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Media Release

Parliament Passes Capital Protected Products Legislation



18 April 2007 – Macquarie Investment Lending welcomed new Legislation, which received Royal Assent on 12 April governing the taxation of Capital Protected Products (CPPs).

Macquarie Investment Lending said the new legislation now provides a superior and transparent replacement for the previous “Interim Methodology” which had been in place since May 2003.

The effect of the Legislation is to legislate the existing Interim Methodology for investors who have entered CPPs between May 2003 and 30 June 2007 and to replace the Interim Methodology with more flexible rules around interest deductibility for investors taking out CPPs from 1 July 2007.

Macquarie Investment Lending’s Head of Sales and Marketing, Peter van der Westhuyzen, said Macquarie was particularly pleased about this legislation being passed because Macquarie had been working closely with the Australian Taxation Office (ATO) and Treasury since 1998 to achieve tax certainty for capital protected products.

“Macquarie Investment Lending pioneered capital protected lending because of a demand from investors for certainty and security.

“Because of this we were interested in working with the ATO, involving ourselves in discussions about the deductibility status of capital protected products to ensure the best possible result for our advisers and their clients” Mr van der Westhuyzen said.

Mr van der Westhuyzen said the implementation of the legislation was a great outcome for investors looking to invest into capital protected products.

“This legislation will benefit Australian investors acquiring capital protected products from 1 July 2007 because it more accurately recognises the true finance cost of loan products borrowing at a 100% Loan to Value Ratio, allowing more of the interest to be deducted on revenue account in the year it is incurred. This may have the effect of reducing the after tax cost of the investment strategy and potentially increasing returns to investors.”

He said whilst the new legislation would benefit new investors, it was important for them to speak to their Financial Adviser to ascertain when they should enter the market as there are still potential benefits to be obtained from investing through a capital protected loan prior to 30 June 2007.

Macquarie Investment Lending is the leading provider of protected lending in Australia, offering a comprehensive range of products including Macquarie’s Geared Equities Investment plus.

Macquarie has a national team of specialists in distribution, products, marketing and client services dedicated to providing premium products and service to advisers, distributors and investors.

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