

Doc 5: 1996 Treasury Incoming Government – Background – Taxation Policy

Section 22
not relevant

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not relevant

TAX BENEFIT TRANSFERS

These are a number of cases in the tax law of exception from the general rule that tax benefits are specific to one taxpayer:

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- research and development syndicates — through which investors can obtain the tax benefits otherwise available only for companies which are undertaking research and development in their own business; and

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From a tax policy perspective, these are all:

- questionable in their basic rationale, given the general principle of confining tax benefits to the entities incurring them;

- unhelpful precedents when the Government has to defend this principle elsewhere, including in the crucial rule that tax losses must generally be utilised or carried forward in the entity which incurred the losses;
- poor policy instruments in that their cost to revenue is not transparent to Parliament and the public [§. 22] and poorly identified even within the Government; and
- sources of additional danger to revenue, to the extent that the effective tax benefits can be multiplied through sophisticated structures unless those structures are attacked by, often complex, anti-avoidance provisions.

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