



MEDIA RELEASE

Bernie Ripoll MP

PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES

Monday, 7 September 2009

Reforms recommended for agribusiness MIS

Bernie Ripoll MP, Chairman of the Parliamentary Joint Committee on Corporations and Financial Services, tonight tabled the committee's report on its inquiry into agribusiness managed investment schemes (MIS)

The committee initiated this inquiry in response to the recent collapses of Timbercorp and Great Southern, which together affected than 60,000 investors in managed investment schemes. However, the inquiry was not into the details of those collapses *per se* but into the structural features, the taxation treatment, the marketing and the performance of agribusiness MIS more generally.

The committee makes three recommendations for change in its report. The first relates to the potential for market distortions to be caused by the current tax deductibility arrangements applying to non-forestry MIS investment.

'Tax deductions are reasonable when there is a clear focus on scheme profitability,' Mr Ripoll said. 'But where investor focus is on minimising tax, there is a risk that capital will be directed away from profitable uses and that traditional farming enterprises will be disadvantaged.'

The committee believes that such distortions would be reduced if deductions for non-forestry agribusiness MIS investment were only permitted to be offset against future taxable income from the same MIS and recommends that the government consider investigating and modelling the effects of amending the Income Tax Assessment Act accordingly. This would not affect existing forestry MIS deduction arrangements.

The committee's second recommendation is that the government amend the Corporations Act to require the regulator, ASIC, to appoint a temporary Responsible Entity when a registered managed investment scheme becomes externally administered or a liquidator is appointed.

'Currently, when a scheme collapses, investors are understandably concerned about how insolvency practitioners manage their conflicting obligations. Requiring ASIC to

appoint an independent temporary Responsible Entity would resolve this conflict,' said Mr Ripoll.

The committee's third recommendation is that ASIC require agribusiness MIS to disclose the qualifications and accreditation of third parties that provide expert opinion on likely scheme performance.

'We want to make sure investors have sound information in front of them when they make investment decisions. By requiring disclosure of the qualifications of independent experts, we will better equip them to judge the quality of that information,' Mr Ripoll said.

Mr Ripoll also foreshadowed further recommendations for change when the committee tables the report of its parallel inquiry into financial products and services in November this year.

'The information that the committee uncovered during the MIS inquiry is very relevant to our broader work on the regulation of financial products and services and the provision of financial advice in Australia. It is important that we learn from recent events and company collapses and where necessary make appropriate legislative or regulatory change to protect Australian investors.'

The committee's report is available on the inquiry website at: http://www.aph.gov.au/senate/committee/corporations_ctte/completed_inquiries/index.htm or from the Committee Secretariat on 02 6277 3583.

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