Atax

H-RXUQDO RI 7D[5HVHDUFK

(',7256

3URIHVVRU -RKQ 7D\OR6FKRRO RI 7D[DWLRQ %XVLQHVV /DZ

3URIHVVRU %LQK 7UDQ6FKRRO RI 7D[DWLRQ %XVLQHVV /DZ

$662&,$7((',725

'U $OH[DQGUD (YDQV   6FKRRO RI 7D[DWLRQ %XVLQHVV /DZ

352'8&7,21 (',725

'U 3HWHU 0HOORU   6FKRRO RI 7D[DWLRQ %XVLQHVV /DZ

(',725,$/ %2$5'

3URIHVVRU 5RELQ %RDGZHDSDUWPHQW RI (FRQRPLFV 4XHHQ¶V...

3URIHVVRU &\QWKLD &ROO8QLYHUVLW\ RI 6\GQH\ %XVLQHVV 6FK...

3URIHVVRU *UDHPH &RRS)DFXOW\ RI /DZ 8QLYHUVLW\ RI 6\GQH...

3URIHVVRU 5REHUW 'HXV6FKRRO RI 7D[DWLRQ   %XVLQHVV /DZ

3URIHVVRU &KULV (YDQV6FKRRO RI 7D[DWLRQ   %XVLQHVV /DZ

3URIHVVRU -XGLWK)UHH)DFXOW\ RI /DZ 8QLYHUVLW\ RI 2[IRU...

3URIHVVRU 0DOFROP *DPPLHPEHUV RI /RUG *UDELQHU 4& /RQ...

3URIHVVRU -RKQ +DVVHO3DXOLQH &ROOHJH RI %XVLQHVV DQG (FR...
                1HZ +DPSVKLUH

3URIHVVRU -H\DSDODQ .DVLSLOODL %XVLQHVV 0RQDVK 8QLYH...

3URIHVVRU 5LFN .UHYHU/DZ 6FKRRO 8QLYHUVLW\ RI :HVWHUQ...

3URIHVVRU &KDUOHV 0F/XRU -HUU ,QVWLWXWLRQ 6WDQIRUG 8Q...

3URIHVVRU 'DOH 3LQWR &XUWLQ %XVLQHVV 6FKRRO &XUWLQ...

3URIHVVRU -RKQ 3UHEEO)DFXOW\ RI /DZ 9LFWRULD 8QLYHUVLW...

3URIHVVRU $GULDQ 6DZ\8ROOHJH RI %XVLQHVV DQG /DZ 8QLY...

3URIHVVRU -RHO 6OHPURG6WHSKHQ 0 5RVV 6FKRRO RI %XVLQH...

3URIHVVRU -HIIUH\ :DLQF\DPHXOW\ RI /DZ 0RQDVK 8QLYHUVLW\

3URIHVVRU 1HLO :DUUHQ6FKRRO RI 7D[DWLRQ   %XVLQHVV /DZ

3URIHVVRU 5RELQ :RROO4FKRRO RI 7D[DWLRQ   %XVLQHVV /DZ

H-RXUQDO RI 7D[5HVHDUFK

38%/,6+(5

7KH 6FKRRO RI 7D[DWLRQ %XVLQHVV /DZ $WD[LV SDUW RI W...
:H DUH WKH ODUJHVW WD[VFKRRO LQ DQ\ XQLYHUVLW\ LQ $XVV...
VWDII ZLWK EDFNJURXQGV LQ ODZ FRPPHUFH WD[DFFRXQW...
WRZDUGV EXLOGLQJ H[FHOOHQFH LQ WKH WD[SURIHVVLRQ O...
SHUVSHFWLYH

(',7256¶ 127(

7KH -RXUQDO RI 7D[5HVHDUFK MRXUQDO WKDW SXEOLVKHV RU...
RI WD[DWLRQ ,W DLPV WR SURPRWH WLPHO\ GLVVHPLQDWLRQ...
LVVXHV IURP ERWK WKHRUHWLFDO DQG SUDFWLFDO SHUVSHFW...
SUDFWLWLRQHUV DGPLQLVWUDWRUV MXGJHV DQG SROLF\ PD...
RI WD[DWLRQ 7KH MRXUQDO HPSKDVLVHV WKH LQWHUGLVFLS...

68%0,66,21 25,*,1$/ 0$7(5,$/

6XEPLVVLRQ RI RULJLQDO FRQWULEXWLRQV RQ DQ\ WRSLF RI W...
HPDLO DWWDFKPHQW 0LFURVRIW :RUG IRUPDW WR WKH 3URG...
6XEPLVVLRQ RI D PDQXVFULSW LV WDNHQ WR LPSO\ WKDW LW...
VXEPLWWHG IRU SXEOLFDWLRQ HOVHZKHUH 3RWHQWLDO DXWK...
ZKLFK LV DYDLODEOH IURP WKH MRXUQDO V ZHEVLWH

: (%3$*(

&XUUHQW DQG SDVW-RXUQDO LVVXHV DUH DYDLODEOH YLD WKH MRXUQ...
KWWSV ZZZ EXVLQHVV XQVZ HGX DX UHVHDUFK SXEOLFDWLRQ...

(GLWRULDO

WK $QQLYHUVDU\ RI *67 LQ $XVWUDOLD

,W LV D SULYLOHJH WR SURYLGH WKLV IRUHZRUG W
FRPPHPRUDWLQJ \HDUV RI *RRGV DQG 6HUYLFHV 7D[
WD[LQ $XVWUDOLD LV QRW QHZ DQG FHUWDLQO\ GHE
WD[V\VWHP LV QRW QHZ $W WKH WLPH RI WKH LQWU
RQ LQFRPH WD[UDWKHU WKDQ LQGLUHFW WD[HV KDG
WR RWKHU QDWLRQV ZH FRQWLQXH WR UHO\ FRPSDUD

)25(:25'

,Q   , KDG WKH SULYLOHJH RI VSHDNLQJ DW D FRQI
9LFWRULD 8QLYHUVLW\ RI :HOOLQJWRQ WR PDUN WKH
1HZ =HDODQG¶V JRRGV DQG VHUYLFHV WD[*67   2Q
LQWURGXFWLRQ RI $XVWUDOLD¶V *67   , DP DJDLQ SUL
D YDOXH DGGHG WD[9$7 ZRUN LQ SUDFWLFH

$V D IRUPHU WD[DGPLQLVWUDWRU DQG &RPPLVVLRQH
KDYH RQ WKH SROLWLFDO DQG SROLF\ SURFHVVHV IRU
DUH DW EHVW SHULSKHUDO 7KHVH UHVW PDLQO\ LQ W
RQ WKH DGPLQLVWUDWLYH FKDOOHQJHV DVVRFLDWH

LQSXW WD[FUHGLWV H[FHHG WKH WD[SD\DEOH   ,Q $X

DQG VHUYLFHV WD[WR EHWWHU GHVFULEH LWV FRYH

WD[V\VWHP DQG D SXEOLF UHDVRQDEO\ ZLOOLQJ
D VPDOO FRPPLWWHG µSXEOLF SULYDWH¶ WHDP
RI HQHUJ\ DQG LPDJLQDWLRQ

7KH $XVWUDOLDQ H[SHULHQFH D KLVWRULFDO SHUVSHFWL

µ7KH 6HQDWD...VVRFLDWHG ZLWK WKH $XVWUDOLDQ
KDG DJDLQ KLJKOLJKWHG WKH IDFW WKDW WKH S
RSLQLRQ RI WD[DFDGHPLFV DQG SURIHVVLRQDOV
VXSSRUW IRU DQG RSSRVLWLRQ WR WKH *67 DPRQ

1RWKLQJ LQ UHFHQW WLPHV KDV GLYLGHG WKH R

2IWHQ LW FDQ WDNH D ORQJ WLPH WR PDNH VXEVWD
$XVWUDOLDQ H[SHULHQFH ZLWK WKH LQWURGXFWLRQ
W°HHQFV HKD µVO2RZ6ESXUGQ¶FOEXWWDOVR2D$UHSHHDWKDVRHW,QD$XVWWUDOLD

7KH FRS\ERRN

µ:LWK LWV XQLFDPHUDO OHJLVODWXUH DQG PDM
XQIHWWHUHG E\ VHFRQG KRXVHV RI 3DUOLDPHQW
1HZ =HDODQG ZDV DEOH WR DGRSW ZKDW PDQ\ F
YDOXH DGGHG WD[¶

HGXFDWLRQ LQVWLWXWLRQV WR GHD,0W/ VZ LZH E WV LKW HL

SXEOLF VFUXWLQ\ ± D UHIOHFWLRQ RI WKH LQW
DFFHSWDQFH UHDGLQHVV DQG DGPLQLVWUDWLRQ

)ROORZLQJ WKH LQWURGXFWLRQ RI WKH QHZ WD[V
FRQILGHQFH RI WD[DJHQWV LQ WKH $72 UHDFKHG D O
LVVXH DVVRFLDWHG ZLWK PDVV PDUNHWHG WD[DY
FRQILGHQFH LQ WKH $72 ,Q UHVSRQ/LHVWLHQOLQJ WKHW
&RPPXQLW\ SURJUDP LQIOXHQFHG WKH $72¶V G
QHHG IRU QHZ LQIRUPDWLRQ WHFKQRORJ\ ,7 LQWR DO
D PRUH XVHU FHQWULF RUJDQLVDWLRQ

$Q HDUO\ VLJQLILFDQW GHOLYHUDEOH ZDV WKH $72¶V H
3RUWDO ZKLFK SURYLGHG WD[DJHQWV ZLWK D VHFXU
UHYROXWLRQLVHG WKH UHODWLRQVKLS EHWZHHQ WD
%XVLQHVV 3RUWDO DOORZHG EXVLQHVV WR LQWHUDFW
FRVWV

/HVVRQV

7KH HIIHFWLYHQHVV RI LPSOHPHQWDWLRQ SURFHVVHV
UHDGLQHVV RI WKH EXVLQHVV FRPPXQLW\ HVSHFLDOO
DWWHQWLRQ QHHGV WR EH JLYHQ WR VXSSRUWLQJ WK

•W LV LPSRUWDQW WR JHW WKLQJV ULJKW XS IURQW

x WKHUH PXVW EH ERWK ZLGHVSUHDG DQG WDUJHV
IRFXV RQ 9$7 UHJLVWUDWLRQ UHTXLUHPHQWV LV
WR WKH RSHUDWLRQ RI D 9$7 V\VWHP 7KH FRPPX
WKH EDVLF RI WKH 9$7 V\VWHP VXFK DV WKUHVK
LQ UHODWLRQ WR WD[LQYRLFHV UHFRUG NHHSL
LQFOXVLYH RU H[FOXVLYH UHTXLUHPHQWV DFWL
XVXDOO\ PRQWK\ ZLWK HOHFWURQLF ORGJHPHQW
RWKHUV SD\PHQW DQG UHIXQG DUUDQJHPHQWV

x WKH H[WHQW RI WD[SD\HU HGXFDWLRQ LV RQ
FRPPXQLFDWLRQ FKDQQHOV VKRXOG EH XVHG

x WKH FRPPXQLFDWLRQ VKRXOG EH WDLORUHG WR
H[DPSOH GLIIHUHQW LQGXVWULHV ILUPV ZLWK

µ>D@Q LPSRUWDQW DGGHG FRPSOH[LW\ >ZDV@ WKH LQFUHDVHG VS
SROLWLFDO SDUWLHV >GUHZ@ RQH RI WKHLU PDMRU EDWWOH OLQ
(GPRQGV DERYH Q
*UHJ)DUU IRUPHU 6HFRQG &RPPLVVLRQHULRQHUQRHQDO[WHEKRQRORJ\H
&RQIHUHQFH FLWHG LQ 0LFKDHO '¶$VFHQ]R µ0RGHUQLVLQJ WKH $
3HRSOH 6\VWHPV DQG H-RXUQDO RI 7D[5HVHQUFK €P@W pD ð2 €QH

GLFKRWRP\ EHWZHHQ ODUJH DQG VPDOO EXVLQHV
IRU H[DPSOH JRYHUQPHQW DQG FKDULWLHV

x LQGXVWU\ SDUWQHUVKLSV VKRXOG EH HVWDEOL
VSHFLILFDOO\ WDLORUHG WR WKH UHOHYDQW LQ

WKH VKDUH RI *67 UHYHQXH FROOHFWHG E\ WKH $XVW

\HDU ZDV XQGHU   SHU FHQLWW RZDWRWWDLOO ñ6D UMFHQXXHQV

HGXFDWLRQ ERWK SUH DQG SRVW VFKRRO 6RPH RWI
FKLOG SURWHFWLRQ DQG GLVDELOLW\ FDUH KDYH VHH

7KH &RPPRQZHDOWK KDV RIWHQ FRPH XQGHU SROLWL
RSSRUWXQLW\ LQ WDNLQJ IXQFWLRQV IURP WKH 6WD
PHHW WKHP DQG JLYHQ WKH OLNHOLKRRG WKDW LQ G

7KH FHQWUDO LVVXH IRU WKLV DUWLFOH LV ZKHWKHU

$XVWUDOLD¶V YHU\ ODUJH XQLYHUVLW\ VHFWRU 6
&RPPRQZHDOWK FRVW VKDULQJ LV DURXQG SHU FH
DQG LV FRQFHQWUDWHG PDLQO\ RQ SXEOLF SULPDU\ D

,Q ZHOIDUH WKH &RPPRQZHDOWK GRPLQDWHV LQ DO
VXSSRUW DQG RWKHU FDVK WUDQVIHUV)URP WKH 6W
DJHG FDUH DQG PRUH UHFHQWO\ IRU GLVDELOLW\ FD
UROH LQ GLVDELOLW\ FDUH FKLOG SURWHFWLRQ VHU
SURJUDPV +RZHYHU WKHLU VSHQGLQJ RQ VRFLDO VH
GHYHORSPHQW LV QRZ RQO\ DERXW SHU FHQW RI DO

7KH SUHGRPLQDQW DQG DSSDUHQWO\ JURZLQJ QDW
FUHDWHV D VWURQJ WHQVLRQ LQ WKH IHGHUDWLRQ 7
DQG WKH 6WDWHV DUH IXOO\ HQWDQJOHG LQ WKH IXQ
VDPH LVVXHV DULVH SROLWLFDOO\ LQ WKH SDUOLDPH
&RPPRQZHDOWK DQG WKH 6WDWHV HDFK KDYH µGHPRF
RI SROLF\

-XULVGLFWLRQDO

H-RXUQDO RI 7D[5HVHDUFK

H-RXUQDO RI 7D[5HVHDUFK

:KHQ WKH *67 ZDV LQWURGXFHG *67 UHFHLSWV Z
UHYHQXH SHDNHG VKRUWO\ DIWHU LQ   DW
PDWXULQJ RI WKH QHZ WD[6LQFH WKHQ *67 UHF
*'3 WR   SHU FHQW LQ

7KH 3%2 5HSRUW FRQFOXGHG WKDW

7KH SURVSHFW RI ORZHU *67 UHYHQXH KDV OHG WR
UHYHQXH EDVH WR µSOXJ WKH JDS¶ 0HDVXUHV WKDW
SURSRVH WR LQFUHDVH UHYHQXHV IURP

- x ODQG WD[WKURXJK DJJUHJDWHG KROGLQJ DQG D

- x ZDVWH GLVSRVDO HQYLURQPHQWDO OHYLHV

- x WKH JDPEOLQJ SRLQW RI FRQVXPSWLRQ WD[

- x LQFUHDVHV LQ ILQHV SHQDOWLHV DQG IHHV DQG

- x QHZ WD[HV RQ PRWRU YHKLFOHV DQG OX[XU\ FDUV

,Q JHQHUDO FRQIURQWHG ZLWK WKH ODFN RI JURZWK
UHVRUW WR VHOHFWLYH WD[HV WKDW IDOO ZLWKLQ V
VHOHFWLYH QDWXUH XQVWDEOH DQG LQHIILFLHQW 5
H[LVWLQJ EDVH DQG GLVFRYHULQJ QHZ VRXUFHV RI V
µ:LOOLH 6XWWRQ 5XOH¶WKDW¶V ZKHUH WKH PRQH\ LV

,URQLFDOO\ LW ZDV WKH QDUURZQHVV RI WKH 6WDWH
RI WKHVH WD[HV WKDW WKH $176 SDFNDJH VRXJKW WR

:KDW LV LW DERXW WKH *67 V\VWHP WKDW OHDGV WR
WKH QDWLRQ EDFNZDUGV WR WKH W\SH RI WD[HV WKD

:KDW¶V WKH SUREOHP"

7KH WD[EDVH

7KH +HQU\ 5HYLHZ LGHQWLILHG WKDW FKDQJHV LQ FR
LQIOXHQFHG E\ FKDQJLQJ FRQVXPHU SUHIHUHQFHV Q
7KH +HQU\ 5HYLHZ PDGH WKLV REVHUYDWLRQ DV D I
QDUURZO\ GHILQHG FRQVXPSWLRQ WD[EDVH

7KH 3%2 DQG +)(5HSRUWV SRVWXODWHG WKDW GHFOL

WKH H[HPSWLRQV LQ WKH *67 EDVH VXFK WKDW *6
ZLWK KRXVHKROG7KRQMXPSWLRZR HOHPHQWV WKD
HIIHFW

D7KH FKDQJH LQ WKH SURSRUWLRQ RI KRXVHKRO

>2QH@ IDFWRU WKDW KDV OHG WR D GHFOLQH L
EHHQ WKH FKDQJH LQ WKH FRQVXPSWLRQ PL[

7KHLQOOLH 6X¶WWWRXQVOHWKDW LQ DFWLYLW\ EDVHG FRVWLQJ W
ILUVW EHFDXVH WKDW LV ZKHUH WKH ODUJHVW VDYLQ&RVWWDQ EH I
DQG (IIHFW 8VLQJ ,QWHJUDWHG &RVW 6\VWHPPWDURU GU,%XHV O0RLWS3D
,W GHULYHV IURP WKH UHVSRQVH RI :LOOLH 6XWWRQ ZKHQ
ZKHUH WKH PRQH\ LV¶
:LOOLDPV DERYH Q

7KH 7DVNIRUFH 5HSRUW SURYLGHV D TXDQWLILFDWL
LQWURGXFHG LQ   LW UDLVHG DQ DGGLWLRQDO
ILUVW \HDU

- x $8'   PLOOLRQ IURP RXWVWDQGLQJ UHWXUQV EH
  ZHUH IRXQG WR KDYH RXWVWDQGLQJ UHWXUQV

- x $8'   PLOOLRQ *67 ± D   SHU FHQW LQFUHDVH L
  LQ D VLQJOH \HDU

- x $8'   PLOOLRQ 3$<* ZLWKKROGLQJ ± GHPRQVW
  UHSRUWLQJ RI ZDJHV DQG FRQFRPLWDQW XQGHUS

- x $8'   PLOOLRQ SD\ DV \RX JR 3$<* LQVWDOPHQW
  WD[SD\HUV ZHUH LGHQWLILHG DV SD\HHV «

7KLV ZLOO QRW EH WKH WRWDO LQFUHDVH DV DW
WKHUH ZHUH   FRQWUDFWRUV ZKR KDG QRW O
ZKR KDG ORGJHG EXW 7356 UHSRUWV LQGLFDWHG
FRQWUDFWRUV ZLWKRXW DQ DFWLYH *67 UHJLVWU
UHFHLYHG SD\PHQWV OLNHO\ VXEMHFW WR *67

$PHQGPHQWV PDGH WR WKH $GPLQLVWUDWLRQ $FW WKH R
RI WKH 7356 WR FRQWUDFWRUV LQ WKH FRXULHU DQG

7KH   %XGJHW DQQRXQFHG WKH IXUWKHU H[WHQV

7KH *RYHUQPHQW ZLOO IXUWKHU H[SDQG WKH WD
7356 WR WKH IROORZLQJ LQGXVWULHV

  - x VHFXULW\ SURYLGHUV DQG LQYHVWLJDWLRQ

  - x URDG IUHLJKW WUDQVSRUW DQG

  - x FRPSXWHU V\VWHP GHVLJQ DQG UHODWHG VH

7KH PHDVXUH ZLOO KDYH HIIHFW IURP -XO\
JDLQ WR WKH EXGJHW RI   PLOOLRQ LQ ILVFD
HVWLPDWHV SHULRG ,Q XQGHUO\LQJ FDVK EDODQ
RI   PLOOLRQ RYHU WKH IRUZDUG HVWLPDWHV

'HVSLWH WKHVH GHYHORSPHQWV IURP D *67 SHUVSH
DSSOLFDWLRQ

  - x LW DSSOLHV WR SD\HHV LQ D OLPLWHG UDQJH RI

ADDRESSING THE COMPLIANCE GAP

SECTION IDENTIFIED A NUMBER OF LOSSES IN GST
AVOIDANCE ACTIVITIES AND DESIGN INEFFICIENCIE
THAT MIGHT ARISE FROM ADDRESSING THESE WEAKN
AVOIDANCE ACTIVITIES GIVING RISE TO LOSSES IN

- x MISSING TRADER FRAUD

- x INDEPENDENT CONTRACTOR VS EMPLOYEE STAT

- x DISAGGREGATION OF SINGLE SUPPLIES EG SEPA
  SUPPLY

- x FRAUDULENT OR ERRONEOUS NON REPORTING U

H-RXUQDO RI 7D[5HVHDUFK

2SWLRQV ZRUWK\ RI FRQVLGHUDWLRQ DUH

- x H[WHQVLRQ RI WKH µHPSOR\HH¶ GHILQLWLRQ WR V
   VHUYLFHV LQFRPH PHDVXU,HFRPH 7D[L$SLRQVVPRQ
   &WK

- x UHIRUPLQJ WKH $%1 UXOHV

- x H[WHQGLQJ WKH 7356 WR DQ\ SD\HU ZLWK DQ $%
   VHUYLFH LQFOXGLQJ DQ HQWLW\ WKDW SD\V DQ
   DQRWKHU

'LVDJJUHJDWLRQ RI VLQJOH VXSSOLHV HJ VHSDUDWLQJ D

7KH GHVLJQ IHDWXUH RI D YDOXH DGGHG WD[WKDW
VWUXFWXUHV ZKHUH VXSSOLHV WR KRXVHKROGV DUH
LQ VHFWLRQ

:KLOH WKH GLVDJJUHJDWLRQ RI VHUYLFHV EHWZHHQ µ
LQYROYHV EURDGHU SROLF\ DQG LQGXVWULDO SROLF\
UHJLPHV WKHUH DUH FLUFXPVWDQFHV ZKHUH WKHUH
WKH VHUYLFHV RI LQWHUPHGLDULHV SDUWLFXODUO\
WKDW WKH LQWHUPHGLDU\ LV WUHDWHG DV WKH VXS
SURYLGHUV DQG DUUDQJHUV DUH EURXJKW ZLWKLQ W

)RU H[DPSOH

- x WKH UHFHQW 1HWIOL[DQG ORZ YDOXH JRRGV DPH
   $XVWUDOLDQ FRQVXPHU WKURXJK DQ HOHFWURQL
   RSHUDWRU RI WKH SODWIRUP DQG QRW WKH DFW
   WKH FRXUVH RU IXUWKHUDQFH RI WKH RSHUDW
   QRWZLWKVWDQGLQJ WKDW WKH DFWXDO VXSSOLH
   RZQ ULJKW RU PLJKW EH EHQHDWK WKH WXUQRYH

- x 'LYLVLRQ   DOORZV SULQFLSDOV DQG LQWHUPHG

   µ$ WD[DEOH VXSSO\ WKDW WKH SULQFLSDO PDN
   LWWL\RPDJJHUPHWGLLDODU\QGLDQ W∀YHIHQ¶EDWR¶EHQGWKSQOR WPKVDQ
   LQWHUPHGLDU\ WR WKH WKLU¶G SDUW\ DQG QRW

HQWHUSULVH $UJXDEO\ WKH *67 ODZ VKRXOG DO
EH WKH VXSSOLHU RI WKH VHUYLFHV RI WKH LQGL

7KH UHFKDUDFWHULVDWLRQ RI µLQWHUPHGLDU\¶ VHUY
VR WKDW VXSSOLHV PDGH WKURXJK LQWHUPHGLDULHV
LQWHUPHGLDU\ UHJDUGOHVV RI WKH *67 VWDWXV RI V

2WKHU HYDVLRQ DYRLGDQFH SUDFWLFHV

5HSRUWLQJ DQG GHGXFWLRQ V\VWHPV

'HVSLWH EHLQJ H[WHQGHG RQ WKUHH RFFDVLRQV WR
OLPLWHG LQ LWV DSSOLFDWLRQ

- x LW DSSOLHV WR SD\HHV LQ D OLPLWHG UDQJH RI

- x LW DSSOLHV WR SD\HUV ZKR GHULYH DERYH D P
  VHUYLFHV

- x LW GRHV QRW JHQHUDOO\ DSSO\ WR VXSSOLHV R

- x LW GRHV QRW UHTXLUH D GHGXFWLRQ IURP WKH S

- x D GRPHVWLF UHYHUVH FKDUJH LV QRW UHTXLUHG

7KH 7356 V\VWHP VKRXOG EH H[WHQGHG WR DSSO\ WR

- x SD\HHV LQ D EURDGHU UDQJH RI VHUYLFHV

- x

« $ PRPHQW¶V WKRXJKW ZLOO PDNH LW FOHDU W
SURQH QRW OHVV WR HYDVLRQ WKDQ D :67 RU 5
RQH FDVK IORZ RI WD[DQG WKLV FDVK IORZ LV
RFFXUV 7KXV WKH XVXDO IRUP RI HYDVLRQ XQGH
RI JRRGV ZLOO FKDUJH WKH WD[WR WKH EX\HU
JRYHUQPHQW 7KH *67 RQ WKH RWKHU KDQG LQYI
RI LQSXW WD[FUHGLWV DV ZHOO DV WKH FKDUJ
YXOQHUDEOH WR D IXUWKHU NLQG RI HYDVLRQ ± V

UHIXQG DQG LQ WKH HDUO\ VWDJH RI LPSOHPH
FRYHUDJH LV IXOO\ LQ SODFH ,Q WKLV FDVH LW L
WUDQVDFWLRQ DW DOO RFFXUV EXW D IUDXGXOH
WR FODLP D UHIXQG

,I WKH *67 HYDGLQJ VXSSOLHU GLVFRXQWV WKH *
DPRXQW RI WKH *67 WKH UHJLVWHUHG EXVLQH
LQGLIIHUHQW 6R WRR WKH $72 PD\ QRW EH RYHU
SXUFKDVH ZLOO EH PDGH XS IRU RQ WKH QH[W VD
HYDGHU LV VXSSO\LQJ WR D FRQVXPHU DQG QRW
HYDGHG WD[LV ORVW IRUHYHU ,I WKH HYDGHU X
WKH VHUYLFHV VHFWRU WKHUH LV OLWWOH LQI
+HQFH WKH *67 LV DV SURQH WR HYDVLRQ LQ
SOXPELQJ HOHFWULFDO UHSDLUV HWF DV RWK
VSHFLDOLVLQJ LQ WKLV DUHD DQG QRW PDNLQJ
DOWHUQDWLYHO\ FKDUJLQJ WD[RQ VXSSOLHV
KRXVHKROGV DQG VHHNLQJ WR DOORFDWH DOO LQ

7KH YDOXH DGGHG WD[V\VWHP GHVLJQ PDNHV LW VXV
EH LPSURYHG WR DGGUHVV LWV ZHDNQHVVHV"

+\EULG *67

,W LV ZRUWK FRQVLGHULQJ ZK\ D YDOXH DGGHG WD[L
RQ WKH SULFH SDLG WR KLP KHU E\ WKH FRQVXPHU

7KH H[SODQDWLRQ QR GRXEW LV WKDW WR UHTXLUH
H[SHQGLWXUH LV QRW OLNHO\ WR EH

x SROLWLFDOO\ DFFHSWDEOH DQG

x SUDFWLFDOO\ ZRUNDEOH

%XW DV GLVFXVVHG LQ VHFWLRQ D YDOXH DGGHG
WD[SD\DEOH RQ KRXVHKROG FRQVXPSWLRQ H[SHQGLW
LV D JRRG WKLQJ IURP D FRPSOLDQFH DQG DGPLQLVW

UHYHUVH FKDUJH DSSURDFK ZRXOG QRW UHPRYH
ZLWK LGHQWLI\LQJ EXVLQHVV WR EXVLQHVV WUDQ

5HYHUVH FKDUJLQJ ZRXOG EH VLPLODU LQ HIIHF
WUDQVDFWLRQV ZLWKLQ WKH VXSSO\ FKDLQ ZRXO
WKDW WKH UHFLSLHQW LV UHJLVWHUHG IRU *67 «

7KLV DSSURDFK PLJKW UHGXFH VRPH FRPSOLDQFH
*67 V\VWHP ,W DOVR UHGXFHV WKH ULVN WR UH
ZKHUH QR *67 KDV EHHQ SDLG « 7KLV ZRXOG EH
WR ODUJH LQIUHTXHQW WUDQVDFWLRQV

7KH +HQU\ 5HYLHZ UHFRPPHQGHG

7KH JRYHUQPHQW VKRXOG FRQVLGHU PDNLQJ JUH
EXVLQHVV WUDQVDFWLRQV RU UHYHUVH FKDUJLQ
FRVW VDYLQJV RXWZHLJK WKH DGGLWLRQDO FRPS

7KH GLVFXVVLRQ LQ HDUOLHU VHFWLRQV LOOXVWUDW
RQ % % WUDQVDFWLRQV LV D OHVV ULVN\ ZD\ RI HQVX
RIIVHW LQ WKH UHSRUWLQJ REOLJDWLRQV RI WKH RQ
XQIXQGHG UHIXQGV

$QG WKH 6XEGLYLVLRQ (UHVLGHQWLDO SUHPLVHV
WKH *67 REOLJDWLRQ RQ WKH SDUW\ RQ ZKLFK LW LV

$V GLVFXVVHG DERYH D EURDGHQLQJ RI WKH UHYH
XQGHUWDNHQ

(PSOR\HH DUUDQJHU SURYLVLRQV

7KH GLVFXVVLRQ RI LQWHUPHGLDULHV LQ SUHYLRXV V
QLJKW DQG 0RQGD\ PRUQLQJ FRQWUDFWRU DUUDQJHP
OLDELOLW\ IRU VXSSOLHV WKDW DUH DUUDQJHG RU
µDUUDQJLQJ¶ IRU WKH VXSSO\ WR EH PDGH WR WKH F
WKH FXVWRPHU

,Q $VRFLDFLyQ 3URIHVLRQDO (OLWH &DMLHY &8EHU 6\WWK
$GYRFDWH *HQHUDO UHFRPPHQGHG WKDW

8EHU¶V DFWLYLW\ PXVW EH YLHZHG DV D ZKROH
FRQQHFWLQJ SDVVHQJHUV DQG GULYHUV ZLWK
VPDUWSKRQH DSSOLFDWLRQ DQG WKH VXSSO\ RI
IURP DQ HFRQRPLF SHUVp 0

x UHPRYLQJ FDVK UHFHLSWV IURP H[SRUWV

7KH +HQU\ 5HYLHZ VXJJHVWHG UHIXQGV ZRXOG EH SD
IORZ LQ DQ\ SHULRG

7KH LQIHUHQFH LV WKDW D FDVK IORZ WD[FRXOG EH
$FFRUGLQJO\ EXVLQHVV DQG JRYHUQPHQW RSHUDWLR
ZLWKLQ WKH VDPH µFDVK IORZ WD[¶ V\VWHP ZLWKRXV
LWHPV SURGXFHG

5HPRYLQJ WKH WUDQVDFWLRQ E\ WUDQVDFWLRQ UHS
DGPLQLVWUDWLRQ EHFDXVH WKH IRFXV ZRXOG VKLIW
VDPH DV LQFRPH WD[

/LPLWDWLRQV

:KLOH QRW FRYHUHG LQ WKH +HQU\ 5HYLHZ LW LV SF
QRW EH EURXJKW ZLWKLQ WKH FDVK IORZ WD[V\VWHP
PLJKW QRW EH DEOH WR EH XWLOLVHG IRU VXSSOL

7KH µFDVK IORZ¶ DSSURDFK ZRXOG QRW FDOFXODWH W
VHUYLFHV DQG UHQWV ± WZR RI WKH µGLIILFXOW WR
RI UDLVLQJ HTXLYDOHQW DPRXQWV RI WD[WKURXJK D

,Q DGGLWLRQ ZKLOH WKH µVHOI HQIRUFLQJ¶ FKDUD
H[DJJHUDWHG WKH FDVK IORZ PHWKRG RI LWVHOI LV
$V VXFK LW LV VXVFHSWLEOH WR IUDXG LQ ERWK RYH

$ FDVK IORZ FRQVXPSWLRQ WD[KDV WKH SRWHQWLDO
RQ µHQWLWLHV¶ UDWKHU WKDQ JRRGV DQG VHUYLFHV
GLIILFXOWLHV RI FRQVXPSWLRQ WD[DWLRQ SHUVLVW

x JRYHUQPHQW VXEVLLGLZRXOGGVHDSSLFDHU WKDW WKH I
UHTXLUH ERWK VXEVLGLHV DV ZHOO DV H[SOLFL
UHYHQXH DJDLQVW ZKLFK DOO FRVWV FDQ EH FOD
DQG VXEVLGLHV LQ WKH HGXFDWLRQ DQG KHDOW
IORZ DQG FKXUQLQJ LQHIILFLHQFLHV LQ WKH µIX
ZRXOG EH WR H[FOXGH VXEVLGLHV DQG JUDQWV I
ODUJH DQG RQJRLQJ UHIXQGV DV LV WKH FDVH X

x WKH SURSHUWW[DSSDWWHUHG DGYDQWDJH RI WKH FD
IRFXVHV RQ HQWLWLHV UDWKHU WKDQ WUDQVD
RSSRUWXQLW\ WR PDQLSXODWH WKH FRUUHFW HQ
IORZ DSSURDFK $ GLVFXVVLRQ RI WKLV ZHDNQHV
VFRSH RI WKLV DUWLFOH

x HPSOR\HH LQGHSHQGHQWWRLQWWQRFW ROHDUUZKHWW
IORZ DSSURDFK ZRXOG DGGUHVV WKH LQKHUHQW
FROOHFWHG RQ WKH YDOXH DGGHG E\ µ)ULGD\ QL
DQG µLQWHUPHGLDULHV¶ GLVFXVVHG LQ VHFWLRQ

x SKRHQL[DQG PLVVWLKHWFDDVKGHIORRZDPHHFKDQLVP VX
+HQU\ 5HYLHZ ZRXOG UHVXOW LQ D UHIXQG RI WK
QRW DFFRXQWHG IRU E\ WKH VXSSOLHU

- x 'HPDQGLQJ RU SD\LQJ IRU ZRUN FDVK LQ KDQG WR

- x 1RW UHSRUWLQJ RU XQGHU UHSRUWLQJ LQFRPH

)XUWKHU WKH FDVKIORZ V\VWHP ZRXOG VHHP WR VXII
PDNLQJ LW SHUKDSV XQVXLWDEOH DV D WD[EDVH IR

QFRPH RC1D[QLFRRFPOHXRBLCQ1D[LQFRPH WD[RQ FRPSDQLHV   3WKHY*67 OHRF

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KLJKHVW SURSRUWLRQ VLQFH   DQG FRQWLQXLQJ
FRQILUPHG E\ UHSUHVHQWDWLYHV RU WKH HOLVHUV DIWH
µWKH WD[UHYHQXH FROOHFWHG IURP KRXVHKROGV KD[

$V LW FRPSULVHV DSSUR[LPDWHO\   SHU FHQW RI RYL
ODUJHVW DPRXQW RI EDVH GHOLYHUHQXHV ZHUH H[SHFWHG
KRZHYHU GXH WR IDFWRU VXFK DV FKDQJHV LQ FRQ
WKH DPRXQW FROOHFWHG LQ *67 KDYH YDULHG LQ W
,Q   ZKHQ WKH WD[ZDV ILUVW LQWURGXFHG *67 UH
      WKLV OLIWHG QRPLQDOO\ WR   SHU FHQW RI *
FHQW LQ

35,1&,3/(6 2) 7$; 32/,&<

,W LV ZLGHO\ DFNQRZOHGJHG WKDW WKHUH DUH ILYH I
D JRRG WD[V\VWHP 7KH UHYLHZ$RVWWKDOLDVW UXOWKD
6\VWHP 5HSRUW WR WKHV7 QG`e`0 *

UHIHUUHG WR DQV WKLU D DWHGOH WKH WHUP H[HPSWLRQV
VFHQDULRV

&2168037,21 7$;(6(037,216 $1')22'

$XVWUDOLD LV RQH RI RQO\ ILYH 2(&' PHPEHU FRXQWU
WR VSHFLILF IRRG LWHPV WKH RWKHU FRXQWULHV EH
.LQJGRP 7KH PDMRULW\ RI (XURSHDQ FRXQWULHV GR

WKH KLJKHVW TXLQWLOH DFWXDOO\ VSHQG PRVW RQ I
VSHQG RQ UHFUHDWLRQ ZLWK WUDQVSRUW DQG KRXV
RI H[SHQGLWXUH

)LJ   3URSRUWLRQ RI :HHNO\ +RXVHKROG 6SHQGLQJ F
0LGGOH DQG +LJK :HDOWK $XVWUDOLD

7KLV LV D VKLIW IURP   ZKHQ ORZ LQFRPH HDUG
DV PXFK RI WKHLU LQFRPH RQ IRRG DV SHRSOH LQ WK

/LNH $XVWUDOLD DQG &DQDGD ,UHODQG JDLQV D VLJ
9$7 7KH ,ULVK VWDQGDUG 9$7 UDWH LV   SHU FHQW
RI   SHU ,QH,QW)HODQG EDVLF IRRG DQG GULQN IRU K
UDWH7KLV DSSOLHV WR LWHPV VXFK DV IUXLW YHJH
EHYHUDJHV RU F,RGHHODFQWGLRFQDODVU RO\ DSSOLHV UHGXFHG 9$7
SHU FHQW DQG   SHU FHQW WR D QXPEHU RI JRRGV

$ VWXG\ XVLQJ WKH   +RXVHKROG %XGJHW 6XUY
7ULQLW\ &ROOHJH 'XEOLQ IRXQG WKDW ,ULVK KRXVHK
GHFLOH H[SHQGHG DERXW   SHU FHQW RI WKHLU GL
KRXVHKROGV RQ WKH RWKHU KDQG VSHQW RQO\ DERXV
WKRVH LQ WKH ORZHV LQFRPH GHFLOH WKH DXWKR
,UHODQG ZDV KLJK7GKHLH UVHWXVGX\G VDOLVWR FRQFOXGHG WKDW
ZRXOG LQFUHDVH WKH UHJUHVVLYH HIIHFW RI WKH W
ORZHV LQFRPH GHFLOH UXUDO KRXVHKROGV VLQJ
KRXVHKROGV ZLWK VZKRRUULPPRRVUKHJSHURSVQ PHQW LJQRUHG
LQFUHDVHG WKH KLJKHVW UDWH RI 9$7 DOWKRXJK LW
DQG EHYHUDJHV

7KH VWDQGDUG UDWH RI *67 $PRQ OH[WFKRH LVVXSSO\HUVFHWOV
UDWHG DUH WKH VXSSO\ RI QRQ LQGXVWULDOLVHG D
VSHFLILF IRRG SURGXFWV SDW,HQQWD SSPHHOGDLUFLLQQHKD DWQDGK
SROLF\ EHKLQG]HUR UDWLQJ EDVLF IRRG ZDV VLPLOD
FRQVLGHUHG WR LPSDFW PRUH KDUV,KKRZOH\RQ OR,ZWLQ

LQFRPH FRQVXPHUV SXUFKDVH IRRG IURP WKHVH VXS
IRRG HYHQ LI LW ZDV WD[DEOH

7KH H[HPSWLRQ IRU IRRG DQG ORZ LQFRPH KRXVHKROGV L

5HVHDUFK RYHU WKH ODVW GHFDGH KDV H[DPLQHG W
ORZ LQFRPH KRXVHKROGV ZLWKLQ WKH FRQWH[W RI G

H-RXUQDO RI 7D[5HVHDUFK   7KH FDVH IRU VSHFLILF H[PSWLRQV IURP WK

FRVW DERXW   KHDOWK\ OLIH \HDUV RYHU WKH O

H-RXUQDO RI 7D[5HVHDUFK   7KH FDVH IRU VSHFLILF H[HPSWLRQV IURP WK

*67 $1' +($/7+&$5(

7KH SROLF\ UDWLRQDOH LV WR WD[WKH YDOXH RI KRX
WKH WUHDWPHQW RI WKRVH ZKR UHQW WKHLU GZHOOL
2ZQHU RFFXSLHUV ZRXOG QRW EH VXEMHFW WR WKH *
ZRXOG QRW EH VHOOLQJ WKHLU KRXVH LQ WKH FRXUV
VHOOLQJ WKHLUHKRPHW IURP D WD[SHUVSHFWLYH LV V
WD[HG VXSSO\ ± QR *67 LV FKDUJHG RQ WKH VDOH DQ
7R UHDOLVH WKLV SROLF\ REMHFWLYH UHVLGHQWLDO
WKDW WKH\ DUH DFWXDOO\ XVHG WR SURYLGH DFFRP
DQG WKHQ RQO\ WR WKH SRLQW WKDW DFFRPPRGDWLR
WKH H[WHQW WKDW EXVLQHVV UHODWHG DFWLYLW\ LV
SUHPLVHV KRXVLQJ VXSSOLHV DUH WD[DEOH WR HQDI
RI SUHPLVHV WR FODLP D WD[FUHGLW LQ UHVSHFW I
HQVXUH WKHLU LPPXQLW\ WR WKH WD[

$V (EULOO HW DO VWDWH

2ZQHU RFFXSLHG KRXVLQJ LV SUREOHPDWLF KRZ
FRQVXPSWLRQ RQ ZKLFK RQH ZRXOG OLNH WKH W
EHHQ PDGH LQ WKH SDVW WR LPQX•$FHM™PODOWXRRW

7D[([SHQGLWXUHV 6WDWHPHQW UHYHDOV WKDW R

H-RXUQDO RI 7D[5HVHDUFK

7KH FDVH IRU VSHFLILF H[PSWLRQV IURP WK

H-RXUQDO RI 7D[5HVHDUFK YRO   QR   SS

7DEOH   *67 &RPSOLDQFH /LDELOLWLHV

<HDU	*67 FRPSOLDQFH OLDELOLWLHV

7KHVH   1‰ ™● "` g™˜€ 0

FKDQJHV 2I FRXUVH *67 UHIXQGV FDQ DULVH IURP HLWKH
RU RYHUSDLG µRXWSXW¶ *67 %XW WKHUH LV D VLJQI
WZR ,Q EURDG WHUPV DQ XQGHU FODLPHG LQSXW WL
E\ WKH UHOHYDQW HQWHUSULVH ZKLOH RYHUSDLG µF
HQWHUSULVH RU KDYH EHHQ VKLIWHG IRUZDUG LQ S
FXVWRPHU ,Q WKH ODWWHU FDVH WKH UHIXQG UXOH
UHFHLYLQJ D µZLQGIDOO JDLQ¶ DW WKH H[SHQVH RI W

2YHUODLG RQ WKHVH UXOHV DUH OLPLWDWLRQ SHULR
FODLPHG EH\RQG D IRXU \HDU SHULRG VXEMHFW WR

REMHFWLRQ SURYLGHG WKH REMHFWLRQ LV LWVH
SHULRG 7KH LQDELOLW\ WR KDYH DQ LQGHSHQG

'HVSLWH WKH &RPPLVVLRQHU¶V YLHZ EHLQJ µSUHOLPL
DOUHDG\ UDLVHG WKH LVVXH DJDLQVW°ñ WD[SD\HUV LQ

6R WKH QRWLRQ WKDW DXWKRULWLHV PLJKW EH µSDL
QR ORQJHU D IHDWXUH RI WKH FXUUHQW DGPLQLVWUD
WKDW WKH DXWKRULWLHV FDQ QRZ EH SDLQIXOO\ TXL
RYHU UHDFW 7KLV LV LQFUHDVLQJO\ VR ZKHQ UHYHQX

$GPLQLVWUDWLRQ RI *67 UHIXQGV

0XFK RI WKH &RPPLVVLRQHU¶V HIIRUWV RQ FRPSOLD
YHULILFDWLRQ RI UHIXQGV PDGH E\ WD[SD\HUV 7KH $
YHULILFDWLRQ ZDV FRQVLGHUHGGXEWLWKHLIJDWVHURDO &
&RPPLVVLRQHU KDG UHWDLQHG 0XOWLIOH[¶V *67 UHIX
UHIXQGV WKDW ZHUH VXVSHFWHG WR EH SDUW RI D IU
WKH µUHDVRQDEOH WLPH¶ UHIHUUHG WR LQ VHFWLRQ
&RPPLVVLRQHU WDNHV WR IDFLOLWDWH WKH SD\PHQW
WLPH WDNHQ WR FRQGXFW DQ LQYHVWLJDWLRQ LQ
&RPPLVVLRQHU ZDV RUGHUHG WR SD\ WKH *67 UHIXQG
ODZ ZDV TXLFNO\ FKDQJHG E\ LQWURGXFLQJ VHFWLRQ
ZKLFK JLYHV WKH &RPPLVVLRQHU SRZHU WR ZLWKKRO

7KH ,QVSHFWRU *HQHUDO RI 7D[DWLRQ UHFHQWO\ F
U8.G3PLDQG.ŝ•M URD5ILRFK`P2 D.6T5G HRÈQG VDDLGG DJ QXR2ÀR GÌ

SUDFWLWLRQHUV DQG WKHLU FOLHQWV WKLV LV DG
DGPLQLVWUDWLRQ ZKLFK QHHGV WR EDODQFH WLPHO

,QWHUHVW RQ *67 UHIXQGV

7KH DYDLODELOLW\ RI LQWHUHVW RQ *67 UHIXQGV L
DFFXUDWHO\ WKH WLPH IURP ZKLFK LQWHUHVW UXQ
UHFHQW7UEMPWOKHLQ GHOD\HG UHIXQG LQWHUHVW ZDV

LQYROYLQJ QR UHDO WHFKQLFDO LVVXHV 7KDW ZRXO
EH ZHOFRPHG DQG WKH &RPPLVVLRQHU FRQJUDWXODW

7KH VHFRQG FODVV RI GLVSXWH DULVHV ZKHQ WKH $7
VXLWDEOH IRU UHVROXWLRQ)RU WKHVH GLVSXWHV W
WKH $72 KDV EHFRPH XQQHFHVVDULO\ FRQIURQWDWLR
ORZ SRLQW LQ UHODWLRQV ZLWK WKH $72 2I FRXUVH
DUH E\ WKHLU QDWXUH DGYHUVDULDO +RZHYHU SDU
\HDUV VHH D UHDO FKDQJH DQG D UHWXUQ WR WKH
&RPPLVVLRQHU WDNLQJ HYHU\ SRLQW PDQ\ RI ZKLFK
WKH LVVXH LQ GLVSXWH 7KDW LV XQIRUWXQDWH DV L
FDSDEOH RI UHVROXWLRQ ZLWKRXW WKH QHHG WR EH

,I LW ZHUH SRVVLEOH IRU WKH DXWKRU WR RIIHU VRP
PXFK EURDGHU YLHZ RI ZKLFK PDWWHUV PLJKW EH VX
UHVROXWLRQ $EVHQW IUDXG RU HYDVLRQ LW LV WKH
ZRXOG EHQHILW IURP LQWHUYHQWLRQ 2QH RI WKH EL
HYHQ LI D PDWWHU GRHV QRW VHWWOH LW LV RIWH
ZKHWKHU WHFKQLFDO SRLQWV SURFHGXUDO SRLQWV
SDUWLHV)XUWKHU WKH PHUH SUHVHQFH RI DQ H[S
UHVROYLQJ D GLVSXWH RIWHQ WHQGV RI LWVHOI WR
D ORQJ ZD\ WR DOOD\LQJ WKH FXUUHQW FRQFHUQV RI

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*67 DGPLQLVWUDWLRQ ± FRP

'U 3HWHU +LOO

$EVWUDFW

7KLV DUWLFOH SURYLGHV FRPPHQWV RQ WZR DUWLFOHV SUHVHQWHG RQ WKH
WR WKH DGPLQLVWUDWLRQ RI *67 UXOLQJV RYHU WKDW SHULRG WKH DXWKI
SHUIRUPDQFH DQG VHHNV WR KLJKOLJKW RQJRLQJ LVVXHV ZLWK D WKH RQ
RI DQ\ VWDWHG SHULRG IRU DQ\ *67 SULYDWH UXOLQJ DQG WKH FRQVHTXHQV
DVVRFLDWHG ZLWK D SDUWLFXODU SURYLVLRQ GLVFXVVHG LQ RQH RI WKH D
SHUIRUPDQFH LQ UHGXFLQJ WKH ODUJH *67 JDS PHQWLRQHG LQ RQH RI WKH
RYHUO\ FRPSOH[
 67 DGP UR

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, ZDV KRQRXUHG WR EH DVNHG WR SDUWLFLSDWH LQ
VHUYLFHV *67 DGPLQLVWUDWLRQ DV D 3DQHO 6SHD
DGPLQLVWUDWLYH DUUDQJHPHQWV IRU WKH FRPPHQFH
VSRNH DERXW WKHP DW WKH WLPH DQG DIWHUZDUGV
RUJDQLVHG E\ $WD[WR PDUN WKH WK DQQLYHUVDU\

,Q P\ YLHZ LW ZDV LQ VRPH SDUW D UHIOHFWLRQ RI
V\VWHP WKDW .DUO +HL‰XV+LLQGGVW¶LKDPWWKH2(&'&RPPLWWHH
DQG &R FKDLU RI WKH 2(&'¶V 9$7 *67 7HFKQLFDO $GYL
WKH VHVVLRQ¶V SDSHUV ORRNLQJ DW WKH UROH RI
DGPLQLVWUDWLRQ 2WKHU 2(&' UHSUHVHQWDWLYHV G
VLPSO\ GLG QRW KDSSHQ WHQ \HDUV DJR

:KLOVW WKHUH LV QR GRXEW WKH 2(&' LV QRZ FORVHO
HVWDEOLVKHG E\ $XVWUDOLD DQG RWKHU FRXQWULH
SDUWLFXODUO\ LQ WKH RQ OLQH PDUNHW VSDFH , Z
FRYHUHG E\ WKH RWKHU WZR VSHDNHUV LQ WKH VHVV
 WKHQ 'HSXW\ &RPPLVVLRQHU RI ,QGLUHFW 7D[$XVW
.HYLQ 2¶5RXUNH 'LUHFWRU RI 2¶5RXUNH &RQVXOWLQJ

0\ ILUVW FRPPHQW WKRXJK LV RQHWKHSROLWLFOHPHRHWWKHU
7KLV EURXJKW D VPDOO VPLOH WR P\ IDFH EHFDXVH
*67 KDV EHHQ FRQFHUQHGESRWKHF\RUPWQFHWHUQDORLV
V\VWHP RQ -XO\   DQG KDV EHHQ GRLQJ VR HYHU

,I WD[DGPLQLVWUDWLRQ FDQ HYHU EH GHVFULEHG D
HYHQWXDO SDVVDJH RI WKH SDFNDJH RI *67 OHJLV
FRPPHQFHPHQW ZDV DQ H[FLWLQJ WLPH ,Q VKRUW
FRPPHQFHPHQW RI *67 LQ $XVWUDOLD WKH $72¶V LQI
HYHU\ *67 UHJLVWUDWLRQ DSSOLFDWLRQ ZDV GLVSHQ
WR WKH $72 WKDW WKH UHDOLW\ ZDV WKDW LW KDG G
ZLWK PDQXDOO\ FKHFNLQJ HYHU\ DSSOLFDWLRQ DQ
GHHPLQJ DQ\ DSSOLFDQW WR EH UHJLVWHUHG XQOHVV
RI WKH DSSOLFDQW GHWHUPLQHG RWKHUZLVH UHWUR
HDUO\ VWDJHV RI *67 DGPLQLVWUDWLRQ ZKHUH SUDJ
LQ VWD€GDFH ‚LFWR?QOZG„E FQ€HIFOQHV QLLWWDDWH–HEG FERYWWOKQHRU$72¶KH JU
RULJLQDO *67 DSSOLFDWLRQV LW ZRXOG UHFHLYH

LQSXWV XVHG IRU VXSSOLHV WKDW DUH WD[DEOH ZL
DOORZHG IRU LQSXWV UHODWLQJ WR RWKHU VXSSOLH

7KH $XVWUDOLDQ V\VWHP WDNHV WKH RSSRVLWH DSS
PDQGDWHG IRU DFTXLVLWLRQV WKDW UHODWH WR L

+RZHYHU WKLV EURDG SULQFLSOH KDV VRPH TXDOLIL
H[PSWLRQV D VWULFW LQWHUSUHWDWLRQ LV IDYRX
PD\ EH H[HPSW

7KH WUHQG RI WKH $XVWUDOLDQ FDVHV E\ FRQWUDVW
RI WKH VWDWXWH DQG WKH WUDQVDFWLRQV LW WD[HV
µWKH &RXUW ZLOO SUHIHU DQ LQWHUSUHWDWLRQ RI
OHJLVODWLYH SXUSRVH DV RSSRVHG WR RQOHQ VFKDW DZ
WUDQVDFWLRQ IRU *67 SXUSRVHV DSSHDU WR EH PRU
D WUDQVDFWLRQ UDWKHU WKDQ WKH µVXEVWDQFH¶ RI

'XULQJ WKH SUHFHGLQJ RU VR \HDUV LW LV VWULN
KDYH EHHQ GHFLGHG LQ FRQQHFWLRQ ZLWK ILQDQFL
QXPEHU ZLWK SHUKDSV KDOI D GR]HQ RU VR FDVHV R
PD\ LQ SDUW EH D UHVXOW RI WKH GHWDLOHG GUDIWL
DQG LQ WKH DFFRPSDQ\LQJ *67 5HJXODWLRQV ,Q DG
UXOLQJV DGGUHVV PDQ\ RI WKH PDLQ LVVXHV PDNLQ
DUJXDEO\ RQH RI WKH EHVW H[SORXQGHG LQ WKH VXUSOL
RI WKH FDVHV WKDW KDYH EHHQ GHFLGHG KDYH DULVH
$XVWUDOLDQ V\VWHP GHVFULEHG DERYH VXFK DV WK
 GLVFXVVHG IXUWKHU LQ VHFWLRQ EHORZ DQG WK
DFTXLVLWLRQV EHWZHHQ GLIIHUHQW FDWHJRULHV RI
FRQVLGHUV WKH SURSHU DSSURDFK WR FRQVWUXFWLR
ZLWK LPSRUWDQW FRQVHTXHQFHV IRU *67 VHFWLRQ

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7KH UHDFK RI WKH SURYLVLRQV RI WKH *67 $FW DOORZ
IHOO IRU FRQVLGHUDWLRQ E\ WKH FRXUWV DW DQ HDU
XVXDO VFKHPH IRU YDOXH DGGHG WD[DWLRQ 7KDW L
WKH (XURSHDQ 8QLRQ WKH UXOHV UHTXLUHG UHOHV
WD[DEOH VXSSOLHV DOO RU ZDGHG TXLDVEOLWLLRQV XQGHU WKH S
WKH UHTXLVLWH UHODWLRQVKLS EHWZHHQ LQSXW WD
GHQR RI DOO QSXW WD[FUHGLWV

7KH SDUWLFXODU TXHVWLRQ ZDV WKHUHIRUH ZKDW
DQG LQSXW WD[HG VXSSOLHV WR SURGXFH D GHQLDO
µDFTXLVLWLRQ« >5HODWH@ « WR PDNLQJ VXSSOLHV W

RI WKH *67K $FWXV'H RI WKH VXEMXQFWLYH µZRXOG
FRQGLWLRQV XQGHU ZKLFK K\SRWKHWLFDO LQSXW WD[
TXHVWLRQV DV WR ZKDW WKRVH K\SRWKHWLFDOV ZHU
ZKHQ WKH DFWXDO LQSXW WD[HG VXSSOLHV ZHUH UHT
DFWXDO VXSSOLHV WKDW ZHUH LQSXW WD[HG RFFX
LGHQWLILHG IRU FUHGLWDELOLW\ WR EH GHQLHG"

7KHVH TXHVWLRQV IHO+O IRU GHWHUPLQDWLRQ LQ TXH
RSHUDWHG D GHEW FROOHFWLRQ EXVLQHVV DFTXLU

VKRXOG FRQYHUVHO\ D8OOQGRRZ EFWUHHGGOLWDD WWLKOHHLVV\UHIHUU
DWWULEXWLRQ ZLOO DOORZ IRU D PRUH DFFXUDWH ZD
VHFWLRQ   DQG LQ SDUWLFXODU WKH DEVHQFH RI

'input taxed'. Rather than undertake thi...
acquisitions in question. the respondent...
figures as a proxy for the relationship b...
aggregate and the making of particular su...

…

[T]he formula assumes that it is fair an...
proportional relationship between a t...

$$7$ DW > @   7KH DSSURDFK DGRSWHG E\ WK
FRUUHFW

:KLOH WKH FRQFHSW RI *67 DV µD SUDFWLFDO EXVLQH
DV RQH RI WKH WRROV IRU LQWHU W&H)WGWULDQJR RXUWK
+ROLGD\V /LPLWHG Y &RPPLQGLFDWHG WKDW WKKROH ZH
IDU D FRXUW FDQ JR LQ DSSO\LQJ WKH SULQFLSOH

7KH &RXUW KDV WHQGHG WR DGRSW D SXUSRVLY
WKH *67 $FW UHMHFWLQJ VWULFW JUDPPDWLFDO
QRW RQO\ RI WKH V\QWD[EXW DOVR RI µWKH SR
FRQWH[W¶ RI WKH +3HOOHUYDODQWV SORY3WLRQG Y &RP
7D[DWLRQ@)&$)&   )&5   DW > @ &R
WKHVH DVSHFWV RI WKH *67 $FW KDV OHDG WR W
EXVLQHVVWHUDOL[QJ *XDUGLDQ 3W\ /WG >Y &RPPLVV
)&$ $/5   DW > @

7KH GHVFULSWLRQ LV DSSURSULDWH EHFDXVH LW
RI WKH WD[7KH IDFW WKDW OLDELOLW\ WR SD\
WKH VXSSO\ FKDLQ PHDQV WKDW LW LV D WD[RQ
GHVLJQHG ZKHUH SUDFWLFDEOH WR TXDUDQWLQ
RI WKH WD[7KLV DQG RWKHU DVSHFWV RI WKH
FRQWH[W LQ ZKLFK WKH ODQJXDJH RI WKH $FW L
LQ SDUW ZK\ WKH GHVFULSWLRQ µD SUDFWLFDO
7KLV GRHV QRW PHDQ KRZHYHU WKDW WKHUH LV
WKDW VKRXOG EH DSSOLHG ZKHQ LQWHUSUHWLQJ
WR LQWHUSUHWDWLRQ RI LWV QDWXUH WDNHV
SKUDVH µD SUDFWLFDO EXVLQHVV WD[¶ LV D UH

7KH FRQFHSW RI *67 DV µD SUDFWLFDO EXVLQHVV WD
VWULFW DQ LQWHUSUHWDWLRQ ZKHUH WKH SXUSRVH F
GR VR +RZHYHU WKH GRPLQDQW DSSURDFK RI WKH $X
GLVWDQFH DZD\ IURP WKH (XURSHDQ DSSURDFK RI OR
PD\ EHWWHU DFKLHYH WKH OHJLVODWLYH SXUSRVH RI

$ ILQDO REVHUYDWLRQ RQ TXHVWLRQV RI FKDUDFWHU
OLVW RI µUHGXFHG FUHGLW DFTXLVLWLRQV¶ VHW RXW
0XFK WXUQV RQ ZKHWKHU VRPHWKLQJ IDOOV ZLWKLQ
DFTXLVLWLRQ FRXOG UHGXFH WKH LQSXW *67 FRVW
IDLOLQJ ZKLFK WKH HQWLUH DPRXQW RI LQSXW *67 EH
+RZHYHU OLWWOH GLVSXWDWLRQ KDV DULVHQ LQ WK
UHGXFHG FUHGLW DFTXLVLWLRQV 7KLV PD\ LQ SDUW
5HJXODWLRQV DV ZHOO DV WKZKSXEOLF UXOLQJ DQG QRQ
XVXDO SURFHVVHV RI WKH $XVWUDOLDQ 7D[DWLRQ 2I

,ELG SDUD
5REHUW 2OGLQJ µ³*67 LV D 3UDFWLFDO %XVLQHVV 7D[´ ± ³6SLQ
$XVWUDOLDQ *67 -RXUQDO
6DJD +ROLGD\V /LPLWHG Y &RPP@V)%LR&HU RI 7D[5DWLRQ
,ELG SDUDV
*67 5HJXODWLRQV UHJ
6HH $XVWUDOLDQ 7D[DWLRQ 2IILFH µ*RRGV DQG 6HUYLFHV 7D[5

XS µPDQDJHPHQW¶ $ PDQDJHU RI D FRPSDQ\ KDV EHH
WKH PDQDJHPHQW RI WKH ZKR QHW[…]KH DERQO WWKW RRPSI
µPDQDJHPHQW¶ LV JHQHUDOO\ UHJDUGHG DV LQYROY
H[HUFLVGLHVRFUDHWLRQDFFRQQWZURURO DQG GLUHFWXLERQ RI
H[HUFLVH RI SRZHU SUHVXPDEO\ UHTXLULQJ D KXPDQ
µPDQDJHPHQW¶ LV

µ%URNHUDJH¶ LQFOXGLQJ WKH ZRUN RI D VWRFNEURN
    WUDGLWLRQDOO\ DOVR LQYROYHV D KXPDQ DFWRU

EDVLF DVVXPSWLRQV XQGHUO\LQJ WKH YDOXH DGGHG
VHUYLFHV QDPHO\ WKH SUREOHPV LQ ILQGLQJ WKH µY

7KH FKDQJH $, LV DOUHDG\ EULQJLQJ WR EHDU LV UHD
FKDQJHV PD\ QRW RFFXU RYHUQLJKW 7R UHPHPEHU Z
UHJDUG PD\ QRW JR DPLVV QDPHO\ WKDW µZH WHQG W
LQ WKH VKRUW UXQ DQG XQGHUHV$OLPPDWWKJHVPHNHLQFH
PDQ\ SUHGLFWLRQV LQ D YRODWLOH DQG UDSLGO\ HV
PHGLXP WR ORQJHU WHUP WKH DSSOLFDWLRQ RI $, LQ
FDQQRW EH LJQRUHG

H-RXUQDO RI 7D[5HVHDUFK YRO   QR   SS

WR WKH $XVWUDOLDQ WD[V\VWHP GXULQJ WKH IROOR
FDSLWDO JDLQV WD[&*7   IULQJH EHQHILWV WD[ )%7

Chairman Sir Robert William Cole The Cole C[...]
Coalition parties that would significantl[y ...]
However the Coalition parties lost the 'unl[...]

During the election campaign the then lea[der ...]
pledged never to introduce a GST if he becam[e ...]
that pledge the Coalition government commen[ced ...]
the Australian taxation system including th[e ...]
Howard government took this package of reform[s ...]
elected in September and immediately se[t ...]
commence on July

The passage of the A New Tax System Goods and S[ervices ...]
Parliament was far from smooth The GST free tr[eatment ...]
government paid to have the legislation pas[sed ...]
Democrats The Australian Democrats would pa[y ...]

Key policy decisions made during and w[ere ...]
government such as the GST free treatment of[...]
of overseas experience such as the 'place of su[pply ...]
and the treatment of land government and ch[arities ...]
international transactions or were uniquel[y ...]
credit regime for financial services and asp[ects ...]
insurance

When it came to designing the Australian GST l[egislation ...]
are rarely discussed in public the impact of[...]
and the Organisation for Economic Co operatio[n ...]
for designing a modern efficient tax system

GST LAW DESIGN

The tax law improvement project

In the ATO and the Office of Parliamentary C[ounsel ...]
to simplify the drafting of Australia's income[...]
not part of the brief Rather the aim of the[...]
Australian income tax law simpler easier to u[se ...]
compliance and reduce compliance and administ[ration ...]

The TLIP model was adopted and modified for Aus[tralian ...]
legislative model considered The streamlin[ing ...]
model for the Wine Equalisation Tax was initi[ated ...]
structural complexities of a GST

The TLIP model is uniquely Australian yet ofte[n ...]
and practitioners It has the following featur[es ...]

- it is based on a pyramid approach where cor[e ...]
  apex of the pyramid Below the core concept[s ...]
  Below the exemptions chapter resides a ch[apter ...]
  to the basic rules Underpinning these c[...]

2(&' SULQFLSOHV IRU GHVLJQLQJ D WD[V\VWHP

,Q   WKH 2(&' UHOHDVHG WKH 2WWDZD)UDPHZRU
FRPPHU7KHVH IUDPHZRUN FRQGLWLRQV ZHUH FRQVLVW

H-RXUQDO RI 7D[5HVHDUFK

,QWHUQHW VSHFLILFDOO\ PD\ KDYH ,QR QX 6.7 DQGW\SS$7
JRYHUQPHQW¶V YLHZ ZDV WR PRQLWRU WKH LPSDFW
VSHQGLQJ DQG DFW ZKHQ QHFHVVDU\ &OHDUO\ WKH
ULJKW WR DSSO\ *67 WR WKH LQERXQG FURVV ERUGH
YDOXH JRRGV

7KH DQG *67 ODZ FKDQJHV UHODWLQJ WR WKH
VHUYLFHV LQWDQJLEOHV DQG ORZ YDOXH JRRGV GH
V\VWHPV KDYH LQ HIIHFWLQJ FRPSOLDQFH SURWHF
FRPSHWLWLRQ DQG PDLQWDLQLQJ µVLPSOLFLW\¶ LQ W

7KH DPHQGPHQWV

7KH DPHQGPHQWV ZHUH H[WHQVLYH DQG SURIRXQG

:KHQ *67 FRPPHQFHG WKH µFRQQXOHFWHGHZLWKJ$XVWO
VWUDLJKWIRUZDUG 3ULRU WR WKH VHULHV RI DPH
ZDV FRQQHFWHG ZLWK $XVWUDOLD LQ WKH IROORZLQJ

- x WKH VXSSO\ RI JRRGV ± LI WKH JRRGV DUH VXSSO
  $XVWUDOLD RU WDNHQ IURP $XVWUDOLD

- x WKH VXSSO\ RI UHDO SURSHUW\ ± LI WKH SURSHU

- x WKH VXSSO\ RI DQ\WKLQJ HOVH VXFK DV VHUYL
  VXSSOLHG KDG WR EH

  GRQH LQ $XVWUDOLD

  VXSSOLHG WKURXJK DQ HQWHU SUHELARFDUUL
  RI WKH *67 $FW SURYLGHG LW KDV VLQFH
  LV FDUULHG RQ LQ $XVWUDOLD ZKHUH LW LV
  HVWDEOLVKPHQW)RU WKLV SXUSRVH WK
  HVWDEOLVKPHQW LQ FRPH 7RQ $VVHVVPHQW S
  ZDV PRGLILHG EXW RQO\ IRU *67 SXUSRVHV

  WKH VXSSO\

  ƒ

f

effectively competing with operators of premi...
residential accommodation such as hotels

Currently few providers of accommodation thr...
purposes It is also likely hotels have accept...
sourcing accommodation and have adapted thei...
on consumers looking for a 'hotel' experience

Regardless there is little doubt many provid...
carrying out activities in a business like man...
many cases exceed the GST registration thres...
hotels motels hostels and boarding houses T...
looking for revenue would not look at this 're...
revenue It would also be hard for operators t...
In fact it sounds very fair

A TAX ON CONSUMER—WITHHOLDING RULES FOR SALE OF NEW RESIDENTIAL PREMISES

While not related to digitisation I have inc...
withholding rules relating to the sale of new...
Government has sought to provide an element ...
order to counteract GST fraud by a few

Treasury Laws Amendment (... Measures No ...) Act ... amendment ... Administration Act ... inserting new division Into Schedule ... of that Act. These

In the second reading speech relating to the [...
Services Ms Kelly O'Dwyer said 'that the bill s...
phoenix'

In its simplest form 'phoenixing' in a tax cont...

- x a company disposing of certain assets or p...
  parties and incurs a tax related debt

- x the company enters into liquidation hold...
  tax liability on its books

- x the individual s who effectively derived...
  insolvent company merge 'from the ashes'...
  indirect involvement with a separate com...
  ATO yet and

- x this new company will follow the path of it...
  it goes on

It is clear the Commissioner believed he eith...
individuals or the relevant tax legislation...

x   WKH DPRXQW RI *67 WR EH ZLWKKHOG LV WR EH
    EHIRUH WKH SD\PHQW RI DQ\ RI WKH FRQVLGHUDW

x   WKH SD\PHQW RI D GHSRVLW GRHV QRW FRQVWLW
    SD\DEOH IRU WKH VXSSO\ RI WKH SURSHUW\ DQG
    RQ WKH SXUFKDVH WR ZLWKKRQ)XGUDWWHUKPHRUHLPWK
    LV QR ZLWKKROGLQJ REOLJDWLRQ ZKHUH D GHSRV

x   KRZHYHU ZKHUH D SXUFKDVHU DFTXLUHV D SUR
    SD\DEOH E\ LQVWDOPHQWV WKH SXUFKDVH LV U
    *67 RQ WKH IXOO SXUFKDVH SULFH RI WKH SURSH
    LQVWDOPHQW SD\PHQW LV PDGH

x   SXUVXDQW WR VHFWLRQ   RI 6FKHGXOH   R
    ZLWKKHOG LV   RI WKH FRQWUDFW SULFH XQOH
    PDUJLQ VFKHPH DSSOLHV WKH DPRXQW WR EH ZL
    SULFH

x   LI WKH FRQWUDFW VSHFLILHV D SULFH WKDW LV V
    ZLWKKHOG LV GHWHUPLQHG RQ WKH DERYH EDVLV
    DQ\ DGMXVWPHQWV ,I WKH FRQVLGHUDWLRQ LV
    DPRXQW WR EH ZLWKKHOG LV FDOFXODWHG E\ UH
    XQGHU WKH FRQWUDFW

x   ZKHUH WKHUH DUH PXOWLSOH UHFLSLHQWV RI D
    WKHP DV UHFHLYLQJ D VHSDUDWH VXSSO\ DQG L
    ZLWKKROGLQJ REOLJDWLRQ LQ UHVSHFW RI WKHL

x   MRLQW WHQDQWV DUH WUHDWHG DV LI WKH\ ZHUH
    WHQDQWV ZRXOG EH MRLQWO\ OLDEOH IRU WKH Z
    FRPPRQ ZRXOG KDYH D VHSDUDWH REOLJDWLRQ W

x   VXSSOLHUV RI SURSHUW\ DUH UHTXLUHG WR QRWL

        ZKHWKHU WKH VXSSO\ ZLOO EH VXEMHFW WR
        WKDW *67 LV WR J`ÀEH H

5HVLGHQWLDO SUHPLVHV FDQ UHPDLQ QHZ IRU ILYH \I
)RU *67 SXUSRVHV UHVLGHQWLDO SUHPLVHV DUH Q
SUHPLVHV KDYH RQO\ EHHQ XVHG WR PDNH LQSXW WD
\HDUV 7KH &RPPLVVLRQHU¶V YLHZ LV WKDW WKH U
FRQWLQXRXV ,I WKH SUHPLVHV KDYH EHHQ XVHG IRU
WD[HG VXSSOLHV WKH ILYH \HDU SHULRG VWDUWV
FRQVLGHUDEO\ PRUH WKDQ \HDUV ROG DQG VWLOO
EHFDXVH LW KDV QRW EHHQ XVHG WR PDNH LQSXW W
SHULRG +RZ LV D SXUFKDVHU ZKR LV JHQHUDOO\ XG
ZKHWKHU D SURSHUW\ LV QHZ"

:KHUH ODQG LV VROG WKDW FRPSULVHV QHZ UHVLGHQ
ODQG DQG FRPPHUFLDO SUHPLVHV IDUPLQJ ODQG RU
DV µQHZ¶ DQ DSSRUWLRQPHQW H[HUFLVH ZLOO QHHG
WKLV H[HUFLVH DQG KRZ H[SRVHG D SXUFKDVHU LV L
SXUFKDVHUV FDXVH IRU FRQFHUQ

)UDXG SUHYHQWLRQ Y NHHSLQJ FRPSOLDQFH FRVWV ORZ

7KH ZLWKKROGLQJ SURYLVLRQV DUH GHVLJQHG WR FR[
DUUDQJHPHQWV 6XFK DUUDQJHPHQWV DUH IUDXGXOH
DLPHG DW SXQLVKLQJ IUDXG DQG WKH SHUSHWUDWRU
SURSHUW\ GHYHORSHUV DQG WKHLU XQUHJLVWHUHG F

appropriate to question whether Australia's …
is the right approach

Input taxing financial services is the commo…
However such a system is inherently flawed in…
financial institution is embedded in a non re…
Where those services are acquired by an entit…
be embedded in the price of those services an…
chain This was recognised by the New Zealand g…
New Zealand GST law has zero rated financial …
businesses

The drafting of the financial supply provision…
repetitive complex and the antithesis of pri…

Most GST and VAT systems deny input tax credits…
acquired to make certain financial services F…
a reference to certain activities such as th…
and purchase of shares etc In Australia it w…
being a property interest in a particular th…
interest in a credit arrangement etc An unw…
to treat an acquisition of an interest in a fi…

It is unclear why those drafting the financial…
that this drafting was the basis of Travelex's…
of an interest in Fijian currency was a right …
free

Supplies by financial intermediaries are not…
supplies and are taxable To mitigate ci ted…

,I WKH &RPPLVVLRQHU LV RSHQO\ FRQWHPSODWLQJ E\
*67 $FW IRU FUHGLW FDUG LVVXLQJ EXVLQHVVHV LQ
JRYHUQPHQW WR FRPSOHWHO\ UHFRQVLGHU WKHVH
SURIHVVLRQDO RI \HDUV LW LV DVWRXQGLQJ WKDW

WKHLU UHVSRQVLELOLWLHV LQ WKLV DUHD ,W LV FKH

D GHFUHDVLQJ DGMXVWPHQW IRU *67 UHJLVWHUH
FRYHUHG E\ 'LYLVLRQ   IRU XVH LQ WKHLU EXVLG

D VLPSOLILHG DSSURDFK VLPLODU WR WKRVH DGR

&

7KHUH LV PXFK WR EH OHDUQW IURP WKH SDVW DQG
PXVW DOVR ORRN WR WKH IXWXUH DQG SODQ IRU FKD

SURYLGHV PRUH GHWDLOHG RRLO HWDKLULVO LSVPHXHL FDQ WKHRU
5HJDUGLQJ WKH)UHQFK 79$± &DUO 6KRXS REVHUYHG

7KH ODWHVW LQQRYDWLRQ LV WKH YDOXH DGG
LOOXVWUDWHV WKH SURFHVV E\ ZKLFK D VRUW R
QRZ DQG WKHQ JLYHV ULVH WR DQ LQYHQWLRQ R

2WKHU FRPPHQWDWRUV KDYH SRLQWHG RXW WKDW 9
C8 ÐKLRWQJ2 0

V\VWHP RI YDOXH DGGHG WD[DWLRQ¶ ±7KHDWXEHHLQKDGW
H[SUHVVHG VLPLODU YLHZV *L6LO7 KLLQGIRUKHHZRLUQGOQFRLDWKKH

5REHUW 2OGLQJ QRWHG LW ZDV QRW VXSULVLQJ WKD
2QH FRPPHQWDWRU KRZHYHU WKRXJKW WKH IDFWV
H[SORUH WK.WKHLWVXQJHH UHSHDWHG HDUOLHU YLHZV DE
RXU *67 QRWHG VRPH RI LWV XQLTXH IHDWXUHV DQG
GHSDUW IURP IRUHLJQ PRGHOV +H DOVR UDLOHG DJ
DQDO\VLV¶ DV D SURSHU WRRO IRU UHLHQWRWYDQJDZSKDWL
WKH VWDQGDUG SXUSRVLYH DSSURDFK UHTXLUHG E\ V

/HJLVODWLYH VFKHPH

-XVWLFH +LOO VDLG WKLV DSSURDFK UHTXLUHV WKH
HIIHFW WR OHJLVODWLYH SXUSRVH WR EH LGHQWLILF

SKLORVRSK\ WR EH IRXQG LQ WKH LQWHUSUHWD
 SDUWLFXODUO\ WKH (XURSHDQ 8QLRQ PD\ LQIO
$XVWUDOLDQ *67 7KLV LQ WXUQ OHDGV WR D F
(XURSHDQ 8QLRQ 'LUHFWLYHV RQ KDUPRQLVDWL
WKDW SKLORVRSK\ DQG LQ LQWHUSUHWDWLYH U

Neither is policy a reflection of or to be deri
out It is an objective exercise undertaken b
there is the notorious fact that extrinsic m
policy or purpose let alone fixing meaning per ...
or transatce that purposivism has its const
'courts cannot act as legislators¶ to cure l
revea...he Full Federa...ull taxpayer... ain \the s later re
observation as one of 'enduring wisdom¶

,QWHULP UHIOHFWLRQV

-XVWLFH +LOO OHDYHV D IRUPLGDEOH OHJDF\ QRW M
ODZ DV ZKHQ &KLHI -XVWLFH RI WKH)HGHUDO &RXUW
-¶V GHGLFDWLRQ WR WKH UXOH RI ODZ DQG WR WKH µ
VHUYLFH WR WKH FRPPXQLW\ DV D ODZ\HU D VFKROD
RXU FRXQWU\«RHVVRU 9DQQ ULJKWO\ FDOOHG KLP D µWD[

:H QRZ KDYH WKUHH *UDKDP +LOO GHOLYHULHG 6SHFKFKDU
+RQRXU¶V KRQRXU ,Q WKH +3V SHHUHFDOWLLUREOH- RVDWGH
MXGJH¶V µJUHDW«HVWOO OHGDFEULVLHHG WKH MXGJPHQW I
MXULVSUXGHQFH - FDOOHG LW D µWHRSDOOWH IR
FKDUDFWHULVHG LW µLQ WHUPV RI LWV PDVWHUO\
WD[DWLRRQ WKH VSHFLDO OSDHDUHLFDOSS OLQHFDUWHRIQ4&RUWHIHU
WR-3 0HUFDODQODWLGOH -XVWLFH +LOO NQHZ SHUKDSV PRUH L
DQ\RQH LQ $XVWUDOLD ZLWK GXH GHIHUHQFH WR \RX
KLV SDVVLQJ µOHIW D YRLG LQ WKH $XVWUDOLDQ MXG

-XVWLFH +LOO QHYHU JRW WR VHH KRZ KLV PXVLQJV
LQWHUSUHWDWLRQ PLJKW UHVROYH LQ WKH \HDUV
TXHVWLRQ ,W ZRXOG WDNH D IXUWKHU IRXU \HDUV IRU
±5HOLDQFH &DOUPSHWWHUV RI VWDWXWRU\ LQWHUSUHWD
WKH ZD\ LQ ZKLFK +LOO - VDZ WKH ZRUOG RI OHJLVOD
LQ KLV GHGLFDWLRQ WRPPHRWKKHLUQQ SKLEOLFKLSVOE FRQVHQV

2QH FRPPHQWDWRU VDLG KH KDG µTXLWH VWURQJ YLH
WKH ZURQJ ZD\ 7RKLGR RXWQKGLHQWWDWHV WKH SRVLWLRQ
+LOO - ZURWH RU ZKR RWKHUZLVH NQHZ KLP ZLOO DSS
ZD\ KLV V\VWHPLF FRKHUHQFH FRQVWUXFWLRQDO
DQWLFLSDWHG ODWHU DUWLFXODWLRQ RI WKLRWH OHOH
µVFKHPH RI OHJLVO+D3WLRULQF¶HDKHDFSSEORUROGDWWKHQ&DOOHUW WD[

(GPRQG\WKH -&RQWULEXWLRQV RI -XVWLFH +LOO WR WKH 'HYHORS
-RXUQDO RI WKH $XVWUDODVLDQLUE\VWLDIDFKHUDK$DVVRZEODODWLRPQRUL
7D[DWLRQ LQ $XIWRXUHDOPSOH
%ODFThH&+RQ -XVWLFH *UDKDP +LVXOOOPEHDUW 1HZV -RXUQDO RI WKH
$VVRFLDWLRQ
%XIWLDQL[7LWDQ ZDV QR KHLU EX$XJKDGVWODXVOWUDOKHDJDJUQDLFHGHDQFLDO 5H
.LUE -XVWLFH *UDKDP +LOO 0HPRULDO\ ORSHHQOHRQK$XDVWWUDOLD
*]HOOOH /HJDF\ RI -XVWL>FH 7OQDSDKQPQX+LOO &RQYHQWLRQ 6RXWK $XV
SDSHHDUW
(GPRQGGLVEXWH WR WKH ODWH /DZ&RLRXHQFLULDKWDDP[+ROODVKRS SDSHU
/RJDQKHUH DUH ZH ZLWK *67 ± EODFN OHWWHU WH@$RUDWWWKRQOGSDOOFVWLF
LQWHQVLYH &RQDHWUHQFH SDSHU
$PHULFDQ ([SUHVV :KROHVDOH &XUUHQ@F\&HHWUYLDGQHMV 3WDWWG Y)&
0LOOWKOHU 'HVWLQDWLRQ 3ULQFLSOH 3DVW 'HLYHOSHORRSFPRFNWLGDQG)X
$XVWUDOLD /RRNLQJ)RUZDUG DUWRP WKH)LUVW 'HFDGH
)&7 Y 5HOLDQFH &DUSHW@&R$SW\ /WG
FI 2OGULQQGV LQ WKH ,QWHUSUHWDW@LSRQ\LDW\WLRQQXDO 6767 ODZ DQG ,QGLUHF
:HHNHQG :RUNVKRWRS>SSOHSUHRZODWKHFRXUWV KDYH LQWHUSUHWHG *
7D[DWLRQ LQ $XVWUDOLD
3KDWKHUH *67 MXULVSUXGHQFH RI WKH @ODWW1H.'*6WVWRFRGHHHUEQOHPRSDSOH
DW
(GPRQGGWHUSUHWDWLRQ RI V   6LJQLILFDQFH 6L76WKH WDHWW FF
DJUHHV

GHFLVLRQ   \HDUV DJR DV LPSOLHG FRXUWV VKRXOG QRW E
GUDIWLQJ GHILFLHQFLHV ZKLFK UHYHO LQ REVFXULW\

$V , UHDG DJDLQ-RXQWLHFUSUHOO RV WUDQVODWH"

PLQGOHVV WH[WXDO ©LGHP¶ KDV JDLDOLDQ UXPDJHWRKD\ HFKR D GH
RIILFHUV E\ /RUG (VKHU 05 ORQJ DJR DV µXQSOHDVDQ

+RZHYHU WKH LGHD WKDW PHUHO\ OHJLVODWLQJ IRU
µXQGH¶QWLQVSWKL@ORWWKHSKÀ¶FWRYZKPLFGGRXU *67 ODZ ZR

(YDQV DOVR RQFH DGYRFDWHG IRU D QHZ REMHFWV F
WKH *67 ODZ WR HQVKULQH (8 QHXWU±DOLW\ DQG JXDU

> *67 LV D JHQHUDO WD[RQ FRQVXPSWLRQ H[DFWO
> WKH FRQVXPH KRZHYHU PDQ\ WUDQVDFWLRQV
> GLVWULEXWLRQ SURFHVV EHIRUH WKH VWDJH DW
> FUHGLW IRU LQSXW WD[LV PHDQW WR UHOLHYH
> LQSXW WD[SD\DEOH RU SDLG LQ WKH FRXUVH RI
> LQSXW WD[LV QRW D FRVW FRPSRQHQW RI DQ LQ

7KHVH WKHPHV DUH ±RULVWLRQWHGOEOHV(YDRQQV$LXOOQWUDLOLD¶V
LQ GUDIWSLWOQWHQWLRQ LV GUDZQ WR VWUXFWXUDO GLI
RWKHUV LQFOXGLQJ LQ WKH GHVLJQ RI LQSXW WD[UH
LV XVHG DQG XVHG GHOLEHUDWHO\ ,W LV REVHUY
µVLJQLILFDQWO\ GLIIHUHQW WR WKH 1= WHUPLQRORJV
WKH FRQWHQWLRQ WKDW WKH OHJLVODWXUH PHDQW W

7KH µGLIILFXOW TXHVWLRQ¶ LV SRVHG DW DV WR
µOHAOWJDVWRDLWVRRKXUОLGOVHQWWVKLOOGHHO DXKOWMUWW@WKHWWKWERRZ@OWOPLDLIV
MXULVGLF)RORRORRZ¶LQJ WKH 8. DSSURDFK PD\ ZHOO KD
RXWFRPH LQ $XVWUDOLD +RZHYHU LW GRHV QRW IRO
RI WKH 9$7 'LUHFWLYHV FDQ VRPHKRZ QRZ OHYHUDJH

7KH RUGLQDU\ H[SHFWDWLRQ LV WKDW OHJLVODWLQJ

2QO\ WLPH ZLOO WHOO

(DUO\ LQ RXU *67 MRXUQH\ 3URIHVVRU 0LOODU DVNHG
GHYHORS LWV RZQ YHUVLRQ RI QHXWUJDOLWWIRJ]ZROG\
\HDUV DQG WKH DQVZHU QRZ JLYHQ E\ KHU LV WKH VL
GHULYHG IURP 'LY   SURYLVLRQV 7KLV LV D FRQFOXV
±7KH SULQFLSOH RI QHXWUDOLW\ LQ $XVWUDOLDQ *67

LQWHUSUHWLQJ $XWWUHDOLDQ V6K7HQ UHYLHZV WK
FRQVXPSWLRQ DV D PDWWHU RI HFRQRPLF SROLFB

ZKLV LV WDNHQ WR VLJQDO WKDW QR QHXWUDOL
VVVWHP HLWKHU E\ UHIHUHQFH WR (8 QHXWUDOLW\ RU
FKDQ KÅGe`P SURP `WU@`KDQQKWPIP   LKDLWp\RUR À

SURYLVLRQV PRUH XVXDOO\ LQYROYH D FRPSURPLVH
JHQHUDO SROLF\ FDQQRW EH UHDG DV WKH ODZ PXVW

2Q WKH IXWX+3 (LPSDFWWRLOH 2OGLQJ HOVHZKHUH VXJ
DYRLGDQFH DV D NH\ IHDWXUH RI WKH WD[µZLOO FRQ
EXW +3K DWUFDQWLOH

(OLGD *LEEV /WG

'RPLQDQFH RI QHXWUDOLW\

,Q WKLV µPRQH\ RI(lOEBXSRPLWEKHFDVH(U H[SODLQHG WKDW

%XW LV RXU *67 ODZ UHDOO\ PXFK GLIIHUHQW IURP DQ
WKHLJUDWLRQ RI$UWH[DPSOH" $JDLQ WKH DUJXPHQW KHU
WKH VW\OH RI RXU OHJLVODWLYH GUDIWLQJ UDWKHU

:KDW HPHUJHV LQ   LV D SLFWXUH LQ PRVDLF IRUP
WKH *67 VWDWXWH VHW DJDLQVW WKH EDFNGURS RI W
D µOHJLVODWLYH IUDPHZRUN IRU *67 DGPLQLVWUDWL
TXLOW ORRVHO\ NQLWWHG WRJHWKH URREP\HDG LPPXQLW VDEOD
SULQFLSOHV¶ RI WKH NLQG IODJJHG DW WKH WHQ \HD

$V WKH \HDUV SDVV WKH ZLGHU PRVDLF VKRXOG
µDFFXPXODWLRQ RI H[SHULHQFH¶ SURYLGHG E\ GHFLG
WHVWLQJ 7KLV ZLOO EH GULYHQ E\ SURWRFROV RI [
G\QDPLW KRXJK QRW LQ WKH VDPH ZD\ DV LQ WKH (8 D
0U 5RPSHOPDQ WR RXU VKRUHV :H DQG KH DUH SDVW

:KLOH WKH LGHD RI D IXOO\ KDUPRQLVHG LQWHUQDW
µWKHRUHWLFDOO\ GHVLUDEOH REMHFWLYH¶ WKHUH L
QRZ OHJLVODWH WR DGRSW (8 VW\OH QHXWUDOLW\ Z
DIWHU WKH HYHQW REMHFWV FODXVH 7R GR VR ZRXO

0XFK RI WKLV QRWH LV DERXW VWDWX HVPPHPE @R

7KH $XVWUDOLDQ *67 FURVV JOREDO FRQWH[W

0LFKDHO :DOSROH

$EVWUDFW

7KLV DUWLFOH EXLOGV RQ SUHYLRXV UHVHDUFK E\ WKH DXWKRU H[DPLQLQJ
ERUGHU VXSSOLHV LQ D QXPEHU RI FRXQWULHV DQG KLJKOLJKWV WKH LPPHQ
RSHUDWHV LQ WKLV FRQWH[W LQ $XVWUDOLD VLQFH WKH *67 ZDV LQWURG
HYDOXDWHG LQ OLJKW RI JOREDO SUDFWLFH DQG LW LV FRQFOXGHG LQ SDU
WD[WR LQWHUQHW SODWIRUP VXSSOLHUV 7KH SRLQW LV DOVR QRWHG WKD
WKH µVKDULQJ HFRQRP\¶ LQ D VLPLODU PDQQHU VKRXOG WKH GHFLVLRQ EH

.H\ ZRUGRRGV DQG VHUYLFHV WD[GLJLWDO HFRQRP\ FURVV ERUGHU VXSSO

INTRODUCTION

This article on the th anniversary of the Au[stralian]
sense an update on a previous publication th[e]
cross border supply rules for the supply of in[...]
approach to this practically difficult challe[nge]

VXSSOLHV E\ *67 UHJLVWHUHG EXVLQHVVHV ,Q WKRVI
GR QRW UHYHUVH FKDUJH DQG WKLV VHHPV YHU\ VHQ

,Q WKH JURXS RI FRXQWULHV ZKRVH UXOHV WKH VWXG
UHTXLUH IRUHLJQ VXSSOLHUV WR UHJLVWHU LI PDNL
UHTXLUHPHQW ZDV LPSRVHG LQ   7KH UHTXLUHPH
2FWREHU   DQG LQ $XVWUDOLD LQ   7KH LGHD LV
UHSRUWHG VXFFHVV LQ IRUHLJQ VXSSOLHU SHDLQ WULD
KDG DOUHDG\ EHJXQ WR VKRZ VLJQV RI DGRSWLQJ WK
ZLWKLQ (8 0HPEHU 6WDWHV 7KH VDPSOH FRXQWULHV
GHILQLWLRQV ZHUH RI VXSSOLHV WKDW WULJJHU D
GHILQLWLRQ VHHPV WKH EURDGHV LQFOXGLQJ VXSS
LQWDQJLEOH FRQVXPHU VXSSOLHV¶

	VXSSOLHU LQ VRPH VLWXDWLRQV D̲V̲ PDNLQJ D VXS
	$XVWUDOLD
6HFWLRQ	(VWDEOLVKHV ZKHQ HQWLWLHV DUH WUHDWH
	VWDWHV WKDW WKH *67 UXOHV D̲SSO\ WR \RX DV LI
	$XVWUDOLDQ FRQVXPHU RI D VXSSO\ LI

H-RXUQDO RI 7D[5HVHDUFK

,1752'8&7,21

,1752'8&7,21

4XLKDV QRW EHHQ RYHUUXOHG¶ DQG µ>Z@H DUH PLQ
WR IROORZ LWV SUHFHGHQW ZKHQ LW ³KDV GLUHFW I
&RXU ³WKH SUHURJDWLYH RI R¶ >RXUKOLDQ\RULWDV YRZODIG
,QF WKH 86 6XSUHPH &RXUW DFFHSWHG WKH 6RXWK 'D
RYHU4XOOGHOODDV+HJXQVRXQG DQGGLQFRPDUOHFFHWG¶ WKH
IRU FRQVLGHUDWLRQ RI DQ\ &RPPHUFH &ODXVH FODLL
4XLDOGHOODV +HVV

7KH 86 6XSUHPH &RXULWQDLOV\SLQLRQ LQ

7KH &RXUW¶V FULWLFLVP RI WKH SK\VLFDO SUHVHQFH
HDUOLHU HPEUDFH RI WKH WHVW EZHDFD\XVVOHDWHKHG SRO\V
SUHVHQFH WHVW LV QRW DRµQWHKFHV VXEVWDQWHDOO\UHOHWX[D
FUHDWHV UDWKHU WKDQ UHVROYHV PDUNHW GLVWRU
FDVH E\ FDVH RQDWWKHL&R¶XUW¶V PRGHUQ &RPPHUFH &
6HFRQG WKH SK\VLFDO SUHVHQFH WHVW LV LQFRQVL
µ³GUDPDWLF WHFKQRORJLFDOODQGDVORRFLYLHOFKDQJHVWR
PDUNHWV ZLWKRXW HVWDEOLVKLQJ D SK\VLFDO SUHV
µDQ H[WUDRUGLQDU\ LPSRVLWLRQ E\ WKH -XGLFLDU\
SHUIRUP FULWLFDO SXEOLF IXQFWLRQV¶

,Q ILQGLQJ4XWLWGDDFVLWLKRHQ ZDV µIODZ HWGKKRHQ&LRRXXVVWWRZHPSSWKHDUUW
WKDW WKH 'XH 3URFHVV &ODXVH DQG &RPPHUFH &OD
UHODWWDHOOQHG¶ WKDW DOWKRXJK WKH\ µPD\ QRW EH LGHQ
VLJQLILFDQW,WSDURJXOOG HWWKDODW W ³4WKH\HRUDUHHVURQHHVVWLLYHQJWWKLQH
SUHVHQFH UXOH IRU GXH SURFHVV SXUSRVHV µDSSO\
SUHVHQFH LV D UHTXLVLWH IRU DQ RXW RI VWDWH V
$GGUHVVLQJ WKH DUJXPHQW WKDW WKH SK\VLFDO SU
EXUGHQ RI FRPSO\LQJ ZLWK WD[FROOHFWLRQ RER
MXULVGLFWDULR\RQXWVWKKHQRWHG WKDW WKH µDGPLQLVWU
DUH ODUJHO\ XQUHODWHG WR ZKHWKHU D F7RKPRSVDQ\ KD
WKH µ>W@KH SK\VLFDO SUHVHQFH UXOH LV D SRRU
FRPSDQLHV GRLQJ EXVLQHVV LQ PXOWLSOH VWDWHV¶

6RXWK 'DNRWD Y :D\ID:LG ,QF 6'   5RW&RWJLXQH] GH 4XLMDV
6KHDUVRQ $PHULFDQ8[S ,QFUHYHUVHG &W
    6 &W
,ELG
,ELG
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,ELG FLWDWLRQ RPLWWHG
,ELG FLWDWLRQ RPLWWHG
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,ELG %\ FR4QXWLOORXXWWWKHDOHG VHL]HG XSRQ WKH WKHRUHWLFDO GLII
DV JURXQGV IRU LWV GHWHUPLQDWLRQ WKDW D WD[SD\HU¶V FRQQ
&ODXVH QH[XV UHTXLUHPHQW EXW QRW WKH &RPPHUFH &ODXVH QH
6RXWK 'DNRWD Y :DG\DI&W ,QF
,ELG

7KH &RXUW IXUWKHU REVHUYHG µWKDW WKH &RPPHUF
IURP HQJDJLQJ LQ HFRQRPLFRGHRYHULPLQDWLLRQFKUWD
SXUSRVH RI WKH &RPPHUFH &ODXVH WR SHUPLW WKH 4
7KH SK\VLFDO SUHVHQFH UXOH KRZHYHU µSXWV ERW
EXVLQHVVHV ZLWK SK\VLFDO SUHVHQFH DW D FRPSH
VHOOHUV 5HPRWH VHOOHUV FDQ DYRLG WKH UHJXOD
GH IDFWRZRU SULFHV FDXVHG E\ WKH ZLGHVSUHDG IDLO
WKHLU RZQ¶ SK\VLFDO SUHVHQFH UXOH DOVR µSURGXF
SUHVHQFH LQ PXOWLSOH WKH\6WDWHRV¶WLQJ EXVLQHVV G
DOORFDWLRQ RI UHVRXUFHV DQG JLYLQJ ULVH WR HFR
SK\VLFDO SUHVHQFH UXOH LV QHFHVVDU\ WR HQVXUH
QRW FUHDWHG E\ WKLV &RXUW¶V SUHFHGHQWV¶

7KH &RXUW DOVR FRQWUDDXVLWWOHGGKWWKHIRµUVPDOOLWPLYRH
DQDO\VLV RI SXUSRVHHFERORQGGHHILHFQWPVRµGHUQ &RPPH
MXULVSU4XGGHOLFQRRWHG µWUHDWV HFRQRPLFDOO\LGH
DUELWUDU\7KHD&RXUWV¶ GHPRQVWUDWHG WKLV SRLQW
REOLJDWLRQV RI D VPDOO \HW SK\VLFDOO\ SUHVHQW
RQOLQH UHWDLOHU PDNL4QXJLVVODOOHV QDWLRQZLGH 8QG

: D \ I D L U

6 W D W H   P D U N H W S O D F H   S O D W I R U P   O H J L V O D W L R Q

GRKDYH SURSHUW\