



ASSISTANT TREASURER

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**PRESS
RELEASE**

IMPORTANT REFORMS TO BENEFIT MANAGED INVESTMENT TRUSTS

The Assistant Treasurer has today announced the detail of amendments to the definition of a managed investment trust (MIT) which widen the scope of trusts to benefit from taxation concessions available through the capital account and withholding tax arrangements.

The amended definition of a MIT will more closely align the definition used across different parts of the tax law and better matches widespread industry practice.

“These amendments will then better reflect general industry practices and will ensure that while continuing to attract and retain foreign capital, the Australian funds management industry continues to be supported and enhanced,” said the Assistant Treasurer.

“These changes build on a number of important existing reforms, and will further the Government’s commitment to securing Australia’s place as a leading regional financial services centre.”

“The Government has already announced a new \$120m tax system for MITs, new rules to allow MITs to make an election to have certain investments assets treated on capital account and significant reductions in MIT withholding tax rates from 30 per cent to 7.5 per cent by 2010-11,” the Assistant Treasurer said.

The new definition of a MIT will ensure a range of trusts that were previously excluded will be eligible for the MIT withholding tax regime and capital account election. The new definition includes:

- an extension of the widely held rules for trusts that are unregistered wholesale funds to all wholesale funds whether registered or not;
- the insertion of a new widely held rule for registered funds that allows a specified widely held entity to hold between 25 to 60 per cent of the qualifying MIT;
- an expansion in the widely held rules for registered trusts to more appropriately recognise the nature of certain widely held members, including a reduction in the wholesale member requirements from 30 to 25 wholesale members for wholesale trusts;
- an expansion in the list of entities considered to be widely held to include foreign government pension plans, sovereign wealth funds and certain government agencies and widely held foreign equivalents of a managed investment scheme;
- the inclusion of a regulation-making power to provide for further expansion of the list of entities considered to be widely held if warranted;

- an 18-month start up period during which a trust may be treated as a MIT prior to meeting the widely held requirements in order to better facilitate the entry of new trusts into the MIT industry; and
- improved transitional rules, including an extension of the transitional rules to seven years for trusts that were MITs prior to these amendments.

There is also a requirement that a substantial proportion of investment management activities undertaken in relation to the assets of the fund connected with Australia are to be carried out in Australia. No form of management rule will be applied to non-Australian assets and the substantial proportion rule will not apply in relation to the capital account election measure at all.

“The rules will ensure that appropriate integrity arrangements are in place to ensure that only genuinely widely held trusts with investment management activities substantially based in Australia in respect of their Australian assets can be recognised as MITs,” the Assistant Treasurer said.

“To allow sufficient time for funds and investors to adapt to the new rules, we will also include very generous transitional arrangements.”

“Overall, these changes will boost the competitiveness of the Australian funds management industry and enhance its ability to attract and retain foreign capital.”

“I would certainly like to thank all of the industry stakeholders who assisted in the delivery of this final component in our MIT package.”

The Assistant Treasurer made the announcement of these reforms during an address to the Property Council of Australia’s Capital Markets Leaders Summit, in Canberra today.

The relevant legislation, the *Tax Laws Amendment (2010 Measures No.3) Bill 2010*, is scheduled for consideration in Parliament this week.

CANBERRA

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