The Board of Taxation

2015 — 2016 Annual Report

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# Glossary of Terms

|  |  |
| --- | --- |
|  |  |
| AASB | Australian Accounting Standards Board |
| ABA | Australian Bankers Association |
| APRA | Australian Prudential Regulatory Authority |
| ASIC | Australian Securities & Investments Commission |
| ASX | Australian Securities Exchange |
| ATO | Australian Taxation Office |
| AUASB | Auditing and Assurance Standards Board |
| G100 | Group of 100 |
| KWM | King & Wood Mallesons |
| Minister | Minister for Revenue and Financial Services |
| OECD | Organisation for Economic Co‑operation and Development |
| OPC | Office of Parliamentary Counsel |
| PwC | PricewaterhouseCoopers |
|  |  |
|  |  |

# Introduction from the Chair

In my role as Chair of the Board of Taxation, I’ve been in a fortunate position to see the Board’s role develop from one of largely undertaking post implementation reviews to one of working more closely with the business and tax community, Treasury and the ATO in considering policy issues and providing contemporaneous advice to the Government.

The background and experience of our Board members provides credible expertise and experience that has proven to be useful to the Government in considering tax system improvements, tax system design and other priorities for the tax system whilst maintaining the independence of the Board.

I have been very encouraged by the active participation of our stakeholders from the broader business and industry community in the Board’s now broader role. Our stakeholders’ contributions through various avenues have enabled the Board to provide valuable policy advice to Government. On behalf of the Board, I wish to express my appreciation for the input, assistance and engagement of our various stakeholders and I and other Board members look forward to continuing these interactions.

Finally, our 2015‑16 year saw the appointment of the inaugural CEO, Karen Payne, to the Board of Taxation. Appointing a CEO provides an expanded opportunity to liaise with key stakeholders to understand concerns and opportunities in the tax system.

I look forward to what will be another productive year in 2016‑17 and encourage you to stay connected to the Board of Taxation by [subscribing via the Board’s website](file://FS2/Indiv$/TAS/subscribing%20via%20the%20Board's%20website) (http://taxboard.gov.au/email‑subscription/).

Michael Andrew, AO

Chair, Board of Taxation

# Introduction from CEO

The Board of Taxation was initially conceived as part of *Review of Business Taxation System — A Tax System Redesigned* by John Ralph AO in July 1999. The Board is a unique institution which provides independent advice to Government and Treasury which reflects the priorities and concerns of the business community, tax profession and other community stakeholders.

Since commencing as Chief Executive Officer with the Board, effective 31 March 2016 I have been meeting stakeholders to understand their priorities for tax system improvement. There is enormous support for the work of the Board and we have an ambitious work programme.

The resources of the Board are limited. Accordingly, establishing priorities for effective tax reform are important. The work of the Board could not be achieved without support from the Secretariat, secondments and stakeholders.

The Board has been supported during the 2015‑16 year through secondments from ATO, Treasury and the private sector (refer Appendix C).

The Board is also grateful for the contribution of stakeholders who make written or oral submissions or participate in our discussions, working groups and consultations. Our acknowledgements are included at Appendix C.

The launch of Sounding Board in April 2016 was a significant milestone. The Sounding Board platform allows the tax community to assist in prioritising tax system improvement ideas and reforms.

The Board would like to thank stakeholders for their support and contribution. We look forward to working with you. Stakeholders are requested to register their interest through the Board’s website.

Karen Payne

Board Member and CEO — Board of Taxation

# Introduction

The Board of Taxation (the Board) is a non‑statutory advisory body charged with contributing a business and broader community perspective to improving the design of taxation laws and their operation.

The Board currently comprises eleven members including eight Private Sector Members including the Chair, Michael Andrew AO, who are appointed by the Treasurer, and three ex officio members ⎯ the Secretary to the Australian Treasury, the Commissioner of Taxation and the First Parliamentary Counsel. Further details on the membership of the Board is set out at Appendix A. The Board is supported by a small secretariat located in the Treasury.

Its Charter, including the Board’s mission, governs the operations of the Board and functions set out below. The Charter is reproduced in full at Appendix B.

## The Board’s mission and function

Recognising the Government’s responsibility for determining taxation policy and the statutory roles of the Commissioner of Taxation and the Inspector‑General of Taxation, the Board’s mission is to contribute a business and broader community perspective to improving the design of taxation laws and their operation.

The function of the Board is to provide advice to the Treasurer and the Minister for Revenue and Financial Services on:

the quality and effectiveness of tax legislation and the processes for its development, including the processes of community consultation and other aspects of tax design;

improvements to the general integrity and functioning of the taxation system;

research and other studies commissioned by the Board on topics approved or referred by the Treasurer; and

other taxation matters referred to the Board by the Treasurer.

During the financial year ended 30 June 2016 the Board provided advice to Government and Treasury on the activities listed in section 2.

## Stakeholder Communications

The Board’s website [www.taxboard.gov.au](http://www.taxboard.gov.au) provides general information on the Board, including its membership, the Board’s Charter, contact details, Board press releases and Board reports to the Government.

The Board communicates with its stakeholders through various channels. The Board meets regularly with stakeholders at the time of each Board meeting to inform the Board on current and emerging taxation issues. Stakeholders are informed of the Board’s activities through various electronic communications including the website, the CEO update and other electronic means as agreed in the Board’s communication strategy.

During the financial year ended 30 June 2016, the Board extended its electronic communications to include:

the launch of ‘Sounding Board’ on the Board’s website, which is a web‑based collaborative platform where users can raise, debate and prioritise business and community sector ideas on how to improve the current tax system; and

the creation of a Board twitter account to provide regular updates on the Board’s activities.

# Activities of the Board in 2015‑16

## Overview

The Board, in recognising its role and position in the business and tax community appointed a Chief Executive Officer, Karen Payne, effective 31 March 2016.

During 2015‑16, the Board continued the role of providing advice to the Government in relation to tax improvements, tax system design and other priorities for the tax system.

Key activities of the Board in 2015‑16 included:

developing the Voluntary Tax Transparency Code, which was endorsed and released by Government as part of the 2016‑17 Budget;

reporting on the implementation of anti‑hybrid rules and undertaking further work on the application of the anti‑hybrid rules to regulatory capital;

considering and commenting on tax and superannuation measures for inclusion in the 2016‑17 Budget;

advising on changes to the Consolidation — Deductible liabilities rules;

conducting targeted consultation on tax reform options;

providing input to the Review of the R&D Tax Incentive;

providing input on measures included in the National Innovation and Science Agenda statement;

providing an external validation role in relation to the ATO as part of the Government’s Regulator Performance Framework;

advising on processes to improve tax policy development;

advising on small business capital gains tax rollover relief;

advising on fringe benefits tax reform and simplification; and

continuing the work on tax system improvement through analysing the ideas generated by the sounding board platform and making recommendations for inclusion in regular Regulatory Reform Bills.[[1]](#footnote-2)

The 2016‑17 Budget included measures concerning Division 7A rules, collective investment vehicles and asset backed financing that were informed by the analysis and recommendations contained in the Board’s reports.

The Board also recently commenced several projects (as notified to the Treasurer and Minister for Revenue and Financial Services), which reflect the Board’s expanded focus to provide policy advice to the Government in ‘real‑time.’ These include:

Asset merger roll‑over relief;

Review of international experience and best practice in managing shadow economy tax collection risks;

Residency tests for High Wealth Individuals;

Alignment of tax and accounting concepts;

Tax and the sharing economy;

The consistency of core concepts applied under State and Federal tax laws; and

Targeted trust simplification.

The Board has established Working Groups for the above projects that comprise Board members, Treasury, ATO and representatives from the community.

## Completed projects

### References from Government

During the 2015‑16 year, the Board completed several projects as referred by the Government as set out below.

### Voluntary Tax Transparency Code

As part of the 2015‑16 Budget, on 12 May 2015 the then Treasurer wrote to the Board to ask it to lead the development of a new voluntary code for greater public disclosure of tax information by businesses, particularly large multinationals.

The terms of reference for the code stated that the Government would like business, particularly large multinationals, to be more publicly transparent about their tax affairs.

The Chair led the Board’s work on the development of the voluntary tax transparency code assisted by a number of other Board members, including Ann‑Maree Wolff, John Emerson AM and Neville Mitchell. A working group was established comprising representatives of the ATO, Treasury, academia, businesses and professional firms (refer Appendix C).

The Board held 17 public consultation meetings in Sydney, Melbourne, Brisbane and Perth as well as meetings with ATO, ASIC, AASB, AUASB, ASX and G100.

The Government released the Board’s report on the Voluntary tax transparency code on 3 May 2016 and has encouraged all companies to adopt the Code from the 2016 financial year onwards.

The Board has established a register to list the names of companies who have advised the Board of their commitment to apply the principles and details of the Code. The register is available on the Board’s website.

### Implementation of the Organisation for Economic Co‑operation and Development (OECD) hybrid mismatch rules

As part of the 2015‑16 Budget, the then Treasurer, the Hon Joe Hocky MP, wrote to the Board to ask it to consult on the implementation of anti‑hybrid rules as developed by the OECD. On 14 July 2015, the then Treasurer issued the terms of reference for the project.

Karen Payne was asked to chair this review. A working group consisting of representatives from Treasury, the ATO and private sector (refer Appendix C) was formed for this project. Several consultations and information sessions were held in Sydney and Melbourne. The Board received nine (9) submissions.

The Board completed its consultation on the implementation of anti‑hybrid rules developed by the OECD and provided its report to Government on 31 March 2016. The Board’s report includes 17 recommendations.

The Government released the Board’s final report on the implementation of the OECD hybrid mismatch rules on 3 May 2016 taking into account the recommendations made by the Board when announcing that the Government will implement the OECD’s rules.

On 8 April 2016, the Treasurer requested the Board undertake a subsequent review to examine how best to implement the OECD Hybrid Mismatch Recommendations to eliminate deductible/frankable hybrid mismatch arrangements that arise in relation to regulatory capital. The terms of reference for this project included a request for the Board to report by the end of July 2016. The Board was granted an extension of time to report due to the caretaker period.

### Other completed tasks

#### Improving tax policy development processes

On 15 July 2015, the Secretary of the Treasury wrote to the Board to request it analyse and identify the most appropriate model for tax policy development in Australia, with a view to:

better support the development of community consensus around a long‑term tax agenda; and

reduce complexity in the tax system.

The Chair led the Board’s work assisted by a number of other Board members, including John Emerson AM and Peter Quiggin PSM. The Board’s final advice was formulated on the basis of input from its ‘Tax Policy Development Working Group’ comprised senior private sector participants, members of the academic community and judiciary (full membership list at Appendix C).

In the course of deliberations the Tax Policy Development Working Group considered Australian and international processes, especially in the United Kingdom and New Zealand.

The Board presented its final recommendations to the Government and provided a copy to Treasury.

#### 2016‑17 Budget measures and innovation

The Board was asked to comment on a number of proposals being considered as part of the 2016‑17 Budget by Treasury. A number of other Budget announcements relied on the previous reports and work of the Board — namely the announced changes to the Division 7A rules and the measures to make it easier to invest in Australia and access alternative sources of investment capital (two new collective investment vehicles and asset backed financing respectively).

The Treasury continues to seek feedback and advice from the Board on the design of a number of measures for the 2016‑17 Budget; in particular the superannuation reforms.

The Board also provided input on measures included in the ‘National Innovation and Science Agenda’ measures (announced 7 December 2015) by providing feedback to Treasury on a number of proposals.

#### Taxation Reform Taskforce

The Board assisted both Treasury and the Government by providing its views on the direction of tax reform in Australia. The Board led stakeholder consultations on large business, international and small business taxation reforms. The Board’s standing with the community and Government provides an opportunity for independent and timely input

## New references from Government — Application of Hybrid Mismatch Rules to Regulatory Capital

Following the Board’s report on the implementation of anti‑hybrid rules and consistent with the Board’s recommendations, the Treasurer wrote to the Board of Taxation on 8 April 2016 to ask it to examine how best to implement the recommendations to eliminate deductible/frankable hybrid mismatch arrangements that arise in relation to regulatory capital. The terms of reference require the Board to have regard to:

Delivering on the objectives of eliminating double non‑taxation;

Capital regulatory requirements as enforced and set by APRA;

Fostering a level playing field internationally and within the Australian banking and insurance sector;

Economic implications and potential market disruption;

Compliance and administrative costs for taxpayers; and

Interactions between Australia’s existing domestic legislation, including with related tax laws.

The Board appointed the CEO, Karen Payne, to oversee the review. The Board appointed a working group, comprised of representatives from the Treasury and the ATO, to provide specialist assistance for the review especially during the caretaker period that commenced in May 2016.

The working group consulted extensively with regulated entities, APRA, AASB, the New Zealand Inland Revenue, the United Kingdom’s Her Majesty’s Revenue & Customs, the ABA, EY, PwC, KPMG, Greenwood Freehills, KWM, Allens, Academics and the OECD.

The Board’s review will focus on how best to implement the OECD recommendations in relation to Australia regulatory capital rules and having regard to the terms of reference.

## The Board’s Other Work Program

The other key activities of the Board during the 2015‑16 year (aside from the referred projects noted above) are set out below.

### Current Projects

The Board, in its role of providing ‘real time’ advice to Government established a forward work program. During 2015‑16 work commenced on a number of projects. This work will continue in 2016‑17. The current projects will entail either recommendations or a report to either Government or Treasury.

The projects are as follows:

Asset merger roll‑over relief

The Board will consider a targeted capital gains tax roll‑over relief to remove barriers to efficiency‑driven non‑cash business asset merger or swap restructures.

Review of international experience and best practice in managing shadow economy tax collection risks

The Board and ATO are researching responses (including international responses) to address tax avoidance through the cash and shadow economy and make recommendations to improve the integrity of the tax system.

Residency tests for High Wealth Individuals

The Board and the ATO are reviewing the current residency rules for individuals particularly for high wealth individuals. The review will also assess if instances of double non‑taxation for individuals currently occur.

Alignment of tax and accounting concepts

The Board will consider if there are targeted areas where the tax law could be aligned to accounting concepts to reduce red tape. This could include whether financial accounts could be relied upon for tax filings made by some ‘small business’ taxpayers.

Tax and the sharing economy

The Board and ATO will examine whether the current tax system parameters continue to be appropriate for the emerging sharing economy given the inherent use of private assets for income producing purposes and the involvement of offshore providers.

The consistency of core concepts applied under State and Federal tax laws

The Board received feedback from stakeholders that there are inconsistencies between core concepts within Federal and State tax laws which are impediments or create barriers for businesses, including opportunities for red tape reduction. This will commence with a review of the concepts of employer/employee and contractor.

Targeted trust simplification

The Board will conduct a joint review with the ATO of ‘bare trust’ arrangements to identify opportunities to simplify the current taxation regime to align with current industry practice.

### Tax system improvement Ideas

#### Sounding Board

In April 2016, the Board launched ‘Sounding Board’ — a web‑based collaborative platform where users can raise, debate and prioritise business and community sector ideas on how to improve the current tax system.

The purpose of Sounding Board is to identify proposals that reduce red tape and result in compliance savings. As such, this platform replaced the previous Tax Issues Entry System (TIES) and became the sole point of entry for submissions on how to improve the tax system.

The key feature of Sounding Board is the ability for its users to take control of the prioritisation process, thereby assisting in the allocation of limited resources to only those ideas that enjoy the backing of the business and tax community.

The Board has a Tax System Improvement working group (Appendix C) that regularly reviews the most popular ideas in detail and, where suitable, advocate a pathway for their implementation via legislative or administrative means. There is a standing agenda item at the Board meetings to review progress on these ideas. The Board understands that some of these reforms may be included in the Government’s regular Regulatory Reform Bills to be introduced into the Parliament. This specific annual allocated bill was announced as part of the 2016‑17 Budget.

### Tax Issues Entry System

During 2015‑16, the TIES, which was managed by the ATO, was closed. The Board previously provided assistance on issues raised by the community through the TIES process.

Less than five (5) issues were in existence at the close of TIES. These issues have been transitioned over to the Board’s ‘Sounding Board’.

## Regulation Reform

The Board continues to assist the Government in reducing the regulatory burden associated with taxation. This was a key focus for the Board in the 2015‑16 year. This focus arose both because of the Board’s role as the Ministerial Advisory Council for tax matters and from its general mandate to contribute to the improvement to the general integrity and functioning of the taxation system.

### Ministerial Advisory Council (MAC)

The Government’s regulation reform agenda includes the establishment of stakeholder consultation mechanisms, or MACs. MACs are comprised of business, not‑for‑profit and other industry stakeholders and they provide advice to Ministers and their respective departments on opportunities to reduce red and green tape as well as provide a broader consultation mechanism on policy matters.

The Board fulfils the role of the MAC in relation to tax matters. In fulfilling the MAC role, the Board is asked to:

identify potential targets for regulatory reform (for example, areas of inefficient regulation, excessive red tape or unnecessarily high regulatory burden);

provide a sounding board for regulatory reform or repeal proposals;

provide feedback on the progress of regulatory reform within the portfolio; and

advise on broader policy issues relevant to the portfolio.

In particular, the Board is asked to provide appropriate input on:

immediate deregulatory tasks, including the stocktake and audit of tax regulation; and

future regulatory reforms, that is, ideas on deregulatory opportunities and priorities that can be included in the regulatory budgeting process. This includes identifying items for inclusion in the Government’s regular Regulatory Reform Bills — as announced as part of the 2016‑17 Budget.

At the commencement of its role as a MAC, the Board assisted Treasury with a stocktake of current regulation and an analysis of the cause of regulatory burden.

During 2015‑16, the Board performed the external validation role in relation to the ATO as part of the Government’s Regulator Performance Framework (RPF). Members of the Board met with both Treasury’s Regulatory Reform Unit and the ATO over the course of the year regarding the ATO’s self‑assessment metrics with a view to providing validation of the self‑assessment later in 2016. This work was supported by a working group consisting of Board members Neville Mitchell and John Emerson AM.

#### Identifying and prioritising deregulation ideas

During 2014‑15, to further the Government’s deregulation agenda, the Board invited the Government, business and community stakeholders to provide deregulation ideas. Over 170 ideas were identified through this process, ranging from large‑scale reform of significant areas of the tax law to small administrative irritants that arise in the day‑to‑day management of taxpayers’ affairs.

Subsequently, the Board conducted workshops with key stakeholders to prioritise the issues based on such factors as the amount of deregulatory savings and ease of implementation. The Board, with assistance from the ATO and Treasury, then prioritised the ideas and formed a view considering the following in respect of each idea:

anticipated regulatory savings;

likely cost to revenue;

simplicity;

time required to implement; and

the overall net benefit to the tax regulatory system.

In the course of examining these ideas, the Board has also sought to identify good policy proposals that, while they may be broader than regulatory reform, were worthy of further action by the Board. This action has included placing items on ‘Sounding Board’ to generate further discussion or referring the matter to Treasury for their consideration.

The Board will continue to receive and review regulatory reform ideas though ‘Sounding Board’.

## Stakeholder Consultation

### General

The Board undertakes a program of regular consultation with external stakeholders, including members of its Advisory Panel, on issues falling within its Charter. Board members provide speeches and presentations and participate as panel members at various tax events. Over the 2015‑16 year, Board members in their formal capacity provided a presentation or were a participant as a panel member at more than 30 events. This reflects the Board’s views of the importance of speaking and listening to the business and academic community.

Together and separately, the Chair and the CEO met with the business community and other key stakeholders to receive feedback on concerns and opportunities in the tax system. Themes from these meetings help inform the Board of opportunities and issues in the tax system and further the Board’s work.

The Board is also represented on the ATO’s Consultation Steering Group. The Consultation Steering Group is co‑chaired by the ATO and Treasury and meets every two to three months, as required. It ensures that consultations on tax and related matters are identified and kept on track, with the right people involved. The Secretary to the Board attended a meeting on 21 March 2016 and the CEO attended a meeting on 19 May 2016.

The Board notes its appreciation for the contributions made by Stakeholders including the Advisory Panel members to the Board’s work during 2015‑16.

### Board Meetings

The Board met as a whole on 11 occasions during 2015‑16, as shown in Table 1, at varying locations. Details of Board members’ attendance at meetings are provided at Appendix D.

Table 1: Board of Taxation meetings, 2015‑16

| Date |  | Location |
| --- | --- | --- |
| 24 July 2015 |  | Sydney |
| 21 August 2015 |  | Perth |
| 18 September 2015 |  | Melbourne |
| 16 October 2015 |  | Adelaide |
| 13 November 2015 |  | Canberra |
| 11 December 2015 |  | Sydney |
| 5 February 2016 |  | Melbourne |
| 11 March 2016 |  | Sydney |
| 8 April 2016 |  | Brisbane |
| 20 May 2016 |  | Canberra |
| 24 June 2016 |  | Sydney |

### Project Consultation

The Board generally conducts its projects by appointing working groups comprising members of the Board, Advisory Panel members or other relevant experts, consultants and officers from the Treasury and the ATO.

A list of working groups for 2015‑16, and the Board members appointed to each working group, is provided at Appendix C. Each of these working groups met on numerous occasions during 2015‑16 and engaged in consultation in relation to the projects.

### Advisory Panel

In July 2002, the Board established an Advisory Panel to assist it in the general performance of its role. The Panel currently comprises 65 taxation specialists who have agreed to assist the Board, on a voluntary basis, with its work. Panel members are appointed based on their individual capabilities and expertise, and not as representatives of particular interests.

The Panel provides an additional source of advice to that provided by the business, professional and other community representative organisations with which the Board has developed close working relationships. The Board met Advisory Panel members on a number of occasions during 2015‑16 to discuss Board projects and general issues associated with the integrity and functioning of the tax system.

The Board reviewed the membership of the Advisory Panel in October 2015. The addition of new Panel members took effect from 1 January 2016.

Panel membership as at 30 June 2016 is set out at Appendix E.

### Assistance provided for the Board’s reviews

The Board draws substantially on work undertaken by officers of the Treasury and ATO when conducting its reviews. As such, the Board wishes to record its appreciation for the extensive assistance provided by the Treasury and ATO officers involved in the Board’s work during the 2015‑16 year.

The Board was also assisted with its projects by experts from the private sector, and academia during the 2015‑16 year, and wishes to record its appreciation for their assistance. The Board looks forward to continuing these productive working relationships in 2016‑17.

# 

# The year ahead

During the 2016‑17 year, the Board will increase its focus on providing policy advice to the Government in ‘real‑time’, in line with the change of strategic direction that occurred at the beginning of the 2015 year. Specifically, the Board intends to focus on the areas outlined at paragraph 2.4.1 in addition to any other matters referred to it by the Minister during the course of the year.

The Board will continue to improve the transparency and communication of its activities, including through regular updates by the CEO to stakeholder organisations, Advisory Panel members and past Board members.

The Board will also continue to pursue its objectives as set out in its Charter, including issues relating to the general integrity and functioning of the tax system.

# Appendix A: Membership of the Board

The Board of Taxation comprises members appointed by the Treasurer. Private sector members (currently eight members) are appointed in their personal capacity from within the business and wider community. The Secretary to the Australian Treasury, the Commissioner of Taxation and the First Parliamentary Counsel are ex officio members.

The members of the Board during 2015‑16 were:

## Board members

### Chair –Michael Andrew AO

Michael Andrew AO was Chairman and CEO, KPMG International from May 2011 to July 2014. He is the first Australian CEO of one of the ‘big four’ accounting firms and the first to be based in the Asia‑Pacific region. A partner in KPMG since 1988, Michael practiced in Tax Law and was Partner in Charge of KPMG Tax Practice 1995‑2000 and was Partner in Charge of KPMG International Tax Centre in Amsterdam from 1992‑1994. Michael was Chairman of KPMG Asia‑Pacific and Chairman, KPMG Australia from 2007 until 2011.

Michael Andrew AO is a former member of the Business Council of Australia and the International Business Council of the World Economic Forum.

Michael Andrew AO has a degree in Law and Commerce from Melbourne University. He is a qualified Barrister and Solicitor of the Supreme Court of Victoria and Fellow of the Institute of Chartered Accountants. He was recently awarded an Honorary Doctor of Laws by Monash University and an Honorary Doctor of Commerce by Melbourne University.

Michael Andrew AO was appointed to the Board in January 2015.

### Deputy Chair — John Emerson AM

John Emerson AM is a consultant at Herbert Smith Freehills, and is widely recognised as a specialist in the tax and other laws applicable to charities. He heads the firm’s charity law practice.

He is the firm’s Melbourne Office Pro Bono Partner and a member of a number of legal, academic, and public sector committees active in the charity tax and pro bono areas.

John Emerson AM has been a member of the Board since January 2007 and was appointed Deputy Chair in May 2015.

### Chief Executive Officer — Karen Payne

Karen Payne was appointed as a Member of the Board of Taxation in May 2015 and as the inaugural Chief Executive Officer of the Board of Taxation, effective 31 March 2016. She also served as an Advisory Panel member since 2010.

Karen Payne was previously a tax partner with Minter Ellison specialising in corporate, funds and international tax. She has over 20 years’ experience as a taxation advisor at top tier legal and accounting firms. She is a Chartered Accountant, lawyer and Chartered Tax Adviser. She has extensive experience managing complex tax‑related matters for major multinationals, publicly listed companies and Australian IPOs across the financial services, property, mining, energy and utilities sectors.

### Peggy Lau‑Flux

Peggy Lau‑Flux enjoyed a successful career as a corporate banker before settling in Australia in 1992. Her key areas of expertise are finance and marketing in the international corporate banking sector with Asia Pacific Regional responsibilities, dealing with multinationals, manufacturers and traders. Her corporate governance experience covers the health and education sectors.

Educated in both Hong Kong and Canada, over the course of her career she worked as a Corporate Banker for Citibank and Standard Chartered Bank in Hong Kong, and led noteworthy initiatives such as the installation of the first electronic banking system in China and the determination of risk asset weighting. Since her arrival in Australia she has served on many boards at both State and Federal levels, including the Royal Adelaide Hospital, the Council of International Trade and Commerce of SA, the Australia China Council, National Multicultural Advisory Council and was the President of the Asia Pacific Business Council for Women and the Chairperson of the Joanna Briggs Institute.

Currently Peggy Lau‑Flux is a Council Member of Flinders University and a Director of Flinders Partners. She is also the Chairperson of the Finance and Investment Committee.

Peggy Lau Flux was appointed to the Board in January 2015.

### Neville Mitchell

Neville Mitchell is currently the President of the Group of 100; the peak body for Australia’s senior finance executives from large private and public business enterprises.

Neville Mitchell has been Chief Financial Officer and Company Secretary of Cochlear Limited since its listing in 1995.

Neville Mitchell is a director of Osprey Medical Inc., the Hearing Cooperative Research Centre and a panel member of the NSW Government Medical Devices Fund.

Neville Mitchell was appointed to the Board in May 2015.

### Mark Pizzacalla

Mark Pizzacalla is Partner‑in‑Charge of the Private Clients practice of BDO in Melbourne, and is integrally involved in the firm’s Tax and Advisory practice.

Mark Pizzacalla’s business experience, including acting as Managing Partner of his predecessor firm, gives him a strong appreciation of both the strategic and operational issues facing his clients, and provides relevance to the technical tax advice he delivers.

Mark Pizzacalla completed his PhD in relation to the taxation of SMEs in Australia and is one of the few tax practitioners whose work has been cited in Australia’s Parliament. He is also a member of The Tax Institute’s Victorian Technical Committee, and was previously the former Chair of The Tax Institute’s National SME Sub‑Committee, as well as being a former Victorian State Councillor.

Mark Pizzacalla was appointed to the Board in January 2015.

### Ann‑Maree Wolff

Ann‑Maree Wolff has over 23 years of experience as a qualified tax professional with over 13 years of experience in senior tax roles within the mining industry. She is currently the Asia Pacific Head of Tax for Rio Tinto responsible for all tax matters relevant to Rio Tinto in Australia and the broader Asia Pacific region.

Ann‑Maree Wolff is a Chartered Tax Advisor and Fellow of Chartered Accountants Australia and New Zealand.

Ann‑Maree Wolff has been extensively involved in tax policy development in her roles on the Tax Committees for the Business Council of Australia and Minerals Council of Australia, the Executive Committee of the Corporate Taxpayers Association, as well as through consultation directly with the Australian Treasury.

Ann‑Maree Wolff was appointed to the Board in May 2015.

### Craig Yaxley

Craig Yaxley has over 30 years corporate tax experience including 20 years as a tax partner with KPMG Perth office. He was appointed WA State Lead Tax Partner on 1 July 2013. He provides tax advice to a wide range of international and Australian mining, oil and gas, mining services, property and agriculture clients on structuring inbound and outbound investments, financing, joint ventures and mergers and divestments.

Craig Yaxley is a Chartered Tax Advisor and Fellow of the Institute of Chartered Accountants in Australia. Through his previous role as Chairman of the Association of Mining and Exploration Companies Inc. (AMEC), Craig Yaxley has been actively involved in mining industry tax issues and policy developments.

Craig Yaxley is Treasurer and Director of Black Swan State Theatre Company.

Craig Yaxley was appointed to the Board in January 2015.

### John Fraser — Secretary to the Treasury

John Fraser commenced as Secretary to The Treasury in January 2015. He was Chairman and CEO of UBS Global Asset Management from late 2001 to 2013, based in London. During this time, he was also a member of the UBS Group Executive Board and Chairman of UBS Saudi Arabia. In 2014, John Fraser remained as Chairman of UBS Global Asset Management, Chairman of UBS Saudi Arabia and Chairman of UBS Grocon Real Estate.

Prior to joining UBS and its predecessor organisations in 1993, John Fraser served for over 20 years with the Australian Treasury, including as Deputy Secretary (Economic) from 1990 and postings at the International Monetary Fund and as Minister (Economic) at the Australian Embassy in Washington, DC. He was Chairman of Victorian Funds Management Corporation from 2009 to early 2015. In 2013, John Fraser was awarded an honorary degree of Doctor of Laws by Monash University, Melbourne.

John Fraser has been an ex officio member of the Board since December 2014.

### Chris Jordan AO — Commissioner of Taxation

Chris Jordan AO was appointed Commissioner of Taxation from 1 January 2013. He has extensive tax experience in public and private sector roles and has been an advisor to both sides of government on tax policy and implementation issues.

Chris Jordan AO was New South Wales Chairman of KPMG until his retirement in 2012. He has previously held positions as Chairman of the Business Tax Working Group, Chair of the New Tax System Advisory Board and State Chair of the New South Wales Division of the Taxation Institute of Australia.

Chris Jordan AO has also been Chairman of the Committee for Sydney, Board Member of the Bell Shakespeare Company and the Sydney Children’s Hospital Foundation, and was appointed by the NSW Government to the Games Advisory Committee of the Sydney 2009 World Masters Games.

A Chartered Tax Advisor with the Tax Institute and a Fellow of the Institute of Chartered Accountants, Chris Jordan AO has a Master of Laws (Sydney) and Bachelors of Commerce and Law (UNSW).

Chris Jordan AO has been a member of the Board since its inception in September 2000. He was Deputy Chair from January 2005 and was appointed to the position of Chair in June 2011. He retired from this position in December 2012 following his appointment as Commissioner of Taxation, and then took up the position as an ex‑officio member of the Board.

### Peter Quiggin PSM — First Parliamentary Counsel

Peter Quiggin PSM is the First Parliamentary Counsel of the Office of Parliamentary Counsel (OPC), which is responsible for drafting all principal legislation, all regulations and a range of legislative instruments for the Australian Government, including taxation legislation. OPC is also responsible for the publication of Commonwealth legislation through ComLaw and the Federal Register of Legislative Instruments (FRLI).

The initial seven year appointment of Peter Quiggin PSM as First Parliamentary Counsel started on 13 May 2004. He has since been reappointed for a further seven years, commencing on 14 May 2011. He has been a drafter with the Office of Parliamentary Counsel for over 25 years and has drafted legislation covering a wide range of topics including taxation, native title and immigration.

Peter Quiggin PSM is the President of the Commonwealth Association of Legislative Counsel.

Prior to working at OPC, Peter Quiggin PSM worked for a number of years with the Tax Office and the Administrative Appeals Tribunal.

Peter Quiggin PSM has been an ex officio member of the Board since January 2004.

## Terms of Board members

Table 2: Term of Board members

The term of the Board members is as follows:

|  |  |  |
| --- | --- | --- |
| Member | Term commenced | Term expires |
| Michael Andrew AO (Chair) | 1 January 2015 | 31 December 2017 |
| John Emerson(a) AM | 1 July 2015 | 30 June 2017 |
| Karen Payne | 14 May 2015 | 13 May 2018 |
| Peggy Lau‑Flux | 1 January 2015 | 31 December 2017 |
| Neville Mitchell | 14 May 2015 | 13 May 2018 |
| Mark Pizzacalla | 1 January 2015 | 31 December 2017 |
| Ann‑Maree Wolff | 14 May 2015 | 13 May 2018 |
| Craig Yaxley | 1 January 2015 | 31 December 2017 |
| John Fraser | 8 December 2014 | *Ex‑officio* |
| Chris Jordan(b) AO | 1 January 2013 | *Ex‑officio* |
| Peter Quiggin PSM | 19 January 2004 | *Ex‑officio* |

1. John Emerson AM was first appointed on 15 January 2007.
2. Chris Jordan AO has been a member of the Board in various capacities since 14 September 2000.

## Secretary to the Board of Taxation

Michael Atfield became Secretary to the Board of Taxation in October 2015. Michael Atfield has more than 15 years of experience working on tax policy issues, with a focus on tax treaties and international taxation. His recent experience includes leadership roles in projects relating to the thin capitalisation rules, offshore banking unit tax concession and foreign resident capital gains withholding. He is also the Australian delegate to the OECD Working Party No 11 on Aggressive Tax Planning which has focussed on several Action Items as part of the base erosion and profit shifting project.

# Appendix B: The Board’s Charter

### Mission

Recognising the Government’s responsibility for determining taxation policy and the statutory roles of the Commissioner of Taxation and the Inspector‑General of Taxation, the Board’s mission is to contribute a business and broader community perspective to improving the design of taxation laws and their operation.

### Membership

Members of the Board will be appointed by the Treasurer, for a term of up to three years, on the basis of their personal capacity. It is expected that members will be appointed from within the business and wider community having regard to their ability to contribute at the highest level to the development of the tax system. The Chair will be appointed by the Treasurer from among these members of the Board. If the Treasurer decides to appoint a Deputy Chair, he or she will also be appointed from among these members of the Board. Members may be re‑appointed.

In addition, the Secretary to the Department of the Treasury, the Commissioner of Taxation and the First Parliamentary Counsel will also be members of the Board. Each may be represented by a delegate.

### Function

The Board will provide advice to the Treasurer on:

the quality and effectiveness of tax legislation and the processes for its development, including the processes of community consultation and other aspects of tax design;

improvements to the general integrity and functioning of the taxation system;

research and other studies commissioned by the Board on topics approved or referred by the Treasurer; and

other taxation matters referred to the Board by the Treasurer.

### Relationship to other boards and bodies

From time to time the Government or the Treasurer may establish other boards or bodies with set terms of reference to advise on particular aspects of the tax law. The Treasurer will advise the Board on a case‑by‑case basis of its responsibilities, if any, in respect of issues covered by other boards and bodies.

### Report

The Chair of the Board will report to the Treasurer, at least annually, on the operation of the Board during the year.

### Secretariat

The Board will be supported by a secretariat provided by the Treasury, but may engage private sector consultants to assist it with its tasks.

### Other

Members will meet regularly during the year as determined by the Board’s work program and priorities.

Non‑government members will receive remuneration and allowances to cover travelling and other expenses, at rates in accordance with Remuneration Tribunal determinations for part‑time public offices.

The Government will determine an annual budget allocation for the Board.

# Appendix C: Board Working Groups and Private Sector Secondments

Table 3: Membership of Board Working Groups, 2015‑16

Note: All working groups are supported by Government officials from other agencies in particular Treasury and the ATO.

Completed references

|  |  |
| --- | --- |
| Improving tax policy development processes | Voluntary Tax Transparency Code |
| Michael Andrew AO (Chair) | Michael Andrew AO (Chair) |
| John Emerson AM | John Emerson AM |
| Peter Quiggin PSM | Ann‑Maree Wolff |
| The Hon Garry Downes AM (Consultant) | Neville Mitchell |
| Peter Achterstraat AM (Consultant) | Fiona Martin |
| Valerie Braithwaite | Vic Timos |
| Alf Capito | David Watkins |
| Michelle de Niese |  |
| Steve Healey |  |
| Jane Michie |  |

|  |
| --- |
| Implementation of the Organisation for Economic Co‑operation and Development (OECD) hybrid mismatch rules |
| Karen Payne |
| Grant Wardell‑Johnson |
| Mark Ferrier |
| Chris Vanderkley |
| Michael Fenner |
| Jayde Thompson (consultant) |

New references

|  |
| --- |
| Application of Hybrid Mismatch Rules to Regulatory Capital |
| Karen Payne |
| Jayde Thompson (consultant) |

Broader work of the Board

|  |
| --- |
| Tax System Improvement |
| Karen Payne |
| Craig Yaxley |
| Neville Mitchell |
| Peter Quiggin PSM |
|  |

|  |  |  |
| --- | --- | --- |
| Asset Merger roll‑over relief | | Shadow economy |
| Ann‑Maree Wolff | Michael Andrew AO | |
| Craig Yaxley | Peggy Lau‑Flux | |
| Ken Spence | Karen Payne | |
| Cameron Rider |  | |
| Michael Perez |  | |
| Mark Molesworth |  | |

|  |  |  |
| --- | --- | --- |
| Residency tests for High Wealth Individuals | | Alignment of tax and accounting concepts |
| Mark Pizzacalla | Craig Yaxley | |
| Michael Andrew AO | Ann‑Maree Wolff | |
| Rosheen Garnon |  | |

|  |  |  |
| --- | --- | --- |
| Tax and the sharing economy | | The consistency of core concepts applied under State and Federal tax laws |
| Neville Mitchell | Peter Quiggin PSM | |
| Peggy Lau‑Flux | John Emerson AM | |
| Anthony Klein | Neville Mitchell | |
| Stephen Southon  Chris Wilson | Geoff Mann | |

|  |  |  |
| --- | --- | --- |
| Targeted trust simplification | | Regulatory Performance Framework (MAC) |
| John Emerson AM | Neville Mitchell | |
| Mark Pizzacalla | John Emerson AM | |

Table 4: Private Sector Secondments, 2015‑16

|  |
| --- |
| KPMG — Alia Lum, Partner |
| EY — Jarrod Thomas, Senior Manager |
| Deloitte — Philip Dalton |

# Appendix D: Attendance at Board meetings

Table 5: Attendance at Board meetings, 2015‑16

|  |  |  |
| --- | --- | --- |
| Member | Number of meetings eligible to attend | Number of meetings attended |
| Michael Andrew AO (Chair) | 11 | 11 |
| John Emerson AM | 11 | 11 |
| Karen Payne | 11 | 10 |
| Peggy Lau‑Flux | 11 | 11 |
| Neville Mitchell | 11 | 10 |
| Mark Pizzacalla | 11 | 11 |
| Ann‑Maree Wolff | 11 | 11 |
| Craig Yaxley | 11 | 11 |
| John Fraser (a) | 11 | 11 |
| Chris Jordan AO (a) | 11 | 11 |
| Peter Quiggin PSM (a) | 11 | 11 |

1. The Board’s Charter allows for ex officio members of the Board to be represented by a delegate at Board meetings.

# Appendix E: Members of the Board’s Advisory Panel

Table 6: Members of Advisory Panel as at 30 June 2016

| Panel Member: | Position, Organisation: |
| --- | --- |
| Michael Barbour | General Manager, Group Tax, Westpac |  |
| Paul Balkus | Partner, EY |  |
| Steve Baxter | Director, Indirectax.net |
| Patrick Broughan | Partner, Deloitte |
| Michael Carruthers | Tax Director, Knowledge Shop |
| Peter Collins | Partner, PwC |
| John Condon | Assistant Tax Director, BP Australia |
| Michael Croker | Tax Australia Leader, CAANZ |
| Jason de Boer | Partner — Tax, BDO |
| Philip Diviny | Partner, K&L Gates |
| Teresa Dyson | Partner, Deloitte |
| Michael Fenner | Taxation Manager, Chevron |
| Mark Ferrier | Executive Director, Macquarie Capital Finance |
| Michael Flynn SC | Barrister |
| Geofrey Fooks | Group Taxation Manager, Westfarmers |
| Steve Ford | Tax Partner, PwC |
| Brett Freudenberg | Associate Professor — Taxation, Griffith University |
| Tony Frost | Managing Director, Greenwoods & Herbert Smith Freehills |
| Mark Goldsmith | Partner, Deloitte |
| Heather Gray | Partner, Hall & Wilcox Lawyers |
| Kevin Griffiths | Partner, EY |
| Tony Greco | Senior Tax Adviser, Institute of Public Accountants |
| Matt Hayes | Director — Tax, KPMG |
| Stephen Healey | Partner, Grant Thornton |
| Paul Hooper | Group Head of Tax, Lend Lease |
| Nick Houseman | Partner, PwC |
| Trevor Hughes | Partner, EY |
| Peter Janetzki | Partner, EY |
| Anthony Klein | Partner, PwC |
| Michael Lawry | Taxation Manager, Santos |
| Jasmine Leonard | Principal Advisor — Tax Advisory, Rio Tinto |
| Adam Levin | Partner, Jackson McDonald Lawyers |
| Michael Longes | Head of Tax, Sunsuper Pty Ltd |
| James Macky | National Leader, Tax Advisory Services, KPMG |
| Larry Magid | Partner, Allens |
| Anthea McKinnell | Vice President Treasury & Taxation, Woodside Energy Ltd |
| Jane Michie | Head of Group Tax, BHP Billiton |
| Mark Molesworth | Partner, BDO |
| Ann O’Connell | Director of Studies, International Tax and Tax, Melbourne Law School |
| Katrina Parkyn | Partner, King & Wood Mallesons |
| Michael Perez | Partner, King & Wood Mallesons |
| Dale Pinto | Professor of Taxation Law, Curtin Law School, Curtin University |
| Anthony Portas |  |
| Tony Principe | General Manager, Taxation, Origin Energy |
| Brian Purdy | Head of Tax, South 32 |
| John Rawson | Partner, Deloitte |
| Premila Roe | Vice President Tax Asia Pacific, BHP Billiton |
| Hayden Scott | Partner, PwC |
| Shannon Smit | Director, Transfer Pricing Solutions |
| Steve Southon | Chief Tax Officer, NAB |
| Miranda Stewart | Director, Tax and Transfer Policy Institute |
| Ruth Stringer | Partner, King & Wood Mallesons |
| Judy Sullivan | Partner, PwC |
| Paul Suppree | Assistant Director, Corporate Tax Association |
| Reynah Tang | Partner, Johnson Winter & Slattery Lawyers |
| Vic Timos | Group Tax Manager, Incitec Pivot Limited |
| Con Tragakis | Chairman of Partners, KPMG |
| William Thompson | Managing Partner, Brisbane, Minter Ellison |
| Coralie Trotter | Business Tax Manager, Integrated Gas, Shell Australia |
| Chris Vanderkley | Tax Director, GE Corporation |
| Richard Vann | Challis Professor of Law, University of Sydney |
| Grant Wardell‑Johnson | Partner, Head of the Australian Tax Centre, KPMG |
| Steve Westaway | Partner — Private Advisory, Grant Thornton |
| Sue Williamson | Partner, EY |
| Ken Woo | Partner, PwC |

# Appendix F: Consultancies

Consultants are engaged in accordance with Treasury’s policies for the engagement of consultants and contractors. These policies, which are consistent with the Chief Executive Instructions and the Commonwealth Procurement Guidelines, are outlined in the Treasury Annual Report. During 2015‑16, the Board engaged three consultancies for an amount over $10,000, for a total value of $196,000 (GST inclusive). The actual expenditure for these consultancies, consultancies completed in 2015‑16 and for payments made to service providers in 2015‑16, was $110,217 (GST exclusive).

# Appendix G: Financial Statements

Table 7: Revenue, expenses and operating result

|  |  |  |
| --- | --- | --- |
|  | 2014‑15 | 2015‑16 |
|  | $ | $ |
| Revenue |  |  |
| Funding from Government | 1,588,234 | 1,865,334 |
| Revenue — Other | 185,032 | 270,693 |
| Total revenue | **1,773,266** | **2,136,027** |
| Expenses |  |  |
| *Employee expenses* |  |  |
| Wages | 351,038 | 577,107 |
| Superannuation | 94,606 | 152,542 |
| Other employee expenses | 383,108 | 560,545 |
| ***Total employee expenses*** | ***828,752*** | ***1,290,194*** |
| *Other expenses* |  |  |
| Travel | 256,360 | 199,442 |
| Conferences and training | 18,026 | 13,440 |
| Consultants and Contractors | 92,367 | 110,217 |
| Seconded Employees | 311,538 | 387,561 |
| Office supplies | 1,248 | 24,229 |
| Publications and subscriptions | 756 | 3,109 |
| Other supplier expenses | 7,180 | 6,376 |
| ***Total operating expenses*** | ***687,475*** | ***744,374*** |
| Total expenses | **1,516,227** | **2,034,567** |
| Operating surplus | **257,039** | **101,460** |

Table 8: Remuneration paid to non‑government Board members, 2015‑16

|  |  |
| --- | --- |
| Board Members 2015‑16 | $ |
| **Total** | **$545,625** |

Board members are remunerated in accordance with subsections 7(3) and 7(4) of the *Remuneration Tribunal Act 1973.* During 2015‑16, remuneration determination 2015/08 and remuneration determination 2015/20 applied.

1. See 2016‑17 Budget Tax Fact Sheet 08 ‘Improving tax system governance’. [↑](#footnote-ref-2)