

UBS Custody *News*

Priority: Medium – Market: Australia

Withholding tax rate changes on certain investment trust distributions

Certain withholding tax rates on Australian investment trust distributions will change starting July 1, 2019.

Background

The Australian Federal Parliament has passed the Treasury Laws Amendment (Making Sure Foreign Investors Pay Their Fair Share of Tax in Australia and Other Measures) Bill 2019.

Impact

Among others, the Bill amends withholding tax rates on Australian investment trust distributions as following:

- Distributions of non-concessional Managed Investment Trust ("MIT") income (consists of MIT cross staple arrangement income, MIT trading trust income, MIT agricultural income and MIT residential housing income): 30%

(change from the current rate of 15%)

Transitional rules exist to appropriately protect existing arrangements from the impact of the amendments.

Withholding tax on Australian investment trust distribution portions not classified as non-concessional MIT Income paid to accounts held with UBS, being domiciled in an 'Exchange Of Information' country, does not change. Rates continue to apply as following:

- Distributions of Tax Free Income, Tax Deferred Income, Conduit Foreign Income, Foreign Sourced Income: 0%
- Distributions of MIT Clean Building Income: 10%
- Distributions of MIT Short-Term Capital Gain, MIT Taxable Portion, MIT Sundry Other Income: 15%
- Distributions of MIT Long-Term Capital Gain: 30%
- Distributions of non-MIT Short-Term Capital Gain, non-MIT Sundry Other Income, Unknown Income Type: 45%
- Distributions of non-MIT Long-Term Capital Gain: 90%

Trust distributions under the Australian Taxation Administration Act 1953 do not qualify for double taxation treaty reductions.

Furthermore, withholding tax on investment trust distribution portions which are classified as regular dividend and interest payments, falling under the Australian Income Tax Assessment Act 1936, does also not change. Rates continue to apply as following:

- Distributions of Franked Dividend Income: 0%
- Distributions of Interest Income: 10%
- Distributions of Unfranked Dividend Income for investors resident in Switzerland: 15%
- Distributions of Unfranked Dividend Income for investors resident outside Switzerland: 30%

Entry into force

The amended withholding tax rates with regard to Australian investment trust distributions apply as of July 1, 2019.

Sources:

Australian Tax Office ATO

SIX SIS AG

Citibank N.A.

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