THE SENATE

BILL


Second Reading

SPEECH

Wednesday, 4 May 2016

BY AUTHORITY OF THE SENATE
Senator CANAVAN (Queensland—Minister for Northern Australia) (10:14): I have here that I should thank all those senators who have contributed to this debate, but I think I only need to thank Senator Dastyari for his considered, enthusiastic and passionate contribution to this debate and particularly for his support for these very important bills to do with managed investment trusts. The package of bills before us amends various taxation laws to introduce a new tax system for eligible managed investment trusts. Passing these bills is critical, as noted in the submissions to the committee.

As at 30 June 2015, the managed investment trusts industry had grown to $2.6 trillion and, given its size, Australia's funds management industry is significant to our economy and the financial security of many Australians. In its report, the committee recognised that the new tax system is long overdue and will modernise the tax treatment of managed investment trusts. These amendments update the trust regime so that it meets the commercial needs of fund managers and millions of Australian investors who invest in them directly or through their superannuation funds and enhance the competitiveness of the funds management industry.

This package of bills introduces an attribution model of taxation, which taxes members as if they had derived the income directly. The new rules recognise the use of trusts as collective investment vehicles and replace the general trust rules that are uncertain. The new tax system will reduce the compliance burden on trustees and investors by $30 million per year. Trustees will now have the option to recognise variances in income attributed to members in the year it is discovered. This is easier than reissuing statements to affected members. In addition, changes to the treatment of multiclass managed investment trusts will give trustees greater flexibility and reduce the costs associated with offering additional investment options through the one trust. The bills further contain an arms-length rule to prevent profit shifting from related parties to strengthen the integrity of the new regime.

These amendments have been actively sought by the funds management industry. The industry has also been actively involved in the development of the new law, which was noted by industry in submissions to the committee. As these changes are significant, Treasury will also complete a post-implementation review of this new tax system by 1 July 2018, consistent with the recommendation of the committee, to ensure that the new rules operate as intended. The committee only made two recommendations—the other that the Senate should pass this package of bills.

The bills bring the managed investment trust regime into the modern era and will reduce complexity, increase certainty and minimise compliance costs for managed investment trusts and their investors. The rules will also enhance the competitiveness of Australia's fund management industry. With that, I commend this package of bills to the Senate.

Question agreed to.

Bills read a second time.