

Level 3, Walter Turnbull Building
44 Sydney Avenue
Forrest ACT 2603
POST:
PO Box 4497, Kingston ACT 2604

Telephone (02) 6233 0600
Facsimile (02) 6233 0699
Internet www.minerals.org.au

ACN 008 455 141
ABN 21 191 309 229



2 March 2007

Mr William Potts
Manager TOFA Unit
Business Tax Division
The Treasury
Langton Crescent
Parkes ACT 2600

Dear Mr Potts

**TAXATION OF FINANCIAL ARRANGEMENTS (3&4) – MCA RESPONSE TO THE EXPOSURE DRAFT
LEGISLATION, EXPLANATORY MEMORANDUM AND INTERACTIONS AND CONSEQUENTIAL
AMENDMENTS**

Please find attached the MCA's response to the 2nd exposure draft legislation for Taxation of Financial Arrangements (TOFA) (Stages 3 & 4), Explanatory Memorandum, and Interactions and Consequential Amendments document.

The MCA believes that since the release of the 1st Exposure Draft Legislation in December 2005, and the subsequent release of the seven exposure draft consultation papers in 2006, the proposed reforms are much improved and more appropriately take into account the unique circumstances of the Australian mining industry.

Notwithstanding this, we feel that the legislation could be improved in a number of areas to address specific type of transactions that arise in the Minerals Industry such as take or pay contracts, earn outs and farm outs and "vanilla" interest rate swap arrangements. In addition, the MCA feels that government should not proceed with its proposed amendment to the meaning of 'debt deduction', and should engage in a parallel consultation period with industry.

In total, the MCA has made 28 recommendations to improve the clarity and general effectiveness and efficiency of the reforms.

To discuss opportunities for further consultation, or any other queries in relation to this submission please contact David Rynne – Assistant Director Economics Policy via david.rynn@minerals.org.au or via (02) 6233 0649.

Yours sincerely

A handwritten signature in black ink, appearing to be "D. Rynne", written over a horizontal line.

David Rynne
Assistant Director – Economics Policy