



Investment & Financial Services Association Ltd

ACN 080 744 163

7 September 2006

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

By email: economics.sen@aph.gov.au

Dear Mr Hallahan

IFSA response - Inquiry into the provisions of the Tax Laws Amendment (2006 Measures No. 4) Bill 2006

I refer to the Senate Economics Committee's current inquiry into Tax Laws Amendment (2006 Measures No. 4) Bill 2006. Thank you for the opportunity to provide comments.

The **Investment and Financial Services Association Limited** (IFSA) is a national not-for-profit organisation which represents the retail and wholesale funds management, superannuation and life insurance industries. IFSA has over 125 members who are responsible for investing over \$950 billion on behalf of more than nine million Australians.

We welcome and support the Government's plan to streamline the current requirement that assets have a 'necessary connection with Australia' with the introduction of the proposed regime, which will tax non-residents only in respect of 'taxable Australia property', such as Australian real property assets and business assets of Australian permanent establishments (PEs).

Australia's fund management industry has developed into an efficient and well-regulated sector, that manages over \$1, 000 billion in total consolidated assets. Additionally, the growing stable economy and highly-educated and skilled workforce should clearly signal to non-resident investors Australia's attractiveness as a global funds centre.

Nonetheless, Australia continues to run a significant trade imbalance on funds management flows. Approximately 27% of Australia's funds under management are invested offshore, whereas, we estimate that we only attract around 2% of our investment pool from other countries.

Historically, there are number of reasons why the flow of funds from non-resident investors into Australia has been relatively low. In this regard, any significant enhancement to the

international tax regime, such as the proposed changes to capital gains tax and non-residents, are a step in the right direction.

Hence, IFSA continues to strongly support the reforms the Government has made to date, to the international tax regime in accordance with the recommendations from The Review of International Taxation Arrangements (RITA). IFSA believes that such reforms enhance Australia's potential to be a world leader amongst mutual and managed funds.

If Australia is to compete with the other major international fund centres it is imperative that Australia's tax laws remain competitive and consistent as they impact upon non resident investors, which the proposed changes achieve.

Please do not hesitate to contact myself, or Preetha Manoharan, on (02) 9299 3022 if you require further information.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Gilbert', is positioned to the left of a vertical red line.

Richard Gilbert
Chief Executive Officer