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19 April 2005

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

By email: economics.sen@aph.gov.au

Dear Mr. Hallahan

Inquiry Into Tax Laws Amendment (2005 Measures No. 1) Bill 2005

Thank you for your letter of 17 March 2005 inviting CPA Australia to consider making a submission to the Senate Committee's Inquiry into Schedules 3 and 4 of the abovementioned Bill.

We are writing to express our concerns with certain aspects of the proposed GST amendments in Schedule 3 of the Bill.

While the protection of Australian tour operators is welcomed, these particular amendments may not be the best way to provide that protection. We believe that the amendments have the effect of giving Australian tour operators an advantage rather than levelling the playing field for tour operators. This effectively results from the taxing of the non-resident mark up on the sale of the holiday package.

There is also some confusion about the scope of the amendments. In particular, it is unclear whether they relate to a total tour package including accommodation, or only to elements other than accommodation. In this regard, we understand that the ATO interprets the current law as imposing a GST liability on a non-resident business in relation to the supply of rights to accommodation in Australia.

Further it is difficult to see how the ATO could enforce a GST liability against a non-resident travel agent or tour wholesaler. The existence of the legislation may put pressure on 'listed' operators who are compelled by their audit committees to comply, thereby placing those listed entities at a competitive disadvantage with other non-resident businesses.

The underlying principle behind the amendments seems to be to prevent non-residents from claiming input tax credits on the acquisition of rights to package tours in Australia. We submit that a more neutral and workable alternative would be to amend Division 11 to ensure that a non-

resident travel agent or tour wholesaler is unable to claim input tax credits on the acquisition of rights to tour packages that relate to Australia. Such an amendment could relate to all rights (including rights to accommodation) and it could be made clear that the supply of rights to Australian accommodation are not connected with Australia where that supply is made by a non-resident travel agent or tour wholesaler.

This alternative would give the necessary protection to Australian tour operators but could not be said to give the Australian operators an advantage over a non-resident business.

Please contact me or our Senior Tax Adviser, Garry Addison (ph. 03 9606 9771) if you have any queries on the above.

Yours sincerely

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