

THE BOARD OF TAXATION

2002-03 ANNUAL REPORT

OCTOBER 2003

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ISBN

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INTRODUCTION

The Board of Taxation 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 Board's role in facilitating full and effective community consultation in the implementation of tax policy decisions.

The Board comprises ten members, seven of whom, including the Chairman, Mr Richard Warburton, have been appointed from the non-government sector. There are 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 are at Appendix A. The Board is supported by a small Secretariat located in the Treasury.

The operations of the Board are governed by its Charter, including the Mission and Functions 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, the Board's mission is 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 2002-03

Overview

During 2002-03, the Board provided advice to the Government on a number of significant projects. These were:

- the Tax Value Method for determining taxable income — report provided to the Government in July 2002 and released publicly in August 2002;
- the Inspector-General of Taxation — report provided to the Government in July 2002 and released publicly in September 2002;
- the Taxation of Trusts — report provided to the Government in November 2002 and released publicly in December 2002; and
- the Review of International Taxation Arrangements — report provided to the Government in February 2003 and released publicly in May 2003.

These reports are available on the Board's website at:

<http://www.taxboard.gov.au/content/publications.asp>.

Also in 2002-03, the Board began work in anticipation of receiving a reference from the Treasurer to consult on the legislative definition of a charity. This reference was received in July 2003 and will form a significant part of the Board's 2003-04 work program. The work program for 2003-04 will also include a post-implementation review of the quality and effectiveness of the non-commercial loss measure and further work on the possible merger of the two Income Tax Assessment Acts.

During 2002-03, the Board and its individual members consulted extensively with stakeholders, including the Board's Advisory Panel, to elicit views about the current operation of the tax system and the Government's reforms, and on how the Board could further refine its processes to meet the requirements of its Charter.

Meetings

The Board met on twelve occasions during 2002-03, as shown in the following table. Details of Board members' attendance at meetings are provided at Appendix C.

Table 1: Board of Taxation meetings

Date	Location
4 July 2002	Sydney
17 July 2002	Canberra
20 August 2002	Sydney
25 September 2002	Melbourne
16 October 2002	Canberra
27 November 2002	Sydney
6 December 2002	Sydney
18 December 2002	Canberra
3 February 2003	Canberra
6 March 2003	Canberra
8 April 2003	Sydney
11 June 2003	Canberra

Advisory Panel

On 9 July 2002, the Board Chairman announced that the Board had established a high level Advisory Panel to assist it in the general performance of its role, including 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.

The Panel draws together 24 of Australia's leading taxation professionals who have agreed voluntarily to contribute their knowledge and expertise in assisting the Board with its work. Panel members are appointed on the basis of their individual capabilities and expertise, and not as representatives of particular interests.

The Panel provides an important additional source of advice to that provided by the business, professional and other community representative organisations with which the Board has developed close working relations.

Membership of the Advisory Panel will change from time to time and will be reviewed periodically by the Board. The membership as at 30 June 2003 is set out in Appendix G.

Review of International Taxation Arrangements

A key focus of the Board during the year was the Review of International Taxation Arrangements announced by the Treasurer on 2 May 2002. On 22 August 2002, the Treasurer released the consultation paper *Review of International Taxation Arrangements*, prepared by the Department of the Treasury, and asked that the Board undertake public consultation on it.

The Treasurer asked that the consultation give particular attention to:

- whether Australia's dividend imputation system impedes Australian companies expanding offshore;
- improving Australia's attractiveness as a location for internationally focused companies to operate global and regional businesses;
- enhancing Australia as a global financial services centre; and
- improving Australia's tax treatment of foreign expatriates to enhance Australia's attractiveness to overseas talent.

A Working Group of Board members comprising Mr Tony D'Aloisio (Chairman), Mr Chris Jordan and Mr Brett Heading was established to take day-to-day carriage of the Board's work on the review.

The Board released a consultation plan and sought submissions from stakeholders by 31 October 2002. The Board's Working Group met with a number of representatives of corporate taxpayers on 2 September 2002 to explore key issues identified in the Treasury paper. The Board also convened a consultative seminar with approximately 100 stakeholders in Sydney on 30 September 2002.

After the close of submissions on 31 October 2002, the Working Group met with key stakeholders to assist it to better understand their submissions. A total of 58 organisations provided submissions.

In its report to the Government in February 2003, the Board set out a range of recommendations. Some of the key recommendations included:

- changes to Australia's dividend imputation system to introduce a tax credit for unfranked dividends paid out of foreign source income and to allow dividend streaming of foreign source income to ensure that the imputation system does not impede the ability of Australian companies to attract capital for offshore expansion;

- significant reforms to Australia's controlled foreign company regime to remove impediments to Australia's attractiveness as a location for internationally-focused companies to operate global and regional businesses;
- significant reforms to Australia's foreign investment fund rules to remove impediments to Australia as a global financial services centre; and
- a range of recommendations designed to improve Australia's tax treatment of foreign expatriates.

The Government released the Board's report on Budget night in May 2003, thanking the Board for its work in reviewing the complex area of international taxation. The Government broadly supported the Board's recommendations seeking a major overhaul of Australia's complex controlled foreign company regime. The Government also endorsed, in large part, the Board's recommendations designed to position Australia as a global financial services centre. Finally, the Government largely endorsed the Board's recommendations to boost Australia's attractiveness to skilled overseas labour.

The Government did not believe it was appropriate to implement the Board's recommendations concerning Australia's dividend imputation system at this time. The Government drew attention to the Board's acknowledgment that the recommendations reflected an 'on balance' judgement that could also give rise to negative effects from implementing these proposals.

The Tax Value Method

Following its work in the two previous years in the development and evaluation of the Tax Value Method (TVM), the Board forwarded its report to the Treasurer and the Minister for Revenue and Assistant Treasurer in July 2002.

In that report the Board recommended that the Government cease further work on the TVM. This recommendation reflected concerns raised with the Board that, while the TVM offered benefits in some areas, it would generate greater complexity and uncertainty and that the on-going benefits of adopting the concept were uncertain and unproven. Adding to this was the concern that adopting the TVM would result in substantial transitional costs for tax advisers and business generally.

Amongst other recommendations in its report, the Board considered that priority should be given to implementing under the current law several measures recommended by the Review of Business Taxation to give relief to 'black hole' expenditure and also the recommendations regarding the taxation treatment of rights.

Activities of the Board in 2002-03

The Board noted in its report that all major stakeholders were highly complimentary about its processes for developing and evaluating the TVM. Stakeholders welcomed in particular the openness and inclusiveness of the process, including the Board's approach of exposing for public comment the preliminary drafts of the TVM demonstration legislation, suggesting that it offered a model for the way in which future changes to tax law could be developed and evaluated.

The Government released the Board's report in August 2002, accepting the Board's recommendation concerning the TVM and announcing the development of measures for the tax treatment of rights and 'black hole' expenditure.

Taxation of Trusts

Following its work on this issue in 2001-02, the Board reported to the Government in November 2002.

In its report the Board concluded that there were no compelling arguments for broad-based reform to more closely align the tax treatment of discretionary trusts and companies. Accordingly, the Board recommended that the Government retain the current flow-through treatment of distributions of non-assessable amounts by discretionary trusts.

In reaching this conclusion, the Board noted that a number of amendments have been made to the taxation treatment of trusts in recent years to address specific tax planning opportunities. The Board considered that these amendments appeared to have modified behaviour, noting advice that non-compliance with these provisions is not considered to be a significant concern.

However, the Board recommended that two minor issues warranted consideration and clarification:

- that the Government should consider options for amending the income tax law to improve the effectiveness and fairness of provisions intended to prevent individuals who are trust beneficiaries with high marginal tax rates accessing, without further tax liability, funds that have been taxed only at the company tax rate; and
- that the Commissioner of Taxation clarify and publish his views about the deductibility of interest on borrowings used to finance non-assessable distributions to beneficiaries of discretionary trusts.

The Treasurer released the Board's report in December 2002. He announced that the Government would legislate to introduce new provisions in place of section 109UB of the *Income Tax Assessment Act 1936* dealing with distributions from trusts. The Treasurer also

said that he had requested clarification on interest deductibility for borrowings used to finance non-assessable distributions to beneficiaries of discretionary trusts and that, if rulings were unable to deal with the matter, the Government would consider a legislative solution.

On 25 June 2003, the Treasurer announced further details on the new provision dealing with distributions that the Government intends to introduce in place of section 109UB.

The 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*. At the same time, the Minister asked the Board 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.

The Board's consultations included meetings with external stakeholders and the receipt of submissions from 34 interested organisations and individuals. The Board provided its report to the Minister on 19 July 2002. This contained 15 recommendations on implementation issues, including on the functions of the Inspector-General, the interaction of that office with the Australian Taxation Office and the Ombudsman, the appointment, removal and desirable qualifications of the Inspector-General, and the publication of reports.

The Minister responded to the report on 16 September 2002, accepting most of the Board's recommendations.

The *Inspector-General of Taxation Act 2003* received Royal Assent on 15 April 2003. Mr David Vos, AM was appointed as the inaugural Inspector-General from 7 August 2003 for a five year term.

Consultation on the Definition of a Charity

On 29 August 2002, the Government announced its response to the Report of the Inquiry into the Definition of Charities and Related Organisations. At that time, the Government stated its intention to ask the Board of Taxation to consult widely with the charitable sector on an exposure draft of a legislative definition of a charity. The legislation is expected to begin on 1 July 2004.

Based on that announcement, the Board commenced preparations for its work by establishing a Board Working Group comprising Ms Jane Schwager (Chair), Mr John

Activities of the Board in 2002-03

Bronger, Ms Hilary Penfold and Mr Dick Warburton. It also engaged an external consultant to prepare a draft consultation plan which was completed in April 2003. Some preparations were also made to assist potential respondents to the consultation, and other internal planning issues.

The Board's consultation formally commenced on 15 July 2003 upon receipt of the terms of reference from the Treasurer which included the Exposure Draft *Charities Bill 2003* and Explanatory Material.

Possible Merger of the Two Income Tax Assessment Acts

In the latter part of 2002-03, the Board began to scope a possible project for integrating the 1936 and 1997 Income Tax Assessment Acts. It established a Board Working Group comprising Mr Dick Warburton, Mr Chris Jordan and Ms Hilary Penfold to take this work forward. The Working Group asked four of the Board's Advisory Panel members — Mr Gordon Cooper, Associate Professor Chris Evans, Mr Michael Hay and Mr Ken Spence — to assist with the scoping of possible integration options.

The Board's purpose is to see whether there may be relatively straightforward options for reducing the volume of tax legislation and making it easier to use for taxpayers and their advisers — both in the short-term and by providing a better platform for longer-term improvement as legislation is amended in the normal course.

The tax practitioner community would be the primary beneficiary of any change although it may also face some adjustment costs. The Board is therefore keen to ensure that the costs and benefits of various options are fully assessed in consultation with practitioners.

Consultation Processes

During the year, the Board has been active in monitoring the consultation processes adopted by the Treasury in the development of taxation policy and legislation. This activity arises from the Board's Charter which requires the Board to provide advice to the Treasurer on, amongst other things, the processes of community consultation in the development of tax legislation.

With the shift of responsibility for the design of tax laws and regulations from the Australian Taxation Office to the Department of the Treasury from 1 July 2002, the Board has focused its work in this area on engaging with the Treasury to gain a shared understanding of how Treasury will approach the consultation process. As part of this work, the Board continues to receive regular updates from the Treasury on the progress of consultation on policy and legislative measures.

The 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, Board press releases and Board reports to the Government. The Board makes significant use of the internet site in disseminating information to, and communicating with, the community.

THE YEAR AHEAD

Consultation on the Definition of a Charity

The Board will focus in the first part of 2003-04 on consulting with stakeholders and developing recommendations to the Government on the legislative definition of a charity. The Government has asked that the Board report by early December 2003.

Post-implementation Reviews

In 2003-04 the Board will be embarking on a post-implementation review of the quality and effectiveness of the non-commercial loss measure contained in Division 35 of the *Income Tax Assessment Act 1997*. The Board's review will focus on the extent to which the legislation:

- gives effect to the Government's policy intent, with compliance and administration costs commensurate with those foreshadowed in the Regulation Impact Statement for the measure;
- is expressed in a clear, simple, comprehensible and workable manner;
- avoids unintended consequences of a substantive nature;
- takes account of actual taxpayer circumstances and commercial practices;
- is consistent with other tax legislation; and
- provides certainty.

Activities of the Board in 2002-03

Possible Merger of the Two Income Tax Assessment Acts

The Board will continue to scope a possible project to integrate the 1936 and 1997 Income Tax Assessment Acts, and develop advice for Ministers to enable them to decide whether a project should proceed.

APPENDIX A: MEMBERSHIP OF THE BOARD

The Board of Taxation comprises up to ten members who are appointed by the Treasurer. Up to seven members are appointed in their personal capacity from within the business and wider community. The Secretary to the Treasury, the Commissioner of Taxation and the First Parliamentary Counsel are *ex officio* members.

Initial appointments took effect from 14 September 2000 and ran for two years. During 2002-03, five inaugural members were re-appointed for further two year terms expiring on 31 October 2004: Mr Richard Warburton, Mr John Bronger, Mr John Harvey, Mr Brett Heading and Mr Chris Jordan.

Mr Harvey subsequently resigned with effect from 10 April 2003. Another inaugural member, Associate Professor Alison McClelland, did not seek re-appointment when her initial term expired on 13 September 2002.

Ms Jane Schwager was newly appointed to the Board in 2002-03 for a two year term beginning 16 October 2002.

The members of the Board during 2002-03 were:

Chairman — Richard F E (Dick) Warburton

Mr Warburton is currently Chairman of Caltex Australia Ltd. His other directorships include Southcorp Ltd, Nufarm Ltd, Tabcorp Holdings Ltd and Note Printing Australia Ltd. He is also Chairman and Director of HIIH Claims Support Ltd, which oversees the payments agreed to by the Commonwealth Government for HIIH policyholders who have suffered hardship due to the liquidation of HIIH, and a Director on the Advisory Board of The Garvan Research Foundation. Mr Warburton is a former Board Member of the Reserve Bank of Australia, Chairman of the NSW Olympic Business Roundtable, a past National President of the Australian Institute of Company Directors, and 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 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 Australian Association of Consultant Pharmacists, a member of the Australian Pharmaceutical Advisory Committee, a Board member of Gold Cross Products and

Appendix A: Membership of the Board

Services Pty Ltd and Vice-President of the Sydney University Pharmacy Practice Foundation.

Michael Carmody

Mr Carmody was appointed Commissioner of Taxation in January 1993 after 25 years experience in the Australian Taxation Office (ATO). He 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.

Mr Carmody has been an *ex officio* member of the Board since 14 September 2000.

Tony D'Aloisio

Mr D'Aloisio is the Chief Executive Partner of Mallesons Stephen Jaques. Mr D'Aloisio's directorships include The Australian Charities Fund and Boral Limited. His firm is a member of the Business Council of Australia. 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 University of Melbourne (Law School) Strategic Advisory Board.

John Harvey (resigned April 2003)

Mr Harvey was appointed President and Chief Executive of Mount Eliza Business School on 15 October 2001. He had had a distinguished career in accounting and taxation, including 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 25 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 a Partner and Head of the Corporate Advisory Group of McCullough Robertson Lawyers. He is an experienced company director, and is presently director of listed companies AGT Biosciences Ltd and Peplin Biotech Ltd. He has diverse personal

Appendix A: Membership of the Board

agribusiness interests (including cattle, vineyard, lucerne and olive operations) and is Chairman of Clovely Estate Ltd. Mr Heading is also a member of the Takeovers Panel.

Ken Henry

Dr Henry has been Secretary to the Treasury since 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.

Dr Henry has been an *ex officio* member of the Board since 27 April 2001.

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 (term expired September 2002)

Ms McClelland is 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, Ms McClelland was a Director of the Brotherhood of St Laurence, responsible for Social Action and Research. She was also previously Deputy President of the Australian Council of Social Service and 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 7 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.

Ms Penfold has been an *ex officio* member of the Board since 14 September 2000.

Appendix A: Membership of the Board

Jane Schwager

Ms Schwager is Chief Executive Officer of The Benevolent Society, a major social enterprise driving social innovation, responsible for the 'Sydney Leadership' program and a wide range of community and residential programs for those in need. Previously, she was the Director-General of the NSW Ageing and Disability Department, and Executive Director of the NSW Social Policy Directorate where she was responsible for advising the NSW Government on its social agenda across government departments. She was a member of the 2000 Commonwealth Government Social Welfare Reference Group responsible for the groundbreaking review of the Australian welfare system. Ms Schwager serves on a number of boards and advisory bodies in the non-profit sector including The Benevolent Society, Social Ventures Australia, Indigenous Festivals of Australia and Our Community.com.

Secretary to the Board of Taxation

Gerry Antioch

Mr Antioch has an extensive background as a public policy adviser. More recently, he was a member of the Review of Business Taxation's secretariat during 1998-99. Subsequently, he was a manager in one of Treasury's business taxation divisions. During late 2001 to March 2002, Mr Antioch was seconded as senior taxation adviser to the Minister for Revenue and Assistant Treasurer, Senator the Hon Helen Coonan.

APPENDIX B: THE BOARD'S CHARTER

Mission

Recognising the Government's responsibility for determining taxation policy and the statutory role of the Commissioner 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

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 Board's Charter

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: ATTENDANCE AT BOARD MEETINGS

Table 2: Attendance at Board meetings, 2002-03

Member	Number of meetings eligible to attend	Number of meetings attended
Mr Warburton (Chairman)	12	11
Mr Bronger	12	9
Mr Carmody (a)	12	11
Mr D'Aloisio	12	10
Mr Harvey (b)	10	7
Mr Heading	12	11
Dr Henry (a)	12	10
Mr Jordan	12	10
Ms McClelland (c)	3	3
Ms Penfold (a)	12	12
Ms Schwager (d)	8	7

(a) The Board's Charter allows for *ex officio* members of the Board to be represented by a delegate at Board meetings.

(b) Mr Harvey resigned from the Board in April 2003.

(c) Ms McClelland did not seek re-appointment to the Board when her initial term expired in September 2002.

(d) Ms Schwager joined the Board in October 2002.

APPENDIX D: CONSULTATION

Table 3: Speeches and presentations

Date	Presentation	Event	Member
13 September 2002	Update on Current Issues before the Board of Taxation	The Taxation Institute of Australia, 2002 Victorian State Convention (Vic)	Chris Jordan
14 October 2002	Driving the Review of International Taxation Arrangements	The Taxation Institute of Australia, International Masterclass on Cross Border Taxation (NSW)	Chris Jordan
22 October 2002	The Future of Tax Reform	CPA Australia Congress (Vic)	Richard Warburton
13 February 2003	The Board of Taxation and Business Tax Reform	Law & Finance Australian Taxation Summit (NSW)	Chris Jordan
22 March 2003	The Board of Taxation	The Institute of Chartered Accountants in Australia (QLD)	Brett Heading

Table 4: Meetings with external organisations

Date	Attendees
20 August 2002 Board of Taxation Meeting, Sydney	Office of the Commonwealth Ombudsman: <ul style="list-style-type: none">• Mr Ron McLeod, Ombudsman• Mr Oliver Winder, Deputy Ombudsman• Mr Philip Moss, Special Tax Adviser

Table 4: Meetings with external organisations (continued)

Date	Attendees
25 September 2002 Board of Taxation Meeting, Melbourne	Members of the Board's Advisory Panel: <ul style="list-style-type: none"> • Associate Professor Stephen Barkoczy • Ms Sarah Bernhardt • Mr Michael Clough • Mr John Gonsalves • Mr Michael Hay • Ms Ann O'Connell • Mr Brian Richards • Mr David Stevens
16 October 2002 Board of Taxation Meeting, Canberra	Members of the Australian Chamber of Commerce and Industry: <ul style="list-style-type: none"> • Mr David Gray, President • Mr Neville Sawyer, Deputy President • Mr Peter Hendy, Chief Executive • Dr Steven Kates, Chief Economist
8 April 2003 Board of Taxation Meeting, Sydney	Reference on Definition of Charities and Related Organisations: <ul style="list-style-type: none"> • Mr Robert Fitzgerald, AM • Mr David Gonski • Professor Myles McGregor-Lowndes

Table 5: Board of Taxation press releases

Number	Title	Date
9	Board of Taxation Advisory Panel	9 July 2002
10	Review of International Taxation Arrangements	22 August 2002
11	Tax Value Method	30 August 2002

APPENDIX E: 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 2002-03, the Board engaged seven consultancies valued at \$229,185.72. Five of these, detailed in the following table, were for more than \$10,000 and had a total value of \$225,865.72. Two consultancies were for less than \$10,000 and had a total value of \$3,320.

Table 6: Consultancies over \$10,000 in 2002-03

Consultant	Project	Cost (\$)	Reason	Procurement Method (1)
Mr John Brodie	Provide assistance in the preparation of the Board's Report on the Review of International Taxation Arrangements (variation)	59,528	(c)	Select
Professor Peter Butt	Undertake a plain English/consistency of style review of the Board's Report on the Review of International Taxation Arrangements	17,900	(e)	Select
Shaddick & Spence Chartered Accountants	Provide assistance to the Board in analysing Option 3.4 of the Treasury Consultation Paper on the Review of International Taxation Arrangements	13,750	(e)	Select
The Allen Consulting Group Pty Ltd	Assist in preparing Chapter 1 of the Board's Report on the Review of International Taxation Arrangements	87,040	(e)	Select
Professor Richard Vann	Provide an assessment for the Board of the Treasury Consultation Paper on the Review of International Taxation Arrangements	47,648	(c), (e)	Direct engagement
Total consultancies over \$10,000		225,866		

(1) Select tenders are invited from a short list of competent suppliers. This category is applied where there is a known limited market for the services required, and when value for money

Appendix E: Consultancies

would not be achieved through a full open tender process. The direct engagement included in the table involved the engagement of a recognised and pre-eminent expert. Other methods of direct engagement may include the engagement of: a consultant selected from a pre-qualified panel arrangement; a consultant who had previously undertaken closely related work for the Board; or a consultant known to have the requisite skills where the value of the project did not justify the expense or delay associated with seeking tenders.

- (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 2002-03.

APPENDIX F: FINANCIAL STATEMENTS

The Government provided the Board with a budget allocation of \$2 million in 2002-03. This allocation is part of the annual budget appropriation for the Department of the Treasury which is accounted for in Treasury's audited financial statements for 2002-03. Expenses incurred in 2002-03 included the running costs of the Board and its Secretariat, the engagement of consultants on key projects, and the finalisation of four Board reports.

Table 7: Revenue, expenses and operating result, 2002-03

Expenses	\$
<i>Employee expenses</i>	
Wages	309,244
Superannuation	50,448
Other employee expenses	137,642
<i>Total employee expenses</i>	497,334
<i>Other expenses</i>	
Travel	80,298
Computers (non-asset)	875
Office machines & furniture	5,790
Communications	579
Freight and storage	6,528
Conferences and training	14,608
Consultants and contracts	273,432
Legal services	1,539
Office supplies	81
Advertising	8,166
Printing	43,858
Publications and subscriptions	3,469
Other supplier expenses	88,483
Depreciation and amortisation	1,894
<i>Total operating expenses</i>	529,600
Total expenses	1,026,934
Revenue	
Funding from Government	2,000,000
Operating surplus	973,066

Appendix F: Financial Statements

Table 8: Sitting fees paid to Board members, 2002-03^(a)

Member	\$
Mr Warburton (Chairman)	16,428
Mr Bronger	3,982
Mr D'Aloisio	7,960
Mr Harvey (b)	1,840
Mr Heading	6,578
Mr Jordan	9,614
Ms McClelland (c)	4,396
Ms Schwager (d)	2,668
Total	53,466

Notes

- (a) Members receive daily sitting fees for attending Board meetings and participating in other official business of the Board (eg, representing the Board in meetings with external bodies, giving presentations). The *ex-officio* members of the Board do not receive sitting fees. Figures may include amounts paid to members in 2002-03 for activities undertaken in 2001-02. Some sitting fees relating to activities in 2002-03 may not have been invoiced until 2003-04 and will be included in the financial statements for that year.
- (b) Mr Harvey resigned from the Board in April 2003.
- (c) Ms McClelland did not seek re-appointment to the Board when her initial term expired in September 2002.
- (d) Ms Schwager joined the Board in October 2002.

APPENDIX G: MEMBERS OF THE BOARD'S ADVISORY PANEL

Table 9: Members of Advisory Panel

Panel Member:	Position, Organisation:
Associate Professor Stephen Barkoczy	Department of Business Law and Taxation, 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, AM	Sole Practitioner, Greenwood BKT
Associate Professor Chris Evans	Director, Australian Taxation Studies Program (ATAX), University of New South Wales
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	Group 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
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), ATAX, University of New South Wales