

MEDIA RELEASE

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Hotels welcome tourism tax backdowns

Australia's accommodation sector has applauded the scrapping of the planned doubling of tax on Managed Investment Trusts (MITs).

Tourism Accommodation Australia (TAA) Managing Director Rodger Powell said the unexpected Budget announcement of an increase in withholding tax from 7.5% to 15% had an immediate impact on investment in hotels.

"We saw almost overnight that investments in hotels were being reconsidered as a result of doubling the withholding tax on MITs, which are the vehicle for much hotel investment in Australia," Mr Powell said.

"Investors, suddenly faced with a doubling of their tax bill, were being scared off by this unexpected increase.

"While some damage has been done, the decision to scrap the tax increase is the correct one and recognises the broadening of Tourism Australia's remit to seek opportunities for foreign investment in Australian tourism infrastructure.

"It made no sense for the Federal Government to impose a punitive tax treatment on the investments it is seeking to encourage."

Mr Powell also welcomed the axing of plans to index the Passenger Movement Charge (PMC), although TAA remains concerned about the separate \$8 per passenger (17%) PMC increase which will cost the industry \$485 million over four years.

"The PMC already raises significantly more revenue for the Government than it spends on customs and airport security and the only rationale for any increase was to gouge the tourism industry for the purposes of meeting the Government's promise to plan a surplus.

"The increase in the amount of PMC tax revenue to be invested in tourism marketing is a fantastic outcome. The Asia Marketing Fund and the Tourism Industry Regional Development Fund will be important in providing Tourism Australia with the ability to meet the targets identified in Tourism 2020.

"TAA remains concerned about the impact of the 17% increase in the PMC on Australia's international competitiveness but is relieved that at least this increased figure will not be increasing automatically in 12 months' time."

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