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Corporate and International Tax Division
The Treasury
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Thank you for the opportunity to respond to the exposure draft legislation *Treasury Laws Amendment (Measures for Future Bills) Bill 2023: Thin capitalisation interest limitation*.

About the Tech Council of Australia and the Australian tech sector

The TCA is Australia's peak industry body for the tech sector. The tech sector is a key pillar of the Australian economy, employing over 860,000 people and contributing \$167 billion per annum to GDP. This makes the tech sector equivalent to Australia's seventh largest employing sector and the third largest industry, behind mining and banking. The TCA represents over 160 member companies from a diverse cross-section of Australia's tech sector.

Concerns regarding the proposed removal of the deduction for 768-5 NANE income

The TCA recognises the importance of developing multinational tax rules that ensure business contributes fairly to the tax base in a way that accurately reflects the substance of economic activity that occurs here, and that are aligned with international frameworks. Accordingly, the TCA has not opposed the Government's proposed multinational tax integrity and transparency proposals as canvassed prior to the election and as consulted upon during 2022.

However, we are concerned with the addition of the proposed removal of the deduction for 768-5 NANE income in the exposure draft Bill. This measure was not canvassed prior to the exposure draft and would have a material impact on a significant number of large Australian tech companies.

Our concerns regarding this measure relate both to matters of process and substance.

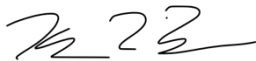
1. On the substance of the measures themselves, the proposal would negatively impact Australian tech companies that use debt to drive international expansion, which ultimately contributes to economic growth and employment in Australia. We also have concerns that the administrative costs of the obligation to 'trace' interest payments to particular business uses will outweigh the additional revenue gained. The measures would run counter to the Government's broader efforts to grow Australian tech jobs and support the growth of globally successful Australian tech firms.

2. Regarding the process, we believe that the current timeline for consultation and implementation on the policy is inadequate, particularly given the measure's significance and that there has been no engagement or consultation with industry prior to this exposure draft. With a start date set for 1 July 2023, there is insufficient time for industry to thoroughly review and assess the full impact of the proposed changes. This rushed timeline is particularly concerning as the measure will entail substantial implementation costs for industry. A start date that is now months away does not provide enough notice for companies to prepare and adapt to these new provisions effectively.

Accordingly, we recommend that the Government remove the provisions relating to removing the deduction of 768-5 NANE income from the Bill that ultimately comes before the Parliament. We believe that this will provide the Government with additional time to consider the desirability of proceeding with this measure, and if so, whether a more targeted integrity rule could be considered to give effect to the Government's policy intent without unintended consequences. This would assist in ensuring the passage of the other measures relating to multinational tax integrity in a timely manner.

The TCA would be happy to participate in any further consultations relating to this measure to assist in informing the Government on how tech companies use these provisions to fund expansion, employ Australians, grow the Australian tax base and economy more broadly.

Yours sincerely



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