



ASSISTANT TREASURER

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**PRESS
RELEASE**

BILL TO REPEAL FOREIGN INVESTMENT FUND AND DEEMED PRESENT ENTITLEMENT RULES TO SLASH COMPLIANCE COSTS

The Rudd Government has today introduced legislation to enact significant reforms to Australia's foreign source income anti-tax-deferral (attribution) rules by repealing the foreign investment fund (FIF) and deemed present entitlement rules contained in the *Income Tax Assessment Act 1936* (ITAA 1936).

These proposed reforms, announced in the 2009-10 Budget, are contained in the *Tax Laws Amendment (Foreign Source Income Deferral) Bill (No.1) 2010* which was introduced into Parliament today.

"These reforms represent a major step in modernising Australia's attribution rules which will reduce the compliance costs of the Australian managed funds industry by improving the sector's global competitiveness and attractiveness to foreign investors," said the Assistant Treasurer.

"This measure will also improve the competitiveness of Australian business, by cutting red tape and by reducing complexity."

"Significantly, these measures, combined with the Government's wider package of foreign source income attribution reforms, are estimated to reduce compliance costs for Australian taxpayers and businesses by between \$40 million and \$80 million a year."

"This legislation is another step in delivering the Rudd Government's objective of promoting Australia as a regional financial hub."

"The Government has listened to feedback from industry and stakeholders in drawing up this legislation and the repeal has already been widely endorsed," the Assistant Treasurer said.

In their submission to Government, the Investment and Financial Services Association described the abolition of the FIF rules as "a significant, positive step towards allowing fund managers to improve investment outcomes for all investors".

The repeal of the FIF and deemed present entitlement rules will by itself remove more than 100 pages of law from the ITAA 1936.

In conjunction with the current rewriting of the controlled foreign corporation (CFC) rules into the ITAA 1997, they mark a significant step towards the consolidation of the two income tax Acts.

"The repeal of the FIF and deemed present entitlement rules will also scale back the volume of law in this area, simplifying matters for everyone," the Assistant Treasurer said.

The Rudd Government's other reforms to the foreign source income attribution rules, including the modernisation of the CFC rules, improvements to the transferor trust rules and the introduction of the anti-roll-up fund rule, which will apply from the time the FIF rules are repealed, will be introduced into the Parliament as soon as practicable.

CANBERRA

13 May 2010

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