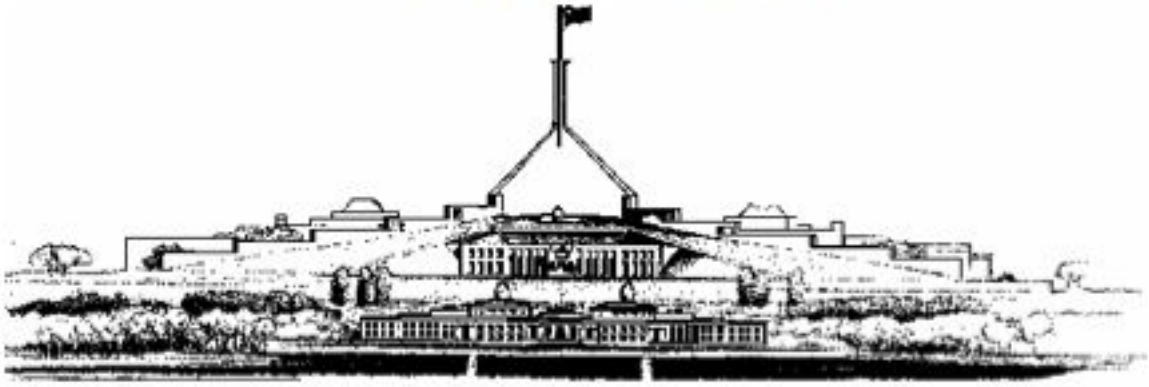
COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

BILLS

Tax Laws Amendment (Managed Investment Trust Withholding Tax) Bill 2012, Income Tax (Managed Investment Trust Withholding Tax) Amendment Bill 2012

Second Reading

SPEECH

Monday, 25 June 2012

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date	Monday, 25 June 2012	**Source**	House
Page	7723	**Proof**	No
Questioner		**Responder**	
Speaker	Neumann, Shayne, MP	**Question No.**	

Mr NEUMANN (Blair) (18:35): I spoke in relation to this particular legislation last week, from memory, on schedule 4. I rise to speak in support of the Tax Laws Amendment (Managed Investment Trust Withholding Tax) Bill 2012 and the Income Tax (Managed Investment Trust Withholding Tax) Amendment Bill 2012.

These bills implement a budget measure. We announced a particular measure in the budget that would lift the withholding tax rate applied to distributions for managed investments, to residents of a country that Australia had a tax information exchange agreement with, from 7½ per cent to 15 per cent, and it is commencing from 1 July 2012. The information I have received is that there is a total impact on the budget of about $260 million in revenue over the forward estimates. It is a not inconsiderable amount of money in relation to this measure, and it is part of our framework for ensuring that the budget gets back to surplus. The 15 per cent rate is still competitive with rates applying in other countries and brings us into line with the US, Canada, Hong Kong and the UK. For the information of those people who may be listening, in the UK the withholding treatment of distributions from MITs in relation to nonresidents is about 20 per cent and that rate may be reduced under certain treaties. In Japan it is 20 per cent generally and seven per cent for individuals listed in REITs, lifted to 15 per cent in 2014 unless extended. In South Korea, our fourth biggest trading partner, it is 22 per cent; in the United States, 30 per cent; in Canada, 25 per cent; in Belgium, 15 per cent; and in the Netherlands, 15 per cent. So when you look at what is happening around the world it is not unreasonable for our rate to be at 15 per cent.

The coalition have had every position possible in relation to this measure. When the coalition were in power, the rate was 30 per cent. It was an election commitment of ours back in 2007 to reduce the rate to 15 per cent, and we did that as part of our proposals to ensure more investment in this country and to make Australia a financial services and investment hub. The coalition have on numerous occasions criticised us over reducing it from 30 per cent to 15 per cent. They tried to refer the measure to the Senate Economics Committee for review but it did not vote against it. In the parliamentary debate they criticised the reduction to 7½ per cent, claiming it was a broken promise because it was a greater reduction than we had said we would do in the 2007 campaign.

The interesting question is what they would do if they returned to the treasury bench. If they are fair dinkum about opposing the increase to 15 per cent, then let us see them commit themselves to reversing that position. Let us see them make any public statements about that. Let us see them come clean about the issue. To date, they have not. If they are not going to do that, how are they going to save the $260 million across the forward estimates? What particular services in education, health and the like are they going to cut? How are they going to pay for it? Once again we see the coalition generally prepared to accept expenditure that we announce, rarely in support of the budget savings measures that we pursue and often against the revenue-raising measures that we undertake to make sure the budget is back in surplus and we have a viable budgetary position as a government.

From opposite we hear the nay-sayers and doomsayers. We heard the shadow treasury spokesperson talk down the economy and talk about sovereign risk. For heaven's sake! When we have government debt at about a 10th of the average in the OECD, inflation in the band expected by the Reserve Bank, interest rates much lower than they were under the Howard coalition government and unemployment at around five per cent, to go on about sovereign risk is simply a nonsense. We are talking about budget legislation that deals with about $260 million across the forward estimates. It flies in the face of all the economic indications and includes about half a billion dollars in investments in the mining sector alone—in coal, iron ore et cetera—in states such as Western Australia and Queensland, my home state.

If this is such a terrible measure that we are undertaking, you would expect the coalition, if they have any consistency, to come into this place and say where they would save the money, and they would eventually have to come into this place with a consistent policy. When we announced at one stage that we were going to cut the tax, the then doyen of economic responsibility for those opposite, the then Treasurer, called it a 'tax cut for foreigners'. We have had all kinds of positions on this matter from those opposite. They certainly have not been consistent in any way, shape or form. Even today there is umbrage and unction from those opposite but little evidence as

to what their position is, except to say—as they traditionally do in this place—a simple no. Once again, I would like to know where they stand on this particular issue. I would like them to get rid of the histrionics, hysteria and hyperbole, and the over-the-top theatrics from the shadow Treasurer, that we see so often—designed in part to hide their embarrassment that we reduced the tax from 30 per cent to 15 per cent. Last week we saw grandiose statements and claims about us withdrawing this measure, and I think there is a degree of embarrassment from those opposite now that we have reintroduced it so quickly.

This is a sensible savings measure. It is consistent with the Henry review recommendations on location-specific rents. The government made the sensible commitment to bring the budget back to surplus and we are determined to do that on time and as promised. We are committed to making sure that the economy is strong and that we govern in a consistent way that gives certainty and security for those people who want to invest in this country. That is always the case: if the government keeps changing the rules and the laws and is inconsistent, then those who are in business are always worried about what might happen.

This is particularly important legislation. Those opposite have no consistency, and they have form on this issue: every sensible savings measure they block, or they pretend that they can find savings but they never articulate them. I think what they are doing here is simply adding to that $70 billion black hole which the shadow finance minister has admitted they have and the shadow Treasurer has also said they have. So this is another $260 million that they can add to that. If they want to be consistent, then let them come into this place tonight and support savings and our revenue-raising measures. Be consistent; do not just spend.

We know on this side of politics that we have been prudent with respect to revenue to the government. There is a lower tax-to-GDP ratio now than there was at any time under the Howard coalition government. All they did was engage in middle-class welfare, tax and spend. That was the Howard coalition government. There were rivers of gold coming in, but it was squandered and not invested in infrastructure and the kinds of things that lift productivity in places like Western Australia and Queensland.

I support this legislation. I think it is prudent. It is part of the government's overall strategy. It is consistent with the majority recommendations of the economics committee of this House. If those opposite would ditch the word 'irresponsibility' and add 'responsibility' to their economic framework and policy, they would support it as well.