



17 August 2018

Mirren Allica
Black Economy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Mirren,

**Treasury Laws Amendment (Black Economy Taskforce Measures No. 2) Bill
2018**

The Australian Financial Markets Association (AFMA) represents the interests of well over 100 participants in Australia's wholesale banking and financial markets. Our members include Australian and foreign-owned banks, securities companies, treasury corporations, traders across a wide range of markets and industry service providers. Our members are the major providers of services to Australian businesses and retail investors who use the financial markets.

Many AFMA members are Significant Global Entities (**SGE**) for the purpose of the *Income Tax Assessment Act 1997*. In addition, a significant proportion of the AFMA membership operate in Australia through a permanent establishment, either as opposed to or in addition to an Australian incorporated entity.

We have reviewed the proposed amendments to the *Taxation Administration Act 1953* to bring within scope of the third party reporting requirements payments made by entities that supply an information technology service to another entity wholly or partly for the supply of an information technology service (i.e. payments made to a contractor). In addition, we note the proposed exception for payments made to members of the same consolidated group or MEC group.

It is likely that AFMA members will not be within scope of the proposed amendments on the basis that they are not providing an IT service but rather are using software to provide

a service other than an IT service (refer paragraph 1.26 of the proposed Explanatory Memorandum).

However, in the event that an AFMA member does provide an IT service, the proposed exception does not capture circumstances where the provider of the IT service makes a payment to either an offshore affiliate or, where the provider of the IT service is a permanent establishment, the payment is made to an Australian entity that is a member of the same wholly-owned group, given the inability of the permanent establishment to be a member of a consolidated group/MEC group.

As such, we submit that the proposed exception be broadened to capture payments made to members of the same economic group. This could be done in a manner consistent with the SGE definition, that is, through including within the exception payments made to entities that are within the same accounting consolidated group.

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We appreciate the opportunity to provide a submission on the proposed amendments. Please contact me on (02) 9776 7996 or rcolquhoun@afma.com.au if you would like to discuss.

Yours sincerely,



Rob Colquhoun
Director, Policy