen@aph.gov.au

Once the Committee accepts your submission, it becomes a confidential committee document and is protected by Parliamentary Privilege. You must **not** release your submission without the Committee's permission. If you do, it is not protected by Parliamentary Privilege. At some stage during the inquiry, the Committee normally makes submissions public. Please indicate if you want your submission to be kept confidential.

Inquiries from hearing and speech impaired people should be directed to the Parliament House TTY number (02 6277 7799). Adobe also provides tools for the blind and visually impaired to access PDF documents. These tools are available at: <http://access.adobe.com/>. If you require any special arrangements in order to enable you to participate in a committee inquiry, please contact the committee secretary.

If you need any further information, contact Mr Peter Hallahan, Committee Secretary, on (02) 6277 3540 (phone), (02) 6277 5719 (fax) or by email to economics.sen@aph.gov.au.

For further information, contact:

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