

# **Business Coalition for Tax Reform**

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## **MEDIA RELEASE**

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**International tax reforms urgently needed**

The Business Coalition for Tax Reform (BCTR) today released its submission to the Board of Taxation on the Review of International Taxation Arrangements, saying that it is vital that international tax reforms be put in place urgently.

Mr Mark Bayliss, Chair of the BCTR, said the opportunity to provide a response to the Board of Taxation was welcomed.

“This Review represents an important first step for reform of our international tax arrangements, he said. “International tax impacts on small, medium and large businesses, including young, emerging business, across all industry sectors.

“It is important to put in place reforms to ensure that Australian businesses can expand and flourish, Mr Bayliss said.

### **Dividend imputation**

In its submission, the BCTR acknowledges that the dividend imputation system creates a bias against foreign investment, resulting in an adverse impact on the cost of equity capital for Australian business. The BCTR recommends addressing this bias with either a shareholder credit greater than the suggested 1/9<sup>th</sup>, or a partial exemption, in combination with dividend streaming. These measures should operate side by side with dividend imputation, which the BCTR would like to see retained in its current form.

### **Controlled foreign income (CFC) rules**

The BCTR considers that Australia’s attractiveness as a location for Australian companies expanding offshore is adversely affected by the scope and complexity of the controlled foreign company (CFC) rules.

The BCTR recommends the introduction of a general exemption from the CFC rules for the seven broad exemption listed countries, which all have tax systems that are broadly comparable to Australia’s. This measure should go hand in hand with a transparent and ongoing process to examine the expansion of the broad exemption list.

## **Tax treaties**

The BCTR recommends that Australia should seek to establish a competitive and non-discriminatory network of tax treaties under which Australia would collect its fair share of tax revenue on international business. The BCTR believes there is a need to continue down the path of bilateral renegotiations to drive down withholding taxes, which would help reduce the cost of doing business.

## **Residency**

The BCTR recommends clarification of the residency test to improve certainty for business and encourage the participation by Australian management in foreign businesses.

## **Expatriates**

The BCTR recommends the removal of current tax impediments on Australian employers to recruit appropriately experienced expatriate employees, which in some instances include double taxation. Without advocating the establishment of tax incentives that are not available to all Australians, the BCTR supports proposals to remove these impediments.

“As Australian business continues to become more and more internationalised, these international taxation arrangements become as relevant to trade and investment decisions as they are to taxation”, Mr Bayliss said. “It is therefore crucial that these reforms progress.

“The BCTR looks forward to consulting further with the Board of Taxation on this important area of tax reform to ensure that Australian businesses can grow and prosper into the future”, Mr Bayliss concluded.

The BCTR is made up of industry and professional associations from all sectors representing small, medium and large businesses.

The BCTR’s submission on the Review of International Taxation Arrangements is available on the BCTR web site, [www.bctr.org](http://www.bctr.org).

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