



TREASURER

12 MAY 2015

Mr Michael Andrew
Chair
Board of Taxation
Department of the Treasury Building
Langton Crescent
Parkes ACT 2600

Dear Mr Andrew

A handwritten signature in black ink, appearing to read 'Michael', written over the printed name 'Dear Mr Andrew'.

CONSULTATION ON TAX INTEGRITY PROPOSALS

I am writing to ask the Board of Taxation (the Board) to:

- undertake consultation on introducing G20/OECD's rules to neutralise hybrid mismatch arrangements. The Board is asked to examine how best to implement the new anti-hybrid rules in the Australian legal context.
- work with businesses, Treasury and the ATO to develop a voluntary code on increased public disclosure of tax information by companies, particularly large multinationals.

The Board will be consulted on the draft terms of reference.

Consult on the introduction of the G20/OECD's anti-hybrid rules

This proposal involves consulting on the G20 and OECD endorsed recommendations to neutralise hybrid mismatch arrangements. These arrangements to avoid tax include cross-border transactions that are deductible in one jurisdiction but not assessable in the other.

The OECD commentary on hybrid mismatches is due to be finalised in September 2015. This commentary will set out the principles underpinning the recommendations, agreed definitions and includes detailed examples of the practical application of the rules.

I consider that the Board is well placed to undertake this consultation as it builds on the Board's recent review of Australia's debt/equity rules and consultation with business about their perspective on base erosion and profit shifting. I ask the Board to report back by March 2016 to allow this issue to be considered as part of the 2016 Budget.

Voluntary code on the public disclosure of company tax information

The actions of a few high profile companies, particularly large multinationals engaging in aggressive tax avoidance have tarnished the reputations of companies that are doing the right thing. Some companies have responded by releasing information about their tax affairs, others

committing to do it and an industry association has recently encouraged its member companies to be more upfront with taxpayers on their tax affairs.

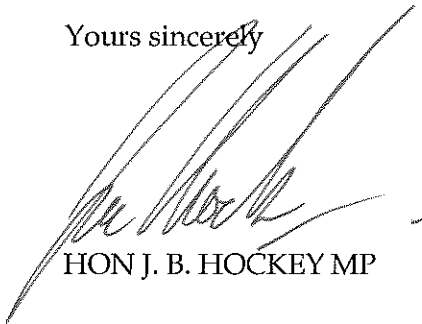
The Government would like more companies to publicly disclose their tax affairs so as to highlight companies that are paying their fair share and to encourage companies not to engage in aggressive tax avoidance.

I ask that the Board work with businesses, Treasury and the ATO to develop within 12 months a voluntary code on increased public disclosure of tax information by companies. If, 12 months after the code is developed, there is not wide adoption of it by large businesses then the Government will review and take action.

In undertaking these reviews I request that the Board consult with relevant stakeholder groups as appropriate. I envisage that a small, specialist team within the Treasury will work directly with the Board as required for each of these consultations.

In recognition of the public interest in these issues, I will be publicly releasing this letter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. B. Hockey', written over the typed name below.

HON J. B. HOCKEY MP