

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2017 - 2018

Division/Agency: Corporate and International Tax Division

Question No: 195

Topic: Funds Management Reforms

Reference: Written

Senator: Ketter, Chris

Question:

1. At what stage is the development of the Collective Investment Vehicle reforms announced in the 2016 budget?
 - a) Have drafting instructions been issued to the office of parliamentary council?
 - b) Has drafting of legislation commenced?
 - c) Does Treasury expect to release exposure draft legislation for public consultation?
 - d) When does Treasury expect to finalise exposure draft legislation?
2. At what stage is the review of withholding tax arrangements applying to foreign investors into Australian based investment schemes? When will the government announce a position?
3. When is the ASIA Region Funds Passport expected to go live?
4. By when must domestic arrangements be in place under the Memorandum of Cooperation as signed by Australia, Japan, Korea and New Zealand?
5. What domestic arrangements are required to be put in place by Australia for the Asia Region Funds Passport?
6. Does Treasury agree that completion of the reforms to the Corporate Collective Investment Vehicles are required to make the Asia Region Funds Passport a success?
7. What do other countries offer in terms of vehicle structures? What do other countries offer in terms of the variety of vehicle structures? Why do they do this?
8. Does Treasury agree that non-resident withholding changes are required to make the Asia Region Funds Passport initiative a success? Are they required to be in place by the commencement date for the Asia Region Funds Passport?

Answer:

1. Treasury works closely with the Office of Parliamentary Counsel to progress the development of legislation, in accordance with Government priorities. We expect to release exposure draft legislation for the Corporate Collective Investment Vehicle (CCIV) for public consultation in the near future.
2. Treasury released a discussion paper on 3 November 2016 on the review of withholding tax arrangements applying to foreign investors into Australian based investment schemes. Submissions closed on 2 December 2016. Ten submissions were received for this consultation, including one confidential submission. The timing of policy announcements is a matter for the Government.
3. The Asia Region Funds Passport (ARFP) can commence as soon as two participating economies have implemented the ARFP arrangements outlined in the ARFP

Memorandum of Cooperation (MoC). The MoC states that signatories will endeavour to implement the arrangements by late 2017.

4. Please refer to part 3 above.
5. Australia needs to legislate for the ARFP arrangements outlined in the MoC.
6. The new CCIV will broaden the suite of investment vehicles available to Australian fund managers. Managed investment trusts (MITs) or attribution MITs can also be used under the ARFP. The success of the ARFP will depend on its uptake by fund managers and also demand from investors.
7. The collective investment vehicle structures offered by a country are often a legacy of their legal framework. Certain foreign jurisdictions adopt policy settings to provide a range of collective investment vehicles tailored to the needs of different kinds of foreign investors. Many foreign investors are more familiar with a corporate collective investment vehicle, rather than a trust structure investment vehicle, which is what Australia's managed investment scheme vehicles are based on.
8. The setting of non-resident withholding tax rates is a policy matter for the Government.