



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

Main Committee

APPROPRIATION BILL (NO. 1) 2007-2008

Consideration in Detail

SPEECH

Thursday, 14 June 2007

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

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Questioner
Speaker Bowen, Chris, MP

Source House
Proof No
Responder
Question No.

Mr BOWEN (Prospect) (11.53 am)—I would like to raise the matter of withholding tax, particularly in regard to distributions from Australian managed funds to overseas non-Australian resident investors, and the costings of that tax, particularly the costings of a proposal to reduce the tax from 30 per cent to 15 per cent and to abolish gearing completely—which is opposition policy. The week before last, in a committee of the other place, evidence was heard from significant players in the financial services industry that the rate of gearing for investments in managed funds in Australia is very high. Under thin capitalisation rules, the rate can be as high as 75 per cent. Evidence was also heard from the Department of the Treasury that it assumes a gearing rate of zero per cent in relation to these investments. This obviously has a big impact on the costing of any policy proposal.

My question is: will the parliamentary secretary ensure that the Department of the Treasury sits down with key representatives of the industry represented by various peak groups, including IFSA and others, and obviously some of the big players in the industry such as AMP, Barclays et cetera—but particularly with the peak groups—and discuss those costings? Considerable evidence has been put to the government that the gearing rate is actually very high. Treasury say, ‘We do not get tax returns.’ Considerable evidence has been put in response that investors are using an Australian subsidiary company to avoid their withholding tax and are paying Australian company tax instead and with gearing rates bringing that down. Therefore, if the withholding tax were reduced from 30 per cent to 15 per cent and gearing were abolished, those companies would no longer have the requirement to do that and would be paying withholding tax, and the Treasury’s costings would be substantially different and, under some analyses, it would actually result in an increase in government revenue. I ask the parliamentary secretary to respond on behalf of the government to ensure that what is a very worthwhile policy initiative is not rejected by the government on the basis of poor assumptions and incorrect methodology.