



AUSTRALIAN BANKERS' ASSOCIATION INC.

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Mr Peter Hallahan
Committee Secretary
Senate Economics Committee
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Mr Hallahan,

Tax Laws Amendment (2007 Measures No. 3) 2007

The Australian Bankers' Association ("ABA") writes in response to the invitation from the Committee for submissions on *Tax Laws Amendment (2007 Measures No. 3) Bill 2007* ("2007 Bill"). The ABA is the peak body for the Australian banking industry – its 26 members include all of Australia's major banks.

Our comments are confined to Schedule 7 of the 2007 Bill – Interest withholding tax.

The ABA wrote to the Committee on 16 February 2007, in relation to the *Tax Laws Amendment (2006 Measures No. 7) Bill 2006* ("2006 Bill"), expressing concerns in relation to Schedule 2 of the 2006 Bill. The provisions in Schedule 2 have been amended, and are now included in Schedule 7 of the 2007 Bill.

There has been detailed consultation with Treasury and the Office of the Minister for Revenue on the provisions in question, and we are pleased to report that a number of issues raised in our February letter have been addressed. These relate to the scope of debt interests for which an interest withholding tax exemption is possible, whether regulation making powers will be used to exclude certain instruments from qualifying for the exemption, the operation of the syndicated loans market and related schemes.

We note that it will be necessary to use a regulation-making power to ensure the provisions remain current for changes in the market, and stress that if a regulation were to be required, for example to add a category of debt interest

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under new provision 128F(1A)(d), the process for making the regulation must be expeditious, so as to avoid market uncertainty and ensure competitive neutrality.

There is uncertainty in the market at present, due to the inclusion of Schedule 2 in the 2006 Bill, and we support the swift passage of Schedule 7 of the 2007 Bill.

Yours faithfully

Tony Burke

Cc: Phil Lindsay, Office of the Minister