



ASSISTANT TREASURER

<http://assistant.treasurer.gov.au>

**PRESS
RELEASE**

IMPORTANT AMENDMENTS TO IMPROVE THE DEFINITION OF MANAGED INVESTMENT TRUST PASS PARLIAMENT

The Assistant Treasurer, Senator Nick Sherry, welcomed the passage of important amendments to the definition of a Managed Investment Trust (MIT).

The amended definition of a MIT will apply for the purposes of the withholding tax concessions and will more closely align the definition used across different parts of the tax law.

The amended definition will now allow widely held wholesale unregistered managed investment schemes and government-owned managed investment schemes to be recognised as MITs for withholding tax and capital account election purposes.

“These changes will further the Government’s commitment to securing Australia’s place as a leading regional financial services centre,” the Assistant Treasurer said.

“They build on a number of important existing reforms, including new rules to allow MITs to make an election to have certain investment assets treated on capital account and the significant reductions in MIT withholding tax rates from 30 per cent to 7.5 per cent by 2010-11,” the Assistant Treasurer said.

These latest reforms were contained in *Tax Laws Amendment (2010 Measurers No. 3) Bill 2010* which was passed by Parliament today.

These amendments better reflect general industry practices and ensure that while continuing to attract and retain foreign capital, the Australian funds management industry continues to be supported and enhanced.

“The changes introduced by these amendments are very important and will ensure a range of trusts that were previously either excluded from the regime, or whose access was in question, will be eligible for the MIT withholding tax regime and capital account election,” the Assistant Treasurer said.

The new definition of a MIT contained in today’s legislation will apply for both the withholding tax and capital account election and 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 registered fund to be ‘widely held’ if one or more specified widely held entities hold more than 25 per cent of the fund (provided no other entity holds more than a 60 per cent interest in the trust);

- a relaxation of the widely held rules for wholesale trusts to more appropriately recognise the nature of certain widely held members, by reducing the wholesale member requirements from 30 to 25;
- 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 effective 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. However, 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 ensure that appropriate integrity arrangements are in place to ensure that only genuinely widely held trusts, with investment management activities in relation to their Australian assets being substantially based in Australia, can be recognised as MITs for lower withholding tax rate purposes,” the Assistant Treasurer said.

“To allow sufficient time for funds and investors to adapt to the new rules, we have also included 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.”

CANBERRA

24 June 2010

Contact: Joe Scavo 0413 800 757