

Level 2

95 Pitt Street Sydney, NSW 2000

Telephone 02 8223 0000

Facsimile 02 8223 0077

Email tia@taxinstitute.com.au

Website www.taxinstitute.com.au

ABN 45 008 392 372



31st August 2006

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

Email: economic.sen@aph.gov.au

Dear Mr Hallahan,

**Senate Economics Committee Inquiry into Tax Laws Amendment (2006 Measures No. 4) Bill 2006
– Schedule 4**

The Taxation Institute of Australia wishes to express to the Committee our strong support for the measures in schedule 4 of the Tax Laws Amendment (2006 Measures No. 4) Bill 2006 which make two changes to the CGT regime as it applies to foreign residents.

The measures by limiting the range of assets which may be subject to Australian CGT to Australian real property directly held by a foreign resident and any CGT asset (other than Australian real property) used by the foreign resident at any time in carrying on a business through a permanent establishment in Australia are beneficial in a number of regards. First, they remove complexity by:

- concentrating on the major enforceable gains rather than making an ambit claim for tax which is rarely collected; and
- mirroring Australia's current jurisdiction claim under tax treaties.

Second, they are consistent with world's best practice as they adopt the approach of two of Australia's key trading partners, the United States and Canada.

Although we have concerns about the complexity of the tracing rules and believe some further consideration should be given to the adverse impact of these measures on the resources sector, we broadly support the approach adopted.

Should you have any queries in relation to the matters raised in this submission, please contact the Taxation Institute's Senior Tax Counsel, Dr Michael Dirkis, on 02 8223 0011.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Andrew Mills'.

Andrew Mills
President