

29 October 2021

Tax Treaties Branch
Corporate and International Tax Division
Treasury
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Expanding Australia's Tax Treaty Network

Dear Sir/Madam

As the industry association for private capital in Australia, the Australian Investment Council is pleased to present this submission to the Treasury on the *Expanding Australia's Tax Treaty Network* consultation (**the Consultation**), following the Treasurer's Media Release of 15 September 2021.

Private capital investment has played a central role in the innovation, growth and expansion of thousands of businesses and represents a multi-billion-dollar contribution to the Australian economy. Our members are the standard-bearers of professional investment and include private equity (**PE**), venture capital (**VC**) and private credit (**PC**) funds (collectively **Private Capital Funds**), alongside institutional investors such as superannuation funds, sovereign wealth funds and family offices as well as leading financial, legal and operational advisers. Our members include both Australian domestic and offshore-based firms who in turn invest capital on behalf of millions of Australian families and attract capital from passive overseas investors.

Private Capital Funds invest billions of dollars into Australian companies every year. Australian-based funds under management reached \$37 billion in 2020, which represents a growth in available capital to support investment into businesses across every industry sector of the economy. The industry now has a combined total of around \$13 billion in equity capital available to be invested in the short-term.

Investments made by private capital firms into Australian businesses directly result in the creation of new jobs and support growth in economic output across all sectors of the market. These investments represent 2.6 per cent of Australia's GDP output each year and are responsible for creating around 1 in 9 new Australian jobs according to independent analysis by Deloitte Access Economics.

Given the impact of the COVID pandemic and the uncertain times that lay ahead, and as a net importer of capital, Australia's economy relies on a dependable and steady flow of foreign capital to drive economic growth and job creation. At this critical juncture, it is vitally important for our economic recovery, and Australian jobs, that businesses are able to quickly and efficiently access capital from domestic as well as offshore investors.

Accordingly, the Council is strongly supportive of the expansion of Australia's existing treaty framework to include 10 new and updated tax treaties by 2023. In particular, we specifically welcome the flagged renegotiation of a new treaty with India and the addition of Luxembourg (a global financial centre for managed funds) to Australia's tax treaty network, as both countries are very important sources of private capital into Australia. The Council would also support the renegotiation of international best practice treaties (taking into account Australia's proposed introduction of new collective investment vehicles) with several other countries where the treaties have not recently been updated.



If you have any questions about specific points made in our submission, please do not hesitate to contact me or our policy team on policy@aic.co.

Yours sincerely

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Australian Investment Council