



HENRY DAVIS YORK  
LAWYERS

## TAXATION INSIGHT

20 DECEMBER 2011

# Australia to introduce comprehensive taxation regime for investment managers

On Friday, 16 December 2011 the Government announced it would proceed with the proposed introduction of a comprehensive Investment Manager Regime (IMR), which will provide an exemption from Australian tax for foreign funds which use the services of an Australian investment manager.

Details of the announcement may be accessed [here](#).

Under the IMR, Australian sourced income and gains from portfolio interests in Australian equities, together with derivative style investments by a foreign managed fund will be exempt from tax. This will remove a major hurdle which currently restricts Australian fund managers ability to manage funds on behalf of overseas institutions.

Currently, where a foreign fund with no other connection to Australia engages an Australian investment manager, there is a risk that the income and gains associated with that manager's activities in Australia could be assessable to the foreign fund, even where those assets are located outside of Australia.

The proposed broad exemption for foreign funds investing in Australian equities and derivatives should go a long way to addressing these concerns.

This will mean that many more Australian fund managers will have the opportunity to offer their services internationally as well as providing access to international investors for Australian markets.

The new rules will be backdated with effect from 1 July 2011. The rules have been backdated to ensure that foreign funds do not have to report any historic uncertain tax positions under the US "FIN 48" accounting disclosure requirements.

### Who does this affect?

Fund managers.

### Highlights

- Wide ranging exemption from Australian tax to be introduced for foreign funds investing through an Australian manager.
- This will mean that many more Australian fund managers will have the opportunity to offer their services internationally as well as providing access to international investors for Australian markets.

The Government is proposing to introduce legislation setting out the critical details of the IMR shortly.

This publication is a summary of information and may contain opinions. It is not legal advice. Access to or receipt of this publication does not entitle you to rely on it. We exclude all liability for any loss suffered in connection with accessing, receiving or using this publication. Please contact us if you require advice on matters covered by this publication.

## CONTACT



**Greg Reinhardt**  
Partner

+61 2 9947 6452  
greg\_reinhardt@hdy.com.au



**Liz Gray**  
Partner

+61 2 9947 6589  
elizabeth\_gray@hdy.com.au



**Nikki Bentley**  
Partner

+61 2 9947 6245  
nikki\_bentley@hdy.com.au



**Kathy Civardi**  
Partner

+61 2 9947 6064  
kathy\_civardi@hdy.com.au



**Seema Mishra**  
Senior Associate

+61 2 9947 6441  
seema\_mishra@hdy.com.au

### SYDNEY

44 MARTIN PLACE SYDNEY NSW 2000 AUSTRALIA  
T +61 2 9947 6000 F +61 2 9947 6999

### BRISBANE

324 QUEEN STREET BRISBANE QLD 4000 AUSTRALIA  
T +61 7 3087 5000 F +61 7 3087 5099