

DRAFT LEGISLATION

As envisaged in the Treasurer's announcement of 27 October 1998 (*A Strong Foundation*, page 138), the Review worked closely with representatives from the Australian Taxation Office and the Office of Parliamentary Counsel to develop draft legislation covering selected reforms being recommended by the Review.

The legislation and explanatory notes accompanying this report represent a 'snapshot' at this time of some of the legislative material required to give effect to the Review's recommendations. The Review's intention is that this 'work in progress' provide the Government with a substantive basis for further consultations and for meeting its legislative timeframe. The material has been published in two separate documents — *A Tax System Redesigned Draft Legislation* and *A Tax System Redesigned Explanatory Notes*.

Listed in detail in the table of contents to the draft legislation are the specific rules covered by the draft legislation and explanatory notes. This material broadly covers:

- the structural framework for determining taxable income under the cashflow/tax value approach — applied to a range of assets and liabilities including financial assets and liabilities and incorporating a detailed unified regime for depreciable assets; and
- the consistent entity regime for the tax treatment of companies, most trusts and limited partnerships under reformed company-style taxation — but also incorporating details of the separate flow-through treatment for collective investment vehicles.

This draft legislation is a product of the integrated design process that the Review is recommending be introduced on an ongoing basis. The readily digestible nature of the draft, and its close correspondence with the Review's relevant recommendations, attest to the integrated design concept, as well as the principle-based approach to the development of the new tax law.

Other draft legislation prepared under the Review's auspices has been provided separately to the Treasurer. This legislation is to be incorporated into the existing law for early commencement. The structural limitations of the framework of that existing law militated against application of the integrated design process. This legislation covers capital gains tax rollover relief, interim value shifting and transfer of losses rules, accelerated depreciation, balancing adjustment offsetting and excess deductions.