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General Manager
Business Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: SBTR@treasury.gov.au

Dear Sir/Madam

Submission on Treasury Discussion Paper – Managed Investment Trusts

CPA Australia represents the interests of more than 129,000 finance, accounting and business advisers both in Australia and around the world. We welcome the opportunity to provide comments on the abovementioned discussion paper concerning proposed reforms to the taxation of managed investment trusts.

We make this submission not only on behalf of our members but also on behalf of the accounting profession and in the broader public interest.

Please see below our comments on some of the main issues canvassed in the discussion paper (DP).

Unders/ overs limit

The proposed de-minimis test that includes a set dollar value per unit is not likely to be equitable, as highlighted by the example in paragraph 69 of the DP. As a Fund's value per unit regularly fluctuates, this is also likely to result in increased compliance and complexity. Accordingly, consideration should be given to a 'value per fund' test rather than a 'value per unit' test.

Clearly defined rights

We welcome the use of 'short cut' methods as canvassed in the DP (e.g. registered MIS, listed entity) to streamline things as much as possible for a typical fund to meet the proposed requirements in this area. The approach should remove undue compliance costs and complex analysis that would otherwise be required to have to continually assess the clearly defined rights requirement. A short-cut may also be required for unregistered wholesale trusts as the wholesale market will not wish to be disadvantaged in comparison to the registered funds in this regard.

Constituent documents

A prescribed definition of 'constituent documents' may cause commercial difficulty, as over time developments occur in the commercial, tax and regulatory areas. It would be welcome if the proposed rules incorporated a mechanism so that ongoing testing/re-testing of this requirement is not necessary for each income year. Uncertainty would also be removed by implementing such a mechanism.

MIT definition

Making the MIT definition that is currently adopted for Division 275 purposes, the central definition for the application of the remaining MIT measures is welcome. It would seem an incongruous result to have a trust that meets the MIT Division 275 requirements but is unable to access the broader MIT measures (excluding the MIT withholding provisions).

Cost base adjustments

Most MITs generally already notify beneficiaries of amounts that may impact the investor's cost base via the annual distribution statement. Requiring MITs to notify beneficiaries of cost base adjustments on a more regular basis (including on an event by event basis) would only add further complexity and compliance costs for fund managers. It should be borne in mind in this regard that one of the driving features of the Government and Board of Taxation's development of the new MIT framework has been to simplify compliance costs for MITs and their investors.

If you have any queries on the above, please contact Garry Addison FCPA – Senior Tax Counsel on (03) 9606 9771, or via email: garry.addison@cpaaustralia.com.au.

Yours faithfully



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