

International Taxation: Financial Hub Boosters

The best way to transform Australia into a regional funds management hub is to **modernise the nation's international tax regime and the REIT rules.**

Labor's commitments to reform withholding tax over four years and review REIT rules are important first steps.

Further changes however are needed to level the playing field with our regional competitors.

The Property Council supports the Business Coalition for Tax Reform Pre-Budget Submission recommendations contained in Appendix 4.

International Taxation: Financial Hub Booster – Recommendations:

- First:** **Support a simplified elective tax flow through regime for trusts including REITs** as a part of the board of taxation review of management investment schemes.
- Second:** **Negotiate reduced withholding tax rates** with our major tax treaty partners. For example, the recent Japan/UK treaty reduced the withholding rate for REITs to 7%.
- Third:** **Remove real estate income from the Foreign Investment Fund Rules.**
- Fourth:** **Extend capital gains tax exemptions** for non-portfolio foreign investors to real estate.
- Fifth:** **Allow trusts to group** under the **thin capitalisation** rules and base calculations on the **'fair value'** of assets.
- Sixth:** Implement the Business Coalition for Tax Reform Pre-Budget Submission recommendations.

Sources:

Benchmarking Australia's Tax System: The International Context,
Property Council of Australia (March, 2006)

Tax Treaty Reform for Collective Investment Vehicles: An Australian REIT Perspective,
Property Council of Australia (February, 2007)

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Australia's Tax Treaty Negotiation policy, Property Council of Australia submission to the Treasury (March, 2008)