

Chapter 1

Introduction

Reference

1.1 On Thursday 21 June 2007, the Senate referred the provisions of Tax Laws Amendment (2007 Measures No. 4) Bill 2007, and two complementary Bills; the Taxation (Trustee Beneficiary Non-Disclosure Tax) Bill (No. 1) 2007, and the Taxation (Trustee Beneficiary Non-Disclosure Tax) Bill (No. 2) 2007 to the Senate Standing Committee on Economics for report by 31 July 2007.

1.2 In accordance with the usual practice, the committee advertised the inquiry in *The Australian* on Wednesday 27 June 2007, calling for submissions by Monday 9 July 2007. The committee also directly contacted a number of relevant organisations and individuals to invite submissions.

1.3 Submissions were received from four organisations and individuals, as listed in Appendix 1. A public hearing was held on Friday 27 July 2007. Treasury representatives gave evidence and addressed the concerns raised in the submissions via teleconference.

Acknowledgments

1.4 The committee thanks all those who contributed to its inquiry by preparing written submissions. Their work has been of considerable value to the committee.

Background to the bill

1.5 The Tax Laws Amendment (2007 Measures No. 4) Bill 2007 is an omnibus bill containing 8 Schedules. The two other bills introduce amendments to complement the proposed changes in Schedule 4 by providing mechanisms to introduce a 46.5% non-disclosure tax on certain income.

Outline of the bill

1.6 The Bill will implement changes to Australia's taxation system in the following areas:

- Schedule 1 amends the income tax law to abolish foreign loss and foreign tax credit quarantining and to streamline the remaining foreign tax credit rules. These amendments include transitional rules for the treatment of existing quarantined foreign losses and credits.
- Schedule 2 amends the *Income Tax Assessment Act 1997* to provide a capital gains tax roll-over for membership interests in medical defence organisations.
- Schedule 3 amends the borrowing restriction contained in the *Superannuation Industry (Supervision) Act 1993* to allow superannuation funds to invest in

instalment warrants of a limited recourse nature over any asset a fund would be permitted to invest in directly.

- Schedule 4 amends the *Income Tax Assessment Act 1936* so that trustees of closely held trusts are not required to report the details of the ultimate beneficiaries of trust income to the Commissioner of Taxation.
- Schedule 5 amends various Acts to assist in the smooth transition to the *Simplified Superannuation* regime. This Schedule limits strategies which could circumvent the minimum drawdown requirements for account-based pensions, facilitates the provision of tax file numbers to superannuation and retirement savings account providers, and revises the application provision for small business capital gains tax relief.
- Schedule 6 amends the *Income Tax Assessment Act 1997* to update the list of deductible gift recipients.
- Schedule 7 makes technical corrections and other minor amendments to the taxation laws.
- Schedule 8 amends the trust loss regime in the *Income Tax Assessment Act 1936* to allow family trust elections and interposed entity elections to be revoked or varied in certain limited circumstances.