

BOARD OF TAXATION

2001-02 ANNUAL REPORT

AUGUST 2002

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CONTENTS

INTRODUCTION	1
The Board's mission.....	1
The Board's functions.....	1
ACTIVITIES OF THE BOARD IN 2001-02	3
Overview.....	3
Meetings.....	4
Review of consultation arrangements for the development of tax legislation.....	4
The Tax Value Method.....	5
Developing a draft legislative framework.....	5
Evaluating the TVM.....	6
Taxation of Trusts.....	7
Inspector-General of Taxation.....	7
Effectiveness of tax legislation and improvements to the tax system.....	8
Consolidation regime.....	9
Consultation.....	9
Integrated tax design project.....	10
Board of Taxation Internet site.....	10
THE YEAR AHEAD	10
Review of international tax arrangements.....	10
Other activities.....	11
APPENDIX A: MEMBERSHIP OF THE BOARD	12
APPENDIX B: THE CHARTER OF THE BOARD OF TAXATION	16
APPENDIX C: OFFICIAL MEETINGS OF THE BOARD OF TAXATION	19
APPENDIX D: TAX VALUE METHOD WORKING GROUP	20
APPENDIX E: CONSULTATION	22
APPENDIX F: CONSULTANCIES	25
APPENDIX G: FINANCIAL STATEMENTS	26
APPENDIX H: ORGANISATIONS CONSULTED IN JUNE 2002 — INSPECTOR-GENERAL OF TAXATION	28
APPENDIX I: MEMBERS OF THE BOARD'S ADVISORY PANEL	29

INTRODUCTION

The Board is a non-statutory body charged with advising the Government on the development and implementation of taxation legislation and the ongoing operation of the tax system. The Treasurer has placed particular emphasis on the role of the Board in facilitating full and effective community consultation in the implementation of tax policy decisions.

The Board consists of ten members, seven of whom, including the Chair of the Board, Mr Richard Warburton, have been appointed from the non-government sector, plus three ex-officio members — the Secretary to the Commonwealth Treasury, the Commissioner of Taxation and the First Parliamentary Counsel. Further details on the membership of the Board can be found at Appendix A. The Board is supported by a small Secretariat located in the Treasury and which includes a secondee from the Australian Taxation Office.

The operations of the Board are governed by its Charter, from which the Board's Mission and Functions are shown below. The Charter is reproduced in full at Appendix B.

The Board's mission

Recognising the Government's responsibility for determining taxation policy, and the statutory role of the Commissioner of Taxation, to contribute a business and broader community perspective to improving the design of taxation laws and their operation.

The Board's functions

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.

ACTIVITIES OF THE BOARD IN 2001-02

Overview

In the past year the Board made substantial progress on two significant projects that it commenced in 2000-01:

- the further development and evaluation of the Tax Value Method for determining taxable income; and
- an evaluation of appropriate processes by which the Government should consult with the community in the development of tax legislation.

In May 2002 the Board commenced a further significant project in which it:

- undertook community consultation on the Government's proposal to establish an Inspector-General of Taxation; and
- developed its own recommendations for the Government on this matter.

The Board provided reports to the Government in March 2002 on community consultation arrangements, and in July 2002 on both the Tax Value Method and the establishment of an office of Inspector-General of Taxation.

In addition, the Board gave extensive consideration during 2001-02 to issues relating to the appropriate taxation treatment of trusts.

More generally, the Board and its members individually consulted extensively with community stakeholders, both to discern views about the current operation of the tax system and the Government's reforms, and in the course of further refining the Board's modes of operation and processes needed to meet the requirements of its Charter.

In addition to expanding and developing its links with the many organisations that represent the community's interests in taxation, the Board established an advisory panel of twenty-three taxation experts drawn from the tax advising professions, business and academia. The panel was established to provide the Board with a quick and ready source of technical advice on aspects of the tax law.

Activities of the Board in 2001-2002

Meetings

The Board met monthly on twelve occasions in total in 2001-02. Details of Board members' attendance at meetings are provided at Appendix C.

Table 1: Board of Taxation Meetings, 2001-02

Date	Location
24 July 2001	Sydney
16 August 2001	Sydney
20 September 2001	Canberra
18 October 2001	Canberra
15 November 2001	Canberra
12 December 2001	Melbourne
31 January 2002	Melbourne
6 February 2002	Canberra
7 March 2002	Sydney
17 April 2002	Melbourne
17 May 2002	Canberra
18 June 2002	Sydney

Review of consultation arrangements for the development of tax legislation

The Board completed a project to review general arrangements for Government consultation with the community on the development of tax legislation. In formulating its report the Board had regard, among other things, to a report it received in September 2001 that it commissioned from KPMG Australia.

KPMG Australia conducted an extensive survey of community views on this issue, examined overseas models for consultation, and recommended measures designed to enhance the consultation process and deliver improved legislative outcomes in Australia.

The Board provided a report on the outcomes of its evaluation to the Government in March 2002, drawing on KPMG's advice and its own extensive and detailed analysis. The Treasurer, in a press release on 2 May 2002, broadly endorsed and committed the Government to implementing the processes recommended by the Board.

In accordance with the report, and as endorsed by the Treasurer, the Board will have an on-going role in monitoring the consultation process, and conducting post-implementation reviews of major pieces of tax legislation to ensure that Government policy intent has been effectively translated in practice.

Consistent with what the Board also recommended in its report, the Treasurer announced on 2 May 2002 that responsibility for the drafting of tax legislation would be transferred from the Australian Taxation Office (ATO) to the Treasury, effective from 1 July 2002. The Board considered that this transfer of responsibilities was needed to improve accountability for implementing the Government's tax policy initiatives and to address strong community concerns about the appropriateness of the ATO as the administrator of tax legislation, having responsibility also for designing that legislation.

The Tax Value Method

At the direction of the Treasurer, the Board was actively involved throughout the year in the development and evaluation of the Tax Value Method (TVM) for calculating taxable income (sometimes referred to as 'Option 2'), the adoption of which was recommended by the Ralph Review of Business Taxation.

The Treasurer, in a press statement of 7 August 2000, noted that, if implemented properly, the TVM has the potential to underwrite the development of a stable, less ambiguous and more understandable income tax system. He added that, potentially, the TVM could result in a system that is more conducive to accommodating changes into the future.

In taking up the task of further developing and evaluating the TVM, the Board determined that it should pursue an open and inclusive community consultation process. The process was designed first, to develop further the facts about the TVM and second, to progressively test and evaluate the relative merits of the idea with an emphasis on comprehensive 'road-testing', based on actual financial information and the circumstances of affected taxpayers.

Developing a draft legislative framework

The Board continued in 2001–02 to develop a draft legislative framework with accompanying explanatory material designed to demonstrate how the TVM would apply in practice and to explain the intent and purpose of the measure. This was done with assistance from its TVM Legislative Group and associated TVM Working Group (Appendix D contains a list of TVM Working Group members) and with input from the broader community. In particular, the draft demonstration legislation and assorted material were developed progressively through a series of four prototypes, each refining

Activities of the Board in 2001-2002

and expanding on the previous version, including in light of commentary from the TVM Working Group and the broader community. Input from the latter was facilitated through the public release of all prototypes and other materials on the Board's internet site as they were developed.

In addition, the Board hosted a major TVM conference on 23 and 24 July 2001. The emphasis of the conference was to promote a better understanding of the TVM model and to scope the critical issues that would need to be addressed in evaluating its potential.

A stakeholder briefing was also conducted on 6 March 2002 at which the final prototype TVM core legislation, explanatory material and a TVM information paper were released. The purpose of the briefing was to expose and explain the full TVM evaluation framework developed by the Board, as a basis on which interested parties could then proceed to formulate their own views on the concept. The Board sought public submissions by 30 April 2002.

Evaluating the TVM

A range of work was undertaken to evaluate the TVM in 2001-02. With the assistance of the ATO, workshops were conducted with tax practitioners from large and small accounting firms, business and the legal profession to educate participants about the TVM and to consider and test possible methodologies by which TVM taxable income calculations might best be derived.

The Board engaged Professor Chris Evans and Dr Binh Tran-Nam from the Australian Taxation Studies Program (ATAX) at the University of New South Wales in January 2002 to evaluate the potential transitional and on-going compliance cost impacts of adopting the TVM. Where possible, those involved in the workshops organised by the ATO were invited to also participate in the study in order to capitalise on their familiarity with the TVM concept.

The Institute of Chartered Accountants in Australia (ICAA) was also contracted by the Board to do further testing and evaluation. The ICAA commissioned seventeen accounting practitioners to apply the prototype TVM legislation in calculating the taxable incomes of a range of different clients, utilising their 2000-01 financial year accounts. The purpose of the study was to identify issues that could emerge in compiling from 'raw' accounting and financial data the information needed to work out taxable income under the TVM.

Professor Graeme Cooper of Melbourne University and Dr Michael Wenzel of the Australian National University were commissioned by the Board to test if the TVM resulted in more certain law. This involved comparative testing with groups of students

who had little or no exposure to tax matters, their understanding of the tax outcomes of transactions based on a sample of TVM based law and a sample of the existing law.

Finally, Mr Geoffrey Lehmann and associates of the firm PricewaterhouseCoopers were engaged by the Board to further develop an idea among some tax professionals that many of the benefits promised by the TVM (for example, common core rules, removal of the capital revenue distinction) could be more easily achieved by simply restructuring the current law, without adopting the TVM's core assets and liabilities framework.

The Board reported to the Treasurer and Minister for Revenue and Assistant Treasurer on the TVM in July 2002.

Taxation of Trusts

Following advice from the Board, the Treasurer announced on 27 February 2001 that the entity tax legislation released in exposure draft form in October 2000 would not be legislated by the Government. Instead, the Treasurer stated that the Government would begin a new round of consultations on principles which could protect legitimate small business and farming arrangements whilst addressing any tax abuse in the trust area, with the Board to be a part of this consultation.

In taking up the matter during the year, the Board commissioned analysis of the issues from the ATO and the Treasury and a number of external advisers. The Board expects to make a report on its findings to the Treasury Ministers in 2002-03.

Inspector-General of Taxation

On 29 May 2002, the Minister for Revenue and Assistant Treasurer published the Government's Consultation Paper on the Inspector-General of Taxation in the Taxation System ('the Paper'). The Minister asked the Board of Taxation to gather and consider the views of business taxpayers, the tax advising professions and the community on the Paper, and to make its own recommendations to her by 19 July 2002.

The Board appointed one of its members, Associate Professor Alison McClelland, to have day-to-day carriage of its work on the Inspector-General. In particular, Associate Professor McClelland oversaw the Board's consultations.

To facilitate community input, the Board prepared a Consultation Plan setting out how it proposed to gather views on the Paper. The Consultation Plan was published on the Board's internet site. The Chairman of the Board issued a media release outlining the

Activities of the Board in 2001-2002

Board's role in relation to the Paper and mentioning the availability of the Paper. The Consultation Plan was also advertised in daily newspapers throughout Australia.

Associate Professor McClelland convened meetings with external stakeholders in Melbourne and Canberra on 7 June 2002, and in Sydney on 12 June 2002. A list of the organisations represented at these meetings is at Appendix H. The principal aim of these meetings was to assist external stakeholders and the Board to identify and discuss the issues raised by the Paper.

Thirty-four submissions received by the Board on the Paper were published on its internet site.

To assist it in forming its own views on the Paper, the Board also commissioned Professor John McMillan, Alumni Chair in Administrative Law at the Australian National University, to advise it on the administrative law and practice implications of establishing an Inspector-General of Taxation.

Associate Professor McClelland also discussed the Paper with the Commonwealth Ombudsman, Mr Ron McLeod, and with Mr Peter White, Executive Director, Performance Audit Services, Australian National Audit Office.

The Board reported on the consultations that it conducted and its own recommendations to the Minister for Revenue and Assistant Treasurer in July 2002.

Effectiveness of tax legislation and improvements to the tax system

In addition to undertaking the projects discussed above, the Board has been focussing on identifying processes by which it can effectively perform, on an ongoing basis, its key functions of advising the Treasurer on the 'quality and effectiveness of tax legislation' and on 'improvements to the integrity and functioning of the tax system'. One specific initiative taken by the Board in this regard was to establish an advisory panel to provide it with an additional source of high level expert technical advice on which it can readily and quickly draw in considering technical issues in the tax law.

Membership on the panel was invited on the basis of the known capabilities and expertise of the individuals involved. The Board did not appoint persons on the panel on the basis that they would represent the views of sectional interests in the community. This is because the Board has, and continues to develop, close links with the many organisations and individuals who capably represent these interests, including those of small and medium sized enterprises, large business, the tax advising professions, welfare recipients and others within the community.

Membership of the Board's panel will change from time to time and will be reviewed by the Board at least annually. A list of panel members is contained in Appendix I.

Consolidation regime

The Treasurer announced on 22 March 2001, following advice from the Board, that the commencement of the consolidation regime that was initially intended to start on 1 July 2001, would be deferred until 1 July 2002. This reflected the Board's view that delays in developing the relevant legislation were such that businesses, especially smaller to medium sized businesses, could not prepare sufficiently for the change at that time.

Given its involvement in deferring the commencement of the new regime, the Board took steps to ensure that the legislation would be enacted from 1 July 2002. At the invitation of the ATO, but also in recognition of a need to assist the progress of the legislation at the time, the Board facilitated the appointment in October 2001 of Mr Ken Spence of the Melbourne tax advising firm Shaddick and Spence, as its representative on a high level Steering Group overseeing the consolidations project.

Mr Spence's contribution in bringing his extensive technical and commercial expertise to the Steering Group proved to be very valuable in shaping the legislation and in successfully identifying the pitfalls of some key elements or approaches that otherwise might have been pursued. His appointment in this role potentially provides a model for future exercises of this type.

Consultation

The Board met at seven of its Board meetings during the year with representatives from various organisations with a strong interest in tax system issues. Specifically, the Board met with representatives of the accounting and tax profession, welfare groups, the union movement and large and small business organisations (a detailed list is provided at Appendix E).

These meetings have become an integral part of Board meetings and are intended to give the Board some early indication of community concerns with, and priorities for, the tax system. They also provide the Board with an avenue for disseminating information about its activities.

Individual Board members have also been very active in participating in conferences, seminars and the like, and in consulting through their networks on tax issues. A list of speeches and presentations given by Board members is at Appendix E. Members and staff of the Board Secretariat also separately visited, hosted meetings and liaised with

Activities of the Board in 2001-2002

representatives of a number of organisations representing the interests of business, the tax advising professions and others in the broader community.

Integrated tax design project

During the year the Chairman of the Board continued to participate as a member of the Sponsor's Group for the ATO's Integrated Tax Design (ITD) project. The Board's review of consultation arrangements, and more generally the Board's mission, is closely linked to the processes and objectives of the ITD and the Board will continue to monitor developments in this area, including in the light of the shift in the tax design function from the ATO to the Treasury.

Board of Taxation Internet site

The Board of Taxation's internet site — www.taxboard.gov.au — provides general information on the Board, including its membership, the Board's charter, contact details and Board press releases. The Board made significant use of the internet site in 2001-02 in disseminating information to, and communicating with, the community. In particular the site was used to disseminate information about the following of the Board's projects:

- the development and evaluation of the tax value method for determining taxable income;
- the review of consultation arrangements; and
- community consultation concerning the potential establishment of an Inspector-General of Taxation.

THE YEAR AHEAD

Review of international tax arrangements

The Treasurer announced on 2 May 2002, a review of international tax arrangements with particular attention to be given to current international tax arrangements and:

- if they impede Australian companies expanding offshore;
- if they impede the attraction of domestic and foreign equity, and

- how they affect holding companies and conduit holdings being located in Australia.

In his announcement, the Treasurer asked the Board of Taxation to undertake public consultations on these issues in the second half of this year and to provide the Government with a report by the end of the year.

The review of international tax arrangements, therefore, will be a key focus of the Board in the coming year.

The Board has established a working party of Board members comprising Mr Tony D'Aloisio (chair), Mr Chris Jordan and Mr Brett Heading to have day-to-day carriage of the Board's work on the review of international tax arrangements.

Other activities

To the extent the Board has capacity during the year ahead, having regard to its significant commitment to the review of international tax arrangements, the Board will look to progress work on its key functions of advising the Treasurer on the quality and effectiveness of tax legislation and on possible improvements to the integrity and functioning of the tax system.

APPENDIX A: MEMBERSHIP OF THE BOARD

The Board of Taxation consists of ten members, seven of whom have been appointed from the business and community sector in their personal capacities. Also on the Board, as ex-officio members, are the Secretary to the Treasury, the Commissioner of Taxation, and the First Parliamentary Counsel.

Chairman — Richard F E (Dick) Warburton

Mr Warburton is currently the Chairman of David Jones Ltd, AurionGold Ltd and Caltex Australia Ltd. Mr Warburton also holds a number of directorships, including Southcorp Ltd, Nufarm Ltd, Tabcorp Holdings Ltd and Note Printing Australia Ltd. He was recently appointed Chairman and Director of HIH Claims Support Ltd, which has been formed to oversee the payments agreed to by the Commonwealth Government for HIH policyholders who have suffered hardship due to the liquidation of HIH. Mr Warburton is a member of the Reserve Bank Board. He is also a Director on the Advisory Boards of the Microsearch Foundation of Australia and The Garvan Research Foundation. He is also immediate past National President of the Australian Institute of Company Directors and was formerly Chairman of the NSW Olympic Business Roundtable. Mr Warburton is a former Chairman and CEO of Du Pont Australia and New Zealand.

John Bronger

Mr Bronger is the National President of the Pharmacy Guild of Australia and is a practising pharmacist of Wetherill Park, New South Wales. Mr Bronger holds a number of key positions within and outside pharmacy. Among other appointments, he is a Director of the National Return and Disposal of Unwanted Medicines Ltd, a member of the Australian Pharmaceutical Advisory Committee and Board Member of Gold Cross Products and Services Pty Ltd. He is also a Member of the Change Agent Network of the University of Technology, and is completing a Graduate Change Management Certificate.

Michael Carmody

Mr Carmody has been Commissioner of Taxation since 23 January 1993 after twenty-five years experience in the Australian Taxation Office (ATO). Mr Carmody previously worked in the Policy and Legislative area and was involved in a wide-range of tax-reform legislative initiatives. In 1983 he was appointed as First Assistant Deputy Commissioner before moving to become Deputy Commissioner of the ATO in Parramatta.

Mr Carmody was appointed Second Commissioner in 1986 and took responsibility for the ATO's Modernisation Program in 1987, before appointment to his current position.

Michael Chaney

Mr Chaney is the current Managing Director and Chief Executive Officer of Wesfarmers Limited. He is also a director of BHP Billiton, Gresham Partners Group and a number of Wesfarmers subsidiaries. He is also a Member of the Business Council of Australia, the Council of the National Gallery of Australia and Director of the Centre for Independent Studies. Mr Chaney resigned from the Board of Taxation on 6 August 2001. Other work commitments prevented Mr Chaney from serving out his full term on the Board.

Tony D'Aloisio

Mr D'Aloisio is the Chief Executive Partner of Mallesons Stephen Jaques. He is a Member of the Business Council of Australia, Chairman of its Regulatory Task Force and a Member of its Taxation Task Force. He is a Member of the International Legal Services Advisory Council and the Chairman of its Globalisation of Legal Services Committee. Mr D'Aloisio is also a Member of the WTO Advisory Board and the University of Melbourne Strategic Advisory Board. Mr D'Aloisio joined the Board on 16 August 2001, replacing Mr Chaney.

John Harvey

Mr Harvey was appointed President and Chief Executive of Mount Eliza Business School on 15 October 2001. He had a distinguished career in accounting and taxation. His most recent executive role was as inaugural CEO of PricewaterhouseCoopers Australia (PwC), created through the local merger with Coopers and Lybrand which he negotiated and implemented. Mr Harvey spent more than twenty-five years with PwC, rising to become head of the Australian partnership and a member of PwC's Global Oversight Board. He is active in the Australian business community and serves on the Boards of organisations including David Jones Ltd and the Melbourne Cricket Ground Trust. Among his more recent projects was a major review for the Victorian Government of the State's business taxation regime.

Brett Heading

Mr Heading is presently a Partner and Head of the Corporate Advisory Group of McCullough Robertson Lawyers. He is also an experienced company director and is a director of listed companies Metal Storm Ltd, Autogen Ltd and Peplin Biotech Ltd. He has diverse personal agribusiness interests (including cattle, vineyard and olive operations) and is Chairman of Clovelly Estate Ltd. Mr Heading is also a member of the Takeovers Panel.

Appendix A: Membership of the Board

Ken Henry

Dr Henry has been Secretary to the Treasury since 27 April 2001. Dr Henry's experience in taxation matters began when he joined Treasury as a member of the Treasury's Taxation Policy Division from 1984 to 1986. After fulfilling various positions both inside and outside Treasury, Dr Henry returned to the Treasury in January 1994 as head of the Taxation Policy Division. In August 1997, he was appointed Chairman of the Government's Taxation Task Force, responsible for providing advice to the Government on tax reform options. Dr Henry was then appointed to other executive roles before taking up his current position.

Chris Jordan

Mr Jordan is Chairman of KPMG's Partners in New South Wales and was previously Partner in Charge of the New South Wales Tax and Legal Division of KPMG. Mr Jordan is the former Chairman of the New Tax System Advisory Board. He was also previously the State Chairman of the New South Wales Division of the Taxation Institute of Australia and a member of its Education Committee.

Alison McClelland

Ms McClelland is presently Associate Professor, School of Social Work and Social Policy in the Faculty of Health Sciences at La Trobe University. She is also a member of a number of Advisory Committees, including the National Institute for Governance and the Melbourne Institute of Applied Economic and Social Research. Prior to joining La Trobe, Associate Professor McClelland was a Director of the Brotherhood of St Laurence, responsible for Social Action and Research. Associate Professor McClelland was also previously Deputy President of the Australian Council of Social Service and also its principal policy coordinator on economic and tax issues.

Hilary Penfold QC

Ms Penfold joined the Office of Parliamentary Counsel in 1977. She was appointed as First Parliamentary Counsel in July 1993, and re-appointed for a further seven years in 2000. In June 2000, Ms Penfold was awarded the Public Service Medal. In May 2001, she was appointed as a Commonwealth Queen's Counsel.

Secretary to the Board of Taxation

Murray Edwards

Mr Edwards is a career Treasury officer with more than twenty-five years of public policy experience. He has worked extensively in the fiscal and financial markets policy areas of the Department. From December 1996 to January 2000, Mr Edwards was Treasury's Senior Representative in Japan.

APPENDIX B: THE CHARTER OF THE BOARD OF TAXATION

Mission

Recognising the Government's responsibility for determining taxation policy, and the statutory role of the Commissioner of Taxation, to contribute a business and broader community perspective to improving the design of taxation laws and their operation.

Membership

The Board of Taxation will consist of up to ten members.

Up to seven members of the Board will be appointed, for a term of two years, on the basis of their personal capacity. It is expected that these 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 Chairman will be appointed from among these members of the Board. Members may be re-appointed for a further term.

The Secretary of 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 Chairman 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 daily sitting fees 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.

Conflict of interest declaration

All members of the Board are taxpayers in various capacities. Some members of the Board derive income from director's fees, company dividends, trust distributions or as a member of a partnership.

The Board's practice is to require members who have a material personal interest in a matter before the Board to disclose the interest to the Board and to absent themselves from the Board's discussion of the matter, including the making of a decision, unless otherwise determined by the Chairman (or if the Chairman has the interest, the other members of the Board).

Appendix B: The Charter of the Board of Taxation

The Board does not regard a member as having a material personal interest in a matter of tax policy that is before the Board merely because the member's personal interest may, in common with other taxpayers or members of the public, be affected by that tax policy or by any relevant Board recommendations.

APPENDIX C: OFFICIAL MEETINGS OF THE BOARD OF TAXATION

Table 2: Attendance at Board meetings, 2001-02

Member	Number of meetings eligible to attend	Number of meetings attended
Mr Warburton (Chair)	12	12
Mr Bronger	12	10
Mr Carmody (2)	12	11
Mr Chaney (1)	1	1
Mr D'Aloisio (3)	11	8
Mr Harvey	12	12
Mr Heading	12	12
Dr Henry (2)	12	12
Mr Jordan	12	11
Ms McClelland	12	11
Ms Penfold (2)	12	12

- (1) Mr Chaney resigned from the Board of Taxation following the July 2001 meeting.
- (2) Or delegate. The Board's Charter allows for ex-officio members of the Board to be represented by a delegate at Board meetings.
- (3) Mr D'Aloisio joined the Board on 16 August 2001 following the resignation of Mr Chaney.

APPENDIX D: TAX VALUE METHOD WORKING GROUP

Table 3: Tax Value Method working group — membership

Name	Organisation
Mr Chris Jordan	Chair; Member of the Board of Taxation
Mr Paul Abbey	Shaddick & Spence (consultant to the TVM Legislative Group)
Mr Tony Baxter	A.J. Baxter & Associates
Mr Peter Burn	Business Council of Australia
Prof Graeme Cooper	University of Melbourne
Mr Michael Dirkis	Taxation Institute of Australia
Mr Frank Drenth	Corporate Tax Association
Mr Paul Drum	CPA Australia
Prof Chris Evans	University of New South Wales
Mr Paul Hooper	Lend Lease
Mr Geoffrey Lehmann	PricewaterhouseCoopers
Ms Joycelyn Morton	CPA Australia
Mr Luigi Mottolini	Wesfarmers
Ms Su McCluskey	National Farmers Federation
Mr Romano Nenna	Formerly Coles Myer
Mr Brian Richards	BDO Kendalls
Mr Kevin Stevenson	Stevenson McGregor (consultant to the TVM Legislative Group) ¹
Mr Miquel Timmers	Corporate Tax Association
Mr Ken Traill	The Institute of Chartered Accountants in Australia
Mr Kel Wall	BHP-Billiton
Ms Sue Weston	Department of Industry, Tourism and Resources

Mr Kel Wall replaced Mr Ian Edney as BHP Billiton representative.

¹ Mr Stevenson left the TVM legislative team and TVM working group in October 2001 following his appointment to an overseas position.

Table 4: Tax Value Method working group — meetings in 2001-2002

Date	Location
5 July 2001	Melbourne
6 September 2001	Melbourne
15 October 2001	Sydney
11 December 2001	Melbourne
14 February 2002	Sydney
9 May 2002	Sydney

APPENDIX E: CONSULTATION

Table 5: Speeches and presentations

Date	Presentation	Event	Member
30-31 August 2001	Update on Current Issues before the Board of Taxation	The Taxation Institute of Australia (TIA) 40 th Annual Victorian State Convention (Vic)	Richard Warburton
6 September 2001	Tax Reform Process	CEDA Conference (Qld)	Richard Warburton
11-12 September 2001	Tax Reform Process	Curtin Business School (WA)	Richard Warburton
16 October 2001	Board of Taxation – Current Issues	Law Faculty, University of New South Wales (NSW)	Chris Jordan
17 October 2001	The Future of Tax Reform in Australia	Ratcliffe Memorial Lecture, School of Business Law and Taxation, University of New South Wales (NSW)	Richard Warburton
21 November 2001	Tax Reform	American Chamber of Commerce (NSW)	Richard Warburton
12 February 2002	Business Tax Reforms — Progress with the Tax Value Method	Business, Economic and Trade Committee NSW Farmers' Federation (NSW)	John Bronger
14 February 2002	Tax Value Method	Small Business Coalition (Canberra)	John Bronger
11 March 2002	Consultation on Taxation Legislation and Implementation: The Board of Taxation Perspective	State and Territory Revenue Commissioners' Annual Conference (Qld)	Brett Heading
15 March 2002	Update on Current Issues before the Board of Taxation	The Taxation Institute of Australia (TIA) 16th National Convention (Canberra)	Richard Warburton
6 May 2002	Opening Address	Corporate Tax Association (CTA) Conference (Vic)	Richard Warburton

Table 5: Speeches and presentations (continued)

Date	Presentation	Event	Member
8 May 2002	Tax Reform Overview: The State of The Tax Reform Agenda in Australia and the contribution being made by the Board of Taxation	Institute of Chartered Accountants in Australia (ICAA) Business Forum 2002 (NSW)	Richard Warburton
14 June 2002	Keynote Address: The Future of Tax Reform in Australia	CPA Australia Public Accountants' Convention 2002 (WA)	Richard Warburton

Table 6: Meetings with externals

Date	Attendees
20 September 2001 Board of Taxation Meeting, Canberra	Consortium from Australian Business Limited members, including: <ul style="list-style-type: none"> • Mr Geoff Schubert (Australian Business Limited) • Ms Anna Carrabs (William Buck) • Mr Geoff Lehmann (PricewaterhouseCoopers) • Dr Peter Burn (Business Council of Australia) • Mr Ken Traill (Institute of Chartered Accountants in Australia) • Mr John Wallace (Andersen)
18 October 2001 Board of Taxation Meeting, Canberra	Council of Small Business Organisations of Australia (COSBOA)
15 November 2001 Board of Taxation Meeting, Canberra	Business Coalition for Tax Reform (BCTR)
12 December 2001 Board of Taxation Meeting, Melbourne	Australian Council of Trade Unions (ACTU)
31 January 2002 Board of Taxation Meeting, Melbourne	Taxation Institute of Australia (TIA) CPA Australia Institute of Chartered Accountants in Australia (ICAA) Corporate Tax Association (CTA)

Appendix E: Consultation

Table 6: Meetings with externals (continued)

Date	Attendees
6 February 2002 Board of Taxation Meeting, Canberra	International Banks and Securities Association of Australia (IBSA)
17 May 2002 Board of Taxation Meeting, Canberra	Australian Council of Social Service (ACOSS)

Table 7: Board of Taxation press releases

Number	Title	Date
3	Review of Community Consultation Arrangements — KPMG On-line Survey	23 July 2001
4	Tax Value Method Consultative Conference Papers	4 September 2001
5	Final Round of TVM Consultations	6 March 2002
6	Current Income Tax Laws Unsustainable — Tax Board Chairman Tells Convention	15 March 2002
7	Government Consultation with the Community on the Development of Taxation Legislation	3 May 2002
8	Consultations on Inspector-General of Taxation	29 May 2002

APPENDIX F: CONSULTANCIES

Table 8: List of Consultancies in 2001-02

Consultant	Project	Cost (\$)	Reason	Method of procuring
University of Melbourne	Provide assessment of asserted increase in certainty arising from the introduction of the Tax Value Method	37,928	(b), (e)	Direct engagement
Australian Taxation Studies (ATAX)	Act as organiser and coordinator of the Tax Value Method conference	78,871	(b), (e)	Direct engagement
Shaddick & Spence Chartered Accountants	Provision of advice to the Consolidation Regime Steering Committee as a representative of the Board of Taxation	76,424	(b), (e)	Direct engagement
A J Baxter and Associates	Development of Option 3 in comparison to the proposed TVM income tax system	11,000	(c), (e)	Direct engagement
Griffin Interlink Pty Ltd	Communication Strategy Advisor for the Tax Value Method	53,395	(e)	Select
Australian Taxation Studies (ATAX)	Evaluate the compliance costs and benefits of the Tax Value Method	36,080	(c)	Direct engagement
Pricewaterhouse Coopers	Progression of Option 3 in relation to the Tax Value Method	38,500	(c), (e)	Direct engagement
The Institute of Chartered Accountants in Australia	Development of Tax Value Method conceptual testing and compliance evaluation	68,189	(c), (e)	Direct engagement
Sherry Pullen Business Consulting	Provision of facilitator services to the Board of Taxation	7,418	(e)	Select

a Need for rapid access to latest technology and expertise in its application

b Specialist in-house resources unavailable in time allowed

c Need for independent study

d Need for change agent or facilitator

e Specialist skill or knowledge not available in-house

f Other

Note: Costs shown not necessarily fully incurred in 2001-02.

APPENDIX G: FINANCIAL STATEMENTS

The Government provided the Board with a budget allocation of \$2 million in 2001-02 as part of the annual budget appropriations for the Department of Treasury. Expenses incurred by the Board in 2001-02 included the running costs of the Board and the Board's Secretariat and the engagement of a number of consultants on key Board projects, including the Community Consultation project, the review of the Tax Value Method (TVM) and the Inspector-General of Taxation.

Table 9: Revenue, expenses and operating result, 2001-02

	\$
Expenses	
<i>Employee expenses</i>	
Wages	194,912
Superannuation	36,643
Other employee expenses	98,195
<i>Total employee expenses</i>	329,749
<i>Other expenses</i>	
Travel — domestic	137,584
Travel —overseas	3,658
Advertising	21,302
Conferences and training	2,836
Consultants and contracts	716,893
Office requirements	56,565
Legal services	470
Other operating costs	108,187
<i>Total other expenses</i>	1,047,496
Total expenses	1,377,245
Revenue	
Funding from Government	2,000,000
Operating surplus	622,755

Notes

1. Travel expenses include airfares, travel allowances and other transport costs.
2. Consultants & contracts include a number of contracts that were raised in the 2000-01 financial year and had outstanding commitments as at 30 June 2001.
3. Other operating costs include printing, publications, venue hire, intra-departmental expenses and other miscellaneous expenditure.

Table 10: Sitting fees paid to Board members, 2001-02

Member	\$
Mr Warburton	21,076
Mr Bronger	6,940
Mr Chaney (1)	1,720
Mr Harvey	7,280
Mr Heading	6,100
Mr D'Aloisio	3,960
Mr Jordan	11,420
Ms McClelland	4,860
Total	63,356

Notes

1. Mr Chaney resigned from the Board of Taxation in July 2001. Some sitting fees for meetings attended in the previous financial year were paid in 2001-02.
2. Members receive daily sitting fees for attending Board meetings and participating in other official business of the Board (for example, representing the Board in meetings with externals, giving presentations). The ex-officio members of the Board do not receive sitting fees.
3. Figures may include amounts paid to members in 2001-02 regarding activities undertaken in 2000-01. Some sitting fees relating to activities in 2001-02 may not have been invoiced in the same financial year.

APPENDIX H: ORGANISATIONS CONSULTED IN JUNE 2002 — INSPECTOR-GENERAL OF TAXATION

Organisations represented

Administrative Review Council
Allens Arthur Robinson
Australian Business Limited
Australian Chamber of Commerce and Industry
Australian Institute of Company Directors
Business Council of Australia
Centre for Tax System Integrity, Australian National University
Council of Small Business Organisations of Australia Ltd
CPA Australia
Deloitte Touche Tohmatsu
Ernst & Young
Financial Planning Association of Australia Limited
Freehills
Institute of Chartered Accountants in Australia
KPMG
Law Institute of Victoria
Law Society of New South Wales
Law Society of the Australian Capital Territory
Mallesons Stephens Jaques
National Farmers' Federation
National Institute of Accountants
Taxpayers Australia
The Savings Factory Ltd

APPENDIX I: MEMBERS OF THE BOARD'S ADVISORY PANEL

Table 11: Members of advisory panel

Panel Member:	Position, Organisation:
Mr Stephen Barkoczy	Associate Professor, Monash University
Ms Sarah Bernhardt	Tax Partner, Allens Arthur Robinson
Ms Narelle Butler	Chartered Accountant, Barrister
Mr Alf Capito	Partner, Ernst & Young Australia
Mr Michael Clough	Partner, Mallesons Stephen Jaques
Mr Gordon Cooper	Director, Greenwoods & Freehills
Mr Ian Farmer	Partner Tax Services, PricewaterhouseCoopers
Mr John Gonsalves	National Tax Director, Ernst & Young Australia
Mr Michael Hay	Partner, Pitcher Partners
Mr Paul Hooper	Senior Tax Manager, Lend Lease
Mr Larry Magid	Partner, Allens Arthur Robinson
Dr Jeff Mann AM	Partner, Mallesons Stephen Jaques
Ms Louise McBride	Partner, Deloitte Touche Tohmatsu
Ms Ann O'Connell	Special Counsel, Allens Arthur Robinson
Mr Robert Oser	Sole Practitioner, Chartered Accountant
Mr Brian Richards	Partner, BDO Kendalls
Dr Tony Rumble	Chief Executive Officer, SavingsFactory Ltd
Mr Ken Spence	Partner, Shaddick & Spence
Mr David Stevens	Partner, Tax Strategy & Policy, KPMG
Mr David Temby	Partner, Mallesons Stephen Jaques Solicitors
Mr Robert Upfold	Executive Director, Macquarie Bank Limited
Professor Richard Vann	Challis Professor of Law, University of Sydney
Associate Professor Neil Warren	Associate Director (Research), Australian Taxation Studies Program (ATAX)