

PROPOSED TAX CHANGES TO PROVIDE CERTAINTY TO SOVEREIGN INVESTMENTS

The Assistant Treasurer, Senator Nick Sherry, has today released a consultation paper on the proposed changes to the income tax law to formalise the existing tax practice of exempting certain income earned by foreign governments.

"Currently, there are around 50 sovereign wealth funds around the world with approximately US\$3.8 trillion under management and it's expected that this will rise to around US\$10 trillion by 2015," said the Assistant Treasurer.

"The Rudd Government wants to provide certainty to these funds when they're considering investing in Australia, and this measure will greatly assist in delivering that outcome."

"The proposed changes will make Australia a more attractive destination for sovereign investment and will also contribute to the Government's financial hub strategy."

The consultation paper seeks comments on the broad legislative design principles of the proposed changes, including:

- the appropriate definition of a "foreign government";
- how non-commercial (passive) income should be defined to ensure that it can be easily distinguished from commercial (active) income, thereby securing a level playing field for competing Australian businesses;
- what effect should the derivation of active income have on the tax treatment of an entity's passive income; and
- the range of taxes that should be captured under the sovereign immunity legislation.

"We are strongly committed to close consultation with industry on tax measures. We will undertake a further consultation on the draft legislation, which is expected to be introduced in the first half of 2010," said the Assistant Treasurer.

The full consultation paper can be obtained at www.treasury.gov.au and submissions close on 5 February 2010.

CANBERRA
30 November 2009