

Tax incentives post Pillar Two

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Overview of corporate tax incentives announced in the Australian 2024-25 Federal Budget

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Tax incentives post Pillar Two

What is Australia doing?

- In the 2023- 24 Budget the Australia Government announced it would Implement a 15 per cent global minimum tax and a domestic minimum tax for large multinational enterprises based on the OECD's Global Anti-Base Erosion Rules
- In the 2024-25 Budget the Government announced two new tax incentives:
 - The Critical Minerals Production Tax Incentive
 - The Hydrogen Production Tax Incentive

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The Critical Minerals Production Tax Incentive

The incentive

- 10 per cent of eligible expenditure on eligible processing and refining, provided as a refundable tax offset.
- Available in respect of each eligible facility for up to 10 years between 1 July 2027 and 30 June 2040.

Eligible entities

- Corporations that are subject to Australian income tax throughout the relevant income year.

Hydrogen Production Tax Incentive

The incentive

- \$2 per kilogram of eligible hydrogen produced, provided as a refundable tax offset.
- Available in respect of hydrogen produced from eligible facilities for up to 10 years between 1 July 2027 and 30 June 2040.

Eligible entities

- Corporations that are subject to Australian income tax throughout the relevant income year.

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Consultation

In June consultation papers seeking stakeholder feedback were released on both the

- The Critical Minerals Production Tax Incentive and
- Hydrogen Production Tax Incentive

Some stakeholders have raised the interactions between the global and minimum tax rules and how that may adversely impact the level of support provided and recommended that the incentives be designed to meet the definition of a “qualified refundable tax credit”.

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Observations on the proposed tax incentives and the global and domestic minimum tax

- While the Australian government has announced that it will implement a global and domestic minimum tax and introduce tax incentives for critical minerals production and hydrogen production legislation enacting these measures have not yet passed Australia's Parliament.
- Both the Critical Minerals Production Tax Incentive and the Hydrogen Production Tax Incentive are proposed to be refundable tax offsets.
- We expect that these refundable tax offsets will meet the definition of qualified refundable tax credit of the purposes of the OECD GloBE Model rules and for Australia's global and domestic minimum tax legislation. Therefore, any offset received would be treated as income rather than reduction in taxes paid in the calculation of the effective tax rate.
- The offsets are available to corporations that are subject to Australian income tax. Corporation receiving an offset may not necessarily be subject to the global and domestic minimum tax rules.
- Where a corporation which is a member of a large multinational receives an offset the global and/or domestic minimum tax rules could in effect reduce the benefit of the offset. If and to what extent the benefit may be reduced would depend on a range of factors including the effective tax rate of the all the Australian operations of the multinational calculated under the minimum tax rules and the extent of any substance-based income exclusion.

End.