

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 2012

15 – 17 February 2012

Question: AET 1286

Topic: Foreign funds are increasing their use of Australian-based fund managers

Hansard Page: 71 - 72

Senator Cormann asked:

Is Treasury aware of whether or not foreign funds are increasing their use of Australian-based fund managers based on the announcement alone, or are they all waiting for the legislation?

Mr Heferen: I am not aware. We will have to take that on notice.

Senator Cormann: So you have had no feedback on the impact of the delay of the legislation in terms of attracting Australian-based fund managers from international operations?

Mr Heferen: Not specifically, no.

Senator Cormann: So nobody has ever—

Mr Heferen: Not to me.

Senator Cormann: Or to the responsible people in your area?

Mr Heferen: It may be the case. I will certainly take that on notice.

Senator Cormann: But the announced changes would actually be providing benefits in terms of making Australian an international financial services hub, right?

Mr Heferen: These recommendations were, as I recall—

Senator Cormann: Johnson.

Mr Heferen: part of the ones that came out a review done by Mark Johnson. There were a number of recommendations which the government considered. I guess one of the tricky things in working through those recommendations is that, at least insofar as they relate to the tax system, they will typically involve some sort of tax expenditure, some sort of concession and some sort of reduction in the business tax base. When the Johnson report was originally commissioned, the revenue constraints might not have been as important as they have become in recent times. As know doubt you would be aware, the volume and number of measures that relate to tax expenditures is much more closely monitored.

Senator Cormann: What I am hearing you say is potentially—and I just wanted to make sure I am understanding you correctly—that the government is reconsidering the administration of these proposed measures?

Mr Heferen: I will take on notice the precise reasons; I am just making the observation that where there are costs to revenue, obviously, those have to be very carefully considered. As far as I am aware, we have not got to the stage of the right information going to the Treasurer for him to make that decision about how to proceed.

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Answer:

Industry stakeholders have advised that the Investment Manager Regime has been very positively received. Stakeholders have informally indicated that the impact of the regime on investment decision is unlikely to be felt until the passage of legislation. However, we are not aware of any specific investment proposals which have been put on hold awaiting finalisation of the legislation.