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12 February 2016

**Submission in response to the Exposure Draft of amendments to the
*Private Ancillary Fund Guidelines 2009 and Public Ancillary Fund
Guidelines 2011***

The Masonic Charities Trust is a Public Ancillary Fund as defined in section 30-15 of the Income Tax Assessment Act 1997 and was established on 1 May 2015.

The Masonic Charities Trust supports in principle the amendment in the Exposure Draft to alter the minimum annual distribution rate to the lesser of:

The average of the Reserve Bank of Australia's target for the cash rate, which is the overnight money market interest rate, over the previous financial year (expressed as a percentage); or

The method statement in Guideline 19.1A of the Exposure Draft (which generally equates to the fund's net investment earnings or returns (according to accounting concepts) for the previous financial year less any reasonable expenses.

However, Masonic Charities Trust supports the linking of the minimum annual distribution amount to a different proxy for earnings of the Fund than the Reserve Bank of Australia's target for the cash rate such as the Consumer Price Index (CPI) or LIBOR (London interbank Offered Rate). In addition, given the current low interest rate environment in Australia, the minimum annual distribution could be set at 75% of the previous year CPI or 50% of net investment earnings or returns.

The current minimum annual distribution of 4% of the market value of the Public Ancillary Fund's net assets was set at a time when interest rates and earnings more generally were higher. As a result, Public Ancillary Funds would not have been depleting the capital base of the fund in meeting the requirements of the *Public Ancillary Fund Guidelines 2011*.

Further, a potential unintended consequence of the current minimum annual distribution rate is that to preserve yield, Public Ancillary Funds may be altering asset allocation in favour of investments offering potentially high but more volatile yields and potentially exposing the capital base of the fund to unnecessary risk.

Yours sincerely



Kathy Gramp
Director of Trustee - Masonic Charities Pty Ltd