

MEMO# 12828

November 14, 2000

AUSTRALIA PROPOSES NEW ENTITY TAX LEGISLATION

[12828] November 14, 2000 TO: INTERNATIONAL COMMITTEE No. 40-00 TAX COMMITTEE No. 48-00 RE: AUSTRALIA PROPOSES NEW ENTITY TAX LEGISLATION The Australian Government continues to contemplate significant changes to its domestic tax rules through a project entitled the "Review of Business Taxation." Under an earlier legislative proposal, a preferential tax regime would have been created for Australian funds (called "collective investment vehicles" or "CIVs"). Under the CIV regime, it appeared that US funds would have been precluded from competing in the Australian funds market on a tax- neutral basis.¹ We are pleased to report that the Australian Government recently made the attached announcement regarding its decision not to proceed with the CIV regime and, instead, to enact new rules taxing "discretionary" trusts as companies, with effect from 1 July 2001.² The announcement states that, "[a]s far as possible and in the interests of minimising compliance and restructuring costs, companies, fixed trusts, limited partnerships and co-operatives broadly [would] retain their current tax treatment" under the proposed legislation. Deanna J. Flores Associate Counsel Attachment Attachment (in .pdf format) 1 See Institute Memorandum to International Committee No. 49-99 and Tax Committee No. 32-99, dated November 18, 1999. 2 If enacted as proposed, the new rules would subject discretionary trusts to tax at the entity level and impose unfavorable "slice accounting" on any redemption proceeds.

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