



Australian Government

The Treasury

CONSOLIDATION: AMENDMENTS TO THE TAX COST SETTING RULES

SUMMARY OF CONSULTATION PROCESS

The Government announced on 25 November 2011 that it would amend the consolidation tax cost setting rules and rights to future income rules so that the tax outcomes for consolidated groups are more consistent with the tax outcomes that arise when assets are acquired outside the consolidation regime.

This measure was included in Tax Laws Amendment (2012 Measures No. 2) Bill 2012, which was introduced into Parliament on 24 May 2012.

Consultation process

Consultation on exposure draft legislation and related explanatory material was conducted between 18 April 2012 and 2 May 2012. 17 submissions were received (six of which are confidential).

Submissions that are not confidential can be viewed on the [Treasury Website](#).

Summary of key issues

Policy issues

Stakeholders were concerned that the amendments would result in taxpayers in similar situations being treated differently and therefore lead to inequitable outcomes (with taxpayers who took more conservative approaches being disadvantaged). They also consider that the interim rules should be extended to cover a broader period and to protect taxpayers who have lodged requests for amendment with the Australian Taxation Office. Concerns were also raised that the exposure draft legislation did not give full effect to the announcement in some circumstances.

Changes as a result of consultation

Numerous technical changes were made to the exposure draft legislation to ensure that it gives full effect to the announcement. In particular, amendments were made to address concerns about the treatment of unbilled income under the pre-rules, the range of assets that are recognised for tax cost setting purposes under the prospective rules, and the treatment of claims that have a 'tail'.

Changes that were not adopted

Changes were not made to address concerns that the amendments result in taxpayers in similar situations being treated differently, and to extend the circumstances in which the interim rules should apply. These issues were considered by the Government prior to its announcement of the changes.



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Feedback

Feedback on the consultation process for this measure can be forwarded to consultation@treasury.gov.au . Alternatively, you can contact Tony Regan on (02) 6263 3334.

Thank you to all participants in the consultation process.