



MLC Limited  
ABN 90 000 000 402  
105-153 Miller Street  
North Sydney NSW 2060  
Australia  
PO Box 200  
North Sydney NSW 2059  
Australia  
Tel 02 9957 8000  
Fax 02 9957 6881  
DX 10579 North Sydney  
www.mlc.com.au

22 May 2007

Mr Peter Hallahan  
Committee Secretary  
Senate Economics Committee  
Department of the Senate  
Parliament House  
Canberra ACT 2600

Dear Mr Hallahan

**Inquiry into the provisions of the *Tax Laws Amendment (2007 Measures No. 3) Bill 2007***

Thank you for the opportunity to lodge a submission on *Tax Laws Amendment (2007 Measures No.3) Bill 2007*. MLC's comments are focused on Schedule 10 of the Bill, which relates to the new withholding tax arrangements for managed fund distributions to non resident investors.

MLC is the wealth management division of the National Australia Bank. The company provides investment, superannuation and insurance solutions and supports the provision of quality financial advice which helps people achieve and protect their lifestyle and financial goals.

Through its large network of financial advisers MLC provides quality financial planning services including investment, insurance and superannuation solutions to individual investors and corporate customers. MLC also provides corporate and institutional customers with out-sourced investment, superannuation and employee benefit solutions.

MLC manages more than \$102 billion on behalf of individual investors and corporate customers in Australia (as at March 2007).

MLC would like to express our concern at the introduction of a 30% withholding rate on distributions to non-residents. We believe that Australia needs a flat and final rate that is competitive and removes the need for complex tax administration.

The proposed 30% rate is non-final and permits the investor to offset it with deductions. — which may produce the same net Australian tax cost as a reduced flat rate. Importantly, what matters to foreign investors is the headline rate, minimising the compliance costs of lodging an Australian tax return, as well as the time that it takes to obtain a refund. Investors consider that the present system, if not changed, will be a major deterrent to foreign investment in Australian Funds.

In respect of the proposed rate, our nearest competitors have far more competitive rates of withholding: Japan has a withholding tax rate of 7% (and 0% for super funds), Singapore imposes 0% for individuals and 10% for other investors and Hong Kong has an effective rate of 15%.

MLC believes that if Australia does not adopt an international system with a more competitive tax rate, the immediate scenario will be an adverse effect on the market with foreign investors choosing to invest elsewhere in the region — followed by difficulties for Australian funds managers in raising new capital.

We would urge the Committee to recommend a review into the benefits of a flat and final withholding rate of 12.5%. Please contact me directly (t: 02 9957 8253) should you wish to discuss this matter further.

Yours sincerely



22/11/07

Dallas J McInerney  
**Manager, Government & Regulatory Affairs**