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### **Non-Forestry Managed Investment Schemes**

On 21 December 2006 I announced jointly with the Minister for Fisheries, Forestry and Conservation, the new arrangements for the taxation of investments in forestry Managed Investment Schemes (MIS). I also announced that the Government would consider the issue of taxation arrangements for non-forestry agribusiness MIS in the new year.

The Government has decided it is not disposed to introduce a similar taxation arrangement for investments in non-forestry agribusiness MIS. I reported to the Party Room on the Government's decisions relating to Managed Investment Schemes today.

The Government, the ATO and the forestry and non-forestry agribusiness MIS industry have been involved in extensive discussions in recent months over the future tax treatment of investments in such MIS.

During these discussions, the ATO has indicated that developments in this area of the law have required the ATO to reconsider its interpretation of the current taxation law as it applies to both forestry and non-forestry MIS investments.

The ATO has advised the Government that it is preparing a draft Taxation Ruling which will set out its reconsidered position which will apply to arrangements entered into after 30 June 2007. The ATO has also advised that, while the new draft ruling will be subject to the usual consultation processes, it does not intend to issue any Product Rulings for investments in forestry and non-forestry agribusiness MIS after the 2006-2007 year based on its previous interpretation of the law. The ATO has stated that it would continue to issue Product Rulings for investments made prior to 1 July 2007.

The effect of this change of interpretation of the current law is that investors in MIS would no longer be able to claim upfront deductions for their contributions to the MIS on the basis that the investor is 'carrying on a business'.

Investments in MIS that are covered by existing product rulings that allow immediate deductibility for the investor's initial contribution, and for contributions in subsequent years, will be protected (provided the MIS continues to operate in the manner described in the application for the product ruling).

As a result of this change of view by the ATO, the Government took its decision in relation to forestry MIS. With effect from 1 July 2007, investors in forestry MIS will be entitled to an upfront statutory deduction for all expenditure, provided that at least 70 per cent of the expenditure is directly related to developing forestry. Under the new legislation, it will not be necessary for investors in forestry to demonstrate that they are carrying on a business in order to claim the statutory deduction.

This decision will ensure the continued expansion of our plantation forestry estate and lends support to the industry's 2020 vision.

The effect of the likely change in interpretation by the ATO will be to place investments in non-forestry agribusiness MIS on the same footing as other 'passive' investments in agriculture.