

INTERVIEW WITH MARY GOODE

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SUBJECTS: Managed Investment Schemes

Well the Federal Government is looking to clamp down on Managed Investment Scheme companies following the collapse of Great Southern and Timber Corp.

The Assistant Treasurer, Nick Sherry, says the Government will consider recommendations from a parliamentary inquiry into the schemes as well as the Henry Tax Review.

Last night the parliamentary committee recommended the Government remove immediate tax breaks for non-forestry schemes as well as increase the powers of the corporate watchdog, the Australian Securities and Investment Commission.

Minister Sherry told our reporter Mary Goode that the Government will take into account both inquiries before putting policy into place.

SHERRY:

I don't want to pre-empt at this stage any possible form that tax breaks would take going forward.

GOODE:

Within the Henry Tax Review what are you waiting for, I mean what's in there, what could be in there that could change the situation.

SHERRY:

Well they are looking at a similar set of issues, the incentives necessary to ensure long term investment in agri-business, the investment schemes to encourage production.

GOODE:

How quickly do you think some changes could be put into place after the Henry Tax Review is released?

SHERRY:

Well certainly the Government regards this as an important priority - there's no doubt that certainty has been hard hit by the collapse of Timber Corp and Great Southern so I'm certainly keen to progress reform and greater certainty in this area in the first half of next year.

GOODE:

So the Government acknowledges that there is a problem.

SHERRY:

Well there certainly are issues when you have the massive collapse of Timber Corp and Great Southern and there have been questions around tax treatment, regulation and I think critically the impact in local communities of these collapses and it is very important to restore certainty and have a more robust system going forward.

GOODE:

You talk about certainty, what sort of certainty do you envisage?

SHERRY:

Well, minimal chance of a repetition of these sorts of collapses we've seen with Timber Corp and Great Southern. In these type of investments you can never provide absolute certainty, there is always a level of risk, but it is important to learn the lessons from Timber Corp and Great Southern and provide greater certainty to investors, operators and particularly, I think, people who are working in rural and regional Australia.

GOODE:

I will move on from this and I know that the Henry Tax Review is something that you are waiting for, but do you have an idea of how you may put certainty into these schemes?

SHERRY:

Well I think broadly there are some design features around the tax treatment as well as the regulatory features of the responsible entity and they are both important issues where improvements can be made.

GOODE:

In 2007, under the Howard Government, the Australian Tax Office ruled that agri-business MISs were not tax deductible but that was then overruled by the Federal Court. Does the Federal Government have any power

to carry out these recommendations or those of the Henry Tax Review out?

SHERRY:

Well when we get the final recommendations and we conclude policy it's important as I said to ensure certainty so I have little doubt that that will involve legislation to maximise certainty going forward.

GOODE:

So the Australian Tax Office ruling, were they not legislated?

SHERRY:

Well the rulings by the Tax Office - the Tax Office has capacity within current tax law to provide a ruling but we'll look at those rulings, we'll look at court decisions, we'll look at the details of the collapses.

GOODE:

Just to finish off, what do you have to say all those people who have been hit hard by the collapse of these managed investment schemes?

SHERRY:

Well I share their concern and their worry, the uncertainty – I would not want this to have occurred and that's why the Government strongly believes we need to have a stronger regime in place going forward.