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Tax reform wave leaves resources sector in its wake

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The Government's response to Australia's Future Tax System Review (the Henry Review) was positioned as "the first wave of our agenda to reform resource, company and small business taxes and superannuation", but it has fallen well short of the significant "root and branch" overhaul of our tax and transfer system originally intended. Signalling a long road ahead for this tax reform initiative, this first tranche has been released in a highly politicised environment, ahead of the 2010 Federal Budget and election.

The Government has implemented or outright rejected only a small number of the 138 recommendations, remaining silent on the majority although it "will have more to say on a number of other areas" soon. The reasons include budget pressures to reduce debt, the states' focus on various other reforms in development by the Council of Australian Governments (COAG) and the election ahead.

So, there is still much more to come. To influence the ultimate direction of Australia's tax system, we recommend you engage in public debate and consultation both on the measures so far announced, and those we are yet to see.

"We applaud the creation of the Henry Review, as its analysis has added significantly to the tax policy debate in Australia. We emphasise, however, that many of the directional recommendations need significant development to be ready for the real world",
 Graham Frank, Oceania Managing Partner - Tax and Law.

As expected, the resources sector has taken a hit, with the announcement of a resource super profits tax (RSPT) of 40% of the adjusted profits of resource projects, in addition to existing state resource royalties and company taxes. This tax, commencing in 2012, is to be developed over the next six months under the watchful eye of the Resources Tax Consultation Panel. We are concerned about the potential impact of this tax on Australia's international attractiveness for resource investment and the flow-on effects to Australia's resource companies and the many businesses servicing the sector.

The RSPT will apply in parallel with existing states' royalty regimes. It adds a tax to the resources industry without addressing the structural reform issues raised by the Henry Review.

However, the RSPT is also the centrepiece to fund the other reforms and will therefore be divisive for industries and states. Reform measures it will fund include:

- ▶ A new infrastructure fund, to emphasise support for the resource sector
- ▶ Reduction in company tax rates to 29% in 2013-14 and 28% in 2014-15
- ▶ Small businesses to have lower company tax and concessional capital allowance rules
- ▶ Superannuation concessions for lower-income individuals to encourage savings

The significance of the RSPT is starkly shown in the Government's current Budget estimates from this first wave of reform, outlined below.

Table 1: Budgetary impact of the Government's tax reform agenda (\$ million)^(a)

	2010-11	2011-12	2012-13	2013-14
Company tax cut	-	-	-300	-2,000
Small business instant write-off and simplified depreciation	-	-	-	-1,030
Head start on a lower company tax rate for small business	-	-50	-300	-200
State Infrastructure Fund	-	-	-700	-735
Superannuation - Increasing the superannuation guarantee rate to 12 per cent	-	-	-	-240
Superannuation - Raising the superannuation guarantee age limit From 70 to 75	-	-	-	15
Superannuation - Low income earners government contribution	-	-	-	-830
Superannuation - Concessional contributions caps	-	-	-545	-785
Resource Exploration Rebate	-	-	-520	-600
Resource Super Profits Tax	-	-	3,000	9,000
Total	-	-50	635	2,595

(a) Australian Taxation Office administration costs will be reported in the 2010-11 Budget.

Upfront deduction of assets and an earlier deduction in the company tax rate bring good news for small business.

Corporate and business tax - a small wave

Some of the Henry Review's recommendations concerning corporate tax have been accepted in part by the Government with progressive effect from 2012/13 onwards. However, the Government has not yet responded to a number of significant proposals.

Tax rates

While the Henry Review recommended lowering the company tax rate to 25% over the short to medium-term, the Government has gone only part way, foreshadowing a company tax rate of 29% for the 2013/14 income year and 28% in the following year.

Small businesses will enjoy the full reduction to 28% from 2012/2013.

We welcome the reduction in the company tax rate, but question the Government's reluctance to reduce the rate further in line with our major trading partners in the region.

Dividend imputation

The Government has stated that it will not remove the benefits of dividend imputation. It thus rejects the Review's recommendation that while dividend imputation should be retained in the short- to medium-term, alternatives should be considered in the longer-term.

The Henry Review recommended that imputation credits should be provided only for Australian company income tax and that dividend streaming and franking credit trading practices should continue to be prohibited. This leaves the door open for Government to consider calls from the business community to allow franking credits for foreign tax paid by Australian companies with foreign operations.

Capital allowances

The Government has only partially adopted the Henry Review's recommendations regarding capital allowances. The Review recommended that effective lives be better aligned with economic depreciation with a write-off of assets under \$1,000.

The Government announced improved capital allowance arrangements for small businesses only.

Other

The Review recommended that the present structure of the income tax law be retained, at least in the short- to medium-term. It has said that a "business level expenditure tax" may be worthy of introduction at a future date subject to public debate.

The Government has not yet responded to a number of Review recommendations that would be positive for foreign investment into Australia including that:

- ▶ Tax losses should be carried back in some circumstances

- ▶ Interest payments to non-residents by Australian financial institutions should be free of interest withholding tax
- ▶ Australia considers negotiating for zero interest withholding tax in future double tax agreements, provided there are appropriate safeguards to limit tax avoidance
- ▶ Improvements to the conduit income regime in relation to Australian managed funds should be made to reduce uncertainty and improve their competitiveness for managing global savings

We expect that some of these recommendations will receive attention in the 2010 Federal Budget or election campaign.

Good news for small business...for now

Small business will benefit from the Review, but not immediately, through:

- ▶ An upfront deduction for assets acquired which cost <\$5,000. All other assets can be depreciated in a single pool at the rate of 30% (both from 1 July 2012).
- ▶ An earlier reduction in the company tax rate to 28% from 1 July 2012 for those using a corporate structure.

The Review has proposed further tinkering to the small business capital gains tax (CGT) concessions, including reducing the range of concessions available. Small business may also benefit from any rationalisation of state taxes.

We are surprised by the lack of information surrounding the Government's intentions on possible future changes to the rules governing trusts and closely held companies. We expect that greater detail will emerge following this year's election, if not in the 2010 Federal Budget.

Little announced for employment taxes

Leading up to the release of the Henry Review, there was much speculation about changes to fringe benefits tax (FBT), particularly regarding the taxing of car fringe benefits and the removal of the generous concessions for not-for-profit employers. The Henry Review recommended:

- ▶ To tax benefits that are attributable to individual employees and readily valued in the hands of employees via personal taxation, with the balance of benefits being taxed to employers
- ▶ The application of a single statutory rate of 20% for car fringe benefits, regardless of the kilometres travelled
- ▶ The review of exemptions to determine their continuing appropriateness
- ▶ The introduction of a small *de minimis* exemption threshold for benefits that are taxed in the hands of employers
- ▶ Reconfiguration of the FBT concessions for not-for-profit entities
- ▶ FBT exemptions for members of the Defence force be replaced with direct remuneration increases

At this stage, the Government has only commented on the not-for-profit sector and Defence force recommendations, with a clear statement that it will not implement any recommended changes.

In considering the other FBT recommendations, the Government will need to ensure that any changes to the personal income tax deduction rules will not create anomalies with the operation of the FBT "otherwise deductible rule."

We would also suggest that shifting the taxing of benefits to employees will not necessarily reduce the compliance burden for employers as they would still be required to report these benefits.

The Henry Review recommended that payroll tax be replaced with a consumption based tax that captures the value of labour. A change to the current system makes sense given the number of State Payroll Tax Acts which add unnecessary complexity and inconsistency. As with other state taxes, the Government has made no comment on the Henry Review's recommendation for state payroll taxes.

Progressive increase in superannuation guarantee

The Government has announced the implementation of a progressive increase in the superannuation guarantee (SG) rate from 9% to 12% starting from 1 July 2013 and progressively increasing until 2020. Employers who do not treat SG as part of employee remuneration packages will need to revise budgets to reflect this increase in employee costs.

The Henry Review also recommended that employers be required to increase the regularity of SG contributions, however the Government has not commented on this.

Further developments in relation to superannuation are summarised in the personal taxes section of this report.

Too hard basket for alcohol tax

Despite many submissions to the Henry Review citing the current wine glut as a reason that alcohol tax should be reformed, the Government has stated that it would not "change alcohol tax in the middle of a wine glut and where there is an industry restructure underway."

The Henry Review recommended that:

- ▶ "All alcohol should be taxed volumetrically" - this would significantly add to the cost of cheaper wines and make more expensive wine cheaper
- ▶ Rates should "converge over time" - this would make beer and especially cheaper wine relatively more expensive compared to spirits and spirit based mixed drinks

The Review was also very critical of the producer rebates which offset the first \$500,000 of a producer's Wine Equalisation Tax (WET), meaning most wine producers pay no WET at all.

Industry and consumers will welcome the Government's lack of response on these issues in the short-term. However, uncertainty remains about the direction of tax for the entire alcohol industry.

State tax reform recommendations in limbo

Regrettably, the Government has made no comment on more than 20 recommendations in the Henry Review on state taxes. The Review recommended wide-ranging changes to address inefficiencies in state taxes.

The Review addressed the key state taxes including stamp duty, land tax and payroll tax, with a focus on making the system more tax efficient. In particular:

- ▶ Adopting the principle that ideally there would be no role for stamp duties in a modern Australian tax system
- ▶ Abolishing conveyancing/transfer duty broadly and specifically for resource projects (see comments on this in the RSPT section) and commercial and industrial properties
- ▶ Abolishing insurance taxes

- ▶ Adopting broad based land tax - this was the only recommendation that drew a response from the Government albeit declining to consider it as a matter for the states
- ▶ Replacing payroll taxes eventually with more efficient broad based taxes

While COAG might have other priorities, we eagerly await the Government's response on these matters, as state nuisance taxes are a major impost on business.

Positive steps, but more to come on improving the governance and transparency of the tax system.

Improving tax compliance, administration and governance

The Henry Review recommended a number of worthwhile improvements to tax compliance and administration to assist taxpayers, which include:

- ▶ Pre-filling default personal income tax returns for most personal taxpayers
- ▶ Reforming existing tax provisions to improve client experience, including aligning income definitions and reporting, rationalising of personal tax deductions and offsets
- ▶ Simplifying the tax law by establishing a principles-based approach to tax law design
- ▶ Making public Treasury advice to the Australian Taxation Office (ATO) or materials used by the ATO to determine policy intent
- ▶ Extending and developing the Tax Issues Entry System (TIES) website
- ▶ An Advisory Board for the ATO

The Government has indicated that it will have something to say in the coming months on making tax time simpler for everyday Australians, and improving the governance and transparency of the tax system.

Not-for-profits not for reform

The Henry Review included the following recommendations in relation to the not-for-profit (NFP) sector (including clubs):

- ▶ A "national charities commission" to monitor, regulate and advise all NFP organisations and to streamline existing NFP tax concessions
- ▶ NFPs to retain income tax concessions in respect of their commercial activities
- ▶ Phasing out existing capped FBT concessions over a 10-year period and replacing these with direct government funding
- ▶ Raising the deductibility threshold on donations from \$2 to \$25
- ▶ Establishing simple and efficient tax arrangements for clubs with large trading activities (for example, applying a concessional rate of tax to total net income)

The Government has stated that it will not at any stage implement policies that harm the NFP sector including removing the benefit of tax concessions, raising the deductibility threshold or changing income tax arrangements for clubs.

CPRS deferral leaves climate change up in the air

Understandably, the Henry Review was relying on the introduction of the Carbon Pollution Reduction Scheme (CPRS) as the key mechanism for reducing carbon emissions. The Review supports this by recommending consideration be given to eliminating all existing environmental tax concessions post-implementation of the CPRS.

This recommendation has been rendered obsolete by the Government's recent announcement that the CPRS will be deferred until at least 2013.

Despite submissions recommending targeted tax incentives to encourage carbon emission reductions, the Henry Review preference is to rely on a CPRS and to provide Government grants only by exception.

On a positive note, the Government has announced that from 1 July 2011 the resource exploration rebate will apply to exploration for geothermal energy in Australia. It is not clear whether the expansion of the definition of exploration to include geothermal exploration will be any earlier for tax deductibility purposes.

Government is silent on road transport taxes reform

The Henry Review proposed major reforms designed to move away from the existing “fuel tax and rego” model to more appropriately align the cost of road transport with the efficient use of our nation’s road infrastructure. The Government has made no announcements on this subject other than to rule out any CPI indexation of the existing fuel tax.

The Henry Review’s key recommendations included:

- ▶ A variable congestion tax on existing tolled roads and the broader road network to relieve congestion during peak periods, with the revenue being used to support public infrastructure
- ▶ A “mass-distance-location” pricing regime for charges on heavy vehicles to reflect their contribution to road wear cost, with the additional revenue raised being allocated to affected road owners
- ▶ Additional taxes levied on heavy vehicles utilising routes that are in direct competition with rail to create a more efficient allocation of freight between road and rail
- ▶ Fuel taxes being applied consistently across all fuel types including liquefied petroleum gas and liquefied natural gas (to reflect the equal cost of maintaining a road network), with the use of pricing differentials to address

greenhouse gas emissions on different fuel types being dealt with under a CPRS

- ▶ Removal of state registration and stamp duty charges on motor vehicles

In our opinion, these road transport recommendations are unlikely to be implemented in the short- to medium-term as they are complex and involve a large number of stakeholders and users. Implementation will also require a heavy initial investment in technology and the development of a national agreement with the various state governments.

Enhancing workforce participation

The Government will not implement the Henry Review recommendations that require parents to work when their youngest child turns four years of age, nor those that hit single income families.

The Government has not responded to other recommendations aimed at improving workforce participation including:

- ▶ Reviewing family assistance withdrawal rates to minimise workforce disincentives
- ▶ Child care benefits to assist families that use child care to facilitate parental engagement in the workforce
- ▶ Student income tests to facilitate significant part-time work
- ▶ A new family payment to assist working parents nurturing young children

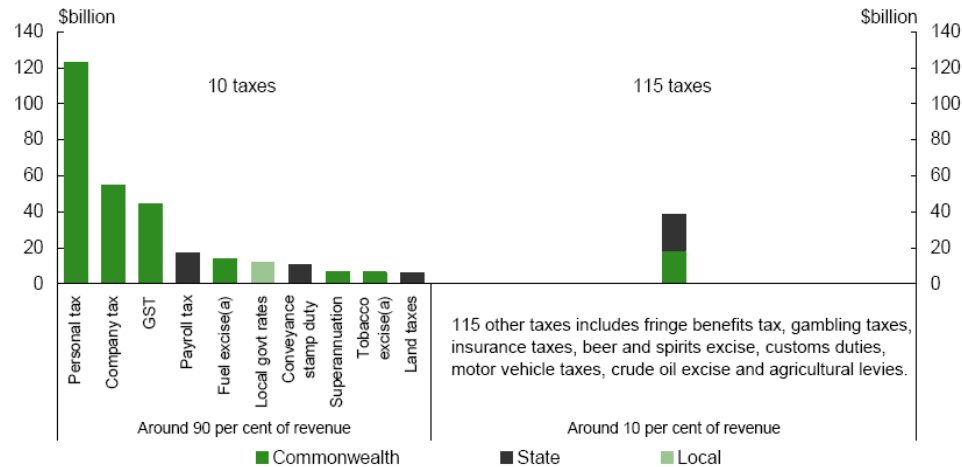
We are also concerned by the recommended removal of the FBT exemption for child care facilities provided on an employer’s business premises for the benefit of employees. Such arrangements facilitate the early return to work of working mothers, which is an important contributor to workforce productivity.

No response on eliminating 115 nuisance taxes

Of Australia's 125 listed taxes, 115 account for only 10 percent of revenue¹.

Unfortunately, the Government's first wave response is silent on how to remove this inefficient overhang on Australians and businesses. Review panel member Heather Ridout said "I think (they have been) ignored because it's very hard to do, and hopefully it won't be ignored permanently". We await bigger waves in the future.

Chart 1.4: Ranking of Australian taxes by revenue in 2009–10



¹ Henry Review Overview, December 2009, Chart 1.4

The Government has made a brave assumption that the RSPT will not adversely affect Australia's international competitiveness and perceived sovereign risk.

New resources tax to fund tax concessions and infrastructure

The central revenue measure of the government response to the Henry Review is a so-called resource super profits tax (RSPT). The RSPT will apply to all existing and future non-renewable resource projects from 1 July 2012.

While the Government has announced the RSPT rate, tax base and proposed transitional arrangements, in our opinion the measure is a long way from being ready for implementation. An extensive consultation process for implementation has commenced with the announcement of a Resource Tax Consultation Panel, a consultation paper in May and a program for the law to be developed in 2010.

The key features of the RSPT will include:

- ▶ A 40% rate applied to resource project super profits. Super profits are the relevant earnings on the project capital in excess of a return at the 10 year bond rate
- ▶ A focus on extraction profits only
- ▶ Deductibility for income tax purposes
- ▶ An annual depreciation deduction for capital costs
- ▶ Undeducted expenditure annually indexed at the 10-year government bond rate
- ▶ Undeducted expenditure (except RSPT starting base) to be transferable to other projects
- ▶ Undeducted expenditure to be refundable upon project cessation provided it cannot be transferred to other projects
- ▶ Refundable credits for state royalties paid

A threat to the resources sector

The RSPT has caused major concern for the resources sector. The Government's response pits the resources industry against other industries and may slow investment in the most successful part of our economy.

In simply overlaying the RSPT over existing state royalty regimes, it will add complexity and compliance costs to the sector while providing no structural reform to the states' royalty regime.

The Government has made a brave assumption that the RSPT will not adversely affect Australia's international competitiveness and perceived sovereign risk. The consultation process with industry and the states will be critical. In our opinion, this process needs to carefully consider whether the 40% tax rate across all commodities is appropriate, how the transitional arrangements will work and how the credit arrangements with state royalties will apply.

Initial industry reaction has indicated concern about Australia's resources industry competitiveness.

Consultation process needs to consider the following key issues:

Transitional measures - Existing projects will calculate an RSPT starting base to reduce their future RSPT liabilities. The RSPT starting base will be based on the most recent audited accounting book value of project assets or market value when this is not available. This method will create differential outcomes across taxpayers depending on certain accounting principles adopted and project history. Furthermore, it remains to be seen whether this measure will adequately prevent "double taxation" given the state royalties historically paid.

Changing risk/reward balance - The RSPT is targeted at super profits assumed to be earned at greater than the long-term Australian Government bond rate, also known as the risk free rate. However, in order to attract large upfront investment in resource projects, a higher rate of return is required to justify the taking on of significant technical, operational and market risks. In our opinion, higher risk projects such as laterite nickel projects are less likely to appear attractive under an RSPT regime.

Calculation of taxable profit - The RSPT will assess receipts from the sale of extracted resources. A deduction will be available for operational expenditure, exploration expenditure and capital depreciation. Key issues that arise from this include identification of the taxing point, the taxable value of the extracted resource and identification of non-deductible costs.

Interaction with state royalties and state taxes - All existing projects currently subject to state based royalties will be taxed under the RSPT. State royalties will continue but will be creditable under the RSPT. A key design issue will be the determination of how this credit is calculated and aligned with existing and future state royalty rates. It will be important that royalties remain fully creditable so that double tax outcomes do not arise.

The Government has not outlined its position in relation to the overlap of RSPT with stamp duties and other state taxes, in particular, the Henry Review recommendation that fees and stamp duties on the transfer of interests in a resource project should be abolished. We consider that these duties represent an additional quasi-royalty and can result in a cost of approximately 5% on the gross value of resources at the time of the transfer. If the duties are not abolished, consideration should be given to also providing a credit for stamp duties and other state taxes paid against the RSPT, similar to that offered for state royalties.

Existing oil and gas projects subject to Petroleum Resource Rent Tax (PRRT) - Existing projects subject to PRRT will not be automatically subject to the RSPT but will instead be able to elect to have the RSPT apply. The transition for existing projects will be an important issue for industry consultation. An important issue for the petroleum industry will be expenditure groupability where existing projects are subject to PRRT and new projects are subject to RSPT.

Government bond rate - Capital expenditure will be uplifted at the 10-year government bond rate. This is materially lower than the rates that apply under the current PRRT regime. Also importantly, companies are generally not in a position to access funds at the government bond rate, and given there is no RSPT deduction for financing costs, leveraged projects will effectively have an RSPT tax rate higher than the 40% announced. Many will contest the support for this rate by the Henry Review.

Tax loss treatment - Tax losses carry forward under the RSPT but the Henry Review recommended a tax loss carryback regime for revenue losses for income taxes generally. This inconsistency needs consideration.

- ▶ New resource super profits tax introduced from 1 July 2012
- ▶ Applies at 40% to all mining and petroleum projects (excluding PRRT project which will be opt-in)
- ▶ Credit for all exploration and capital costs (refundable on windup)
- ▶ Undeducted expenditure uplifted annually at 10 year government bond rate
- ▶ Refundable credit for state royalties
- ▶ Impact on existing resource projects critically dependant on consultation period and final design

What resource companies should do now

The Government has announced a consultation process from now until the end of 2010, with events commencing in May. The ultimate form of the RSPT and its impact on the resources industry will critically depend on the consultation period ahead and the final legislative design behind the transitional measures. Impacted companies should therefore participate in the consultation process.

Resource companies should now quantify the financial and commercial impact on all current and proposed projects.

Companies with existing oil and gas projects subject to PRRT will need to decide whether to continue with PRRT or elect to apply RSPT. At this stage it is difficult to see the motivation for companies to elect RSPT over PRRT given the greatly reduced augmentation factors, however this will critically depend on the yet to be developed transitional rules for PRRT projects.

Resources exploration rebate

A new resource exploration rebate will be introduced to promote investment in Australian resources exploration. This is not in response to any specific recommendation of the Henry Review, but rather appears to relate to a previous election promise of the current Government. The Government has announced this measure in preference to a "flow through share scheme".

This welcome new measure will be:

- ▶ A refundable tax offset at the prevailing corporate tax rate
- ▶ Applied to Australian exploration expenditure incurred on or after 1 July 2011
- ▶ Available to all companies

The exploration industry will welcome this measure, which is designed to provide companies with an incentive to carry out exploration where they are unable to immediately benefit from a corporate tax deduction for exploration expenditure. We note however that the delayed start date of the new rebate effectively provides an incentive to defer exploration for the next 14 months until the availability of the proposed rebate.

The exploration expenditure definition will be expanded to include geothermal energy activities, which is also a welcome reform.

New investment in infrastructure

The Government has stated that the RSPT will enable it to establish a new infrastructure fund for the states, worth \$700 million in 2012-13.

This infrastructure fund will help fund the construction of the roads, rail, ports, electricity and water supply, and other facilities needed to eliminate infrastructure bottlenecks and ensure Australia can get its resources to market.

Given the difficulties the Government experienced with the Nation Building Economic Stimulus, it will need to work closely with states on the accountability for program expenditure, the establishment of the fund and the development of appropriate governance arrangement.

Proposals to increase superannuation contributions are a positive step, although the benefits of the measures will be delayed as they are introduced progressively over several years

A good start for superannuation

The Government announced four proposals relating to superannuation, the most significant being a gradual increase of superannuation guarantee contributions from 9% to 12%. This is a positive step for the financial services industry and people approaching retirement, although the benefits of the measures will be delayed as they are introduced progressively over six years, starting in 2013. The Government's other proposals allow greater equity and access to superannuation for low-income earners and workers closer to retirement.

These recommendations were not made by the Henry Review, but will allow a continued and increased stream of capital and a more affluent retirement for Australians.

The Government has yet to respond to the Henry Review's recommendations relating to superannuation, which included:

- ▶ Overhaul of the superannuation fund taxation regime, ie, moving tax on contributions to an after tax regime with a rebate for the majority of contributors so they do not pay more than 15%
- ▶ Halving the tax rate of fund earnings to 7.5%
- ▶ Making employer superannuation contributions taxable to the relevant employees and eliminating taxation of contributions for superannuation funds
- ▶ The development of lifetime annuity products within the private sector

More to come on financial services

Other Henry Review recommendations, if adopted, should be favourable to the financial services industry. These include:

- ▶ 40% tax discount for income from bank deposits and bonds
- ▶ Abolition of interest withholding tax for financial institutions (domestic and treaty)
- ▶ Introduction of a broad-based cash flow tax to fund the abolition of all specific taxes on insurance products.

We expect government announcements on some of these measures in the 2010 Federal Budget or election campaign.

No response on GST for financial services

Interestingly, the Henry Review found (but did not make a recommendation) that the Government should remove the input taxation of financial services for GST purposes and replace it with an alternate method of taxing the domestic consumption of financial services, possibly in the form of a new financial services tax. The Review recommended that the Government reduce compliance costs to taxpayers by making greater use of reverse charging and GST-free business-to-business (B2B) transactions.

The Government has not responded on either count. The financial services industry will be looking for outcomes of other reviews of GST administration for greater certainty.

Good news on personal taxes

Many individuals will be relieved that many of the potentially adverse items proposed by the Review have been rejected by Government. In particular there will be no:

- ▶ Reduction in the CGT discount and removal of CGT grandfathering
- ▶ Abolition or reduction in negative gearing deductions
- ▶ Introduction of a death tax (bequests duty)
- ▶ Increase in the age at which superannuation can be accessed
- ▶ Removal of dividend imputation

The only personal tax measures the Government will implement are related to increasing the attractiveness of superannuation for low-income earners. Specifically it will:

- ▶ Rebate the 15% contributions tax for those with income less than \$37,000
- ▶ Retain the higher contribution limits (\$50,000 indexed) for those over 50 where they have less than \$500,000 in super.

The Review also proposed a number of measures to make the personal tax system simpler or more transparent and to encourage savings. The Government has deferred making a decision on these measures for now, but has stated that in the coming months it will have “more to say” in this area.

Some of the Review’s proposals the Government will consider include:

- ▶ Simplifying the marginal tax rates by increasing the tax free threshold from \$6,000 to \$25,000, having a flat 35% rate apply up to \$180,000 and 45% thereafter
- ▶ Introducing standard deduction limits for work-related expenses based on income levels
- ▶ Introducing a 40% discount to certain savings income such as bank interest
- ▶ Revising the rules related to personal services income
- ▶ Taxing certain fringe benefits in the employee’s hands
- ▶ Rewriting the rules relating to trusts and considering a flow-through system for closely held companies and fixed trusts
- ▶ Improved interaction of the social security and tax systems.

We expect that some of the more positive personal tax measures will be included in the forthcoming Federal Budget. Any more controversial changes (including those announced by the Government and not the Review) are likely to be deferred.

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