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FSC Pre-Budget Submission: Budget changes needed for financial services exports

The Financial Services Council has called on the Government to conclude the 2009 Johnson Review recommendations to bolster the export of Australia financial services.

Andrew Bragg, FSC Director of Policy said: "Significant tax and policy changes are required to allow the financial services industry to deliver growth, jobs and new sources of tax collection as the economy transitions."

In its Pre-Budget Submission, the FSC has recommended the Government finish the Johnson Review recommendations that a competitive withholding tax regime be established and there be a wider range of investment vehicles for fund managers.

"To boost growth, investment and employment, Australian financial services providers must be allowed to compete in the Asian region for new investors," Mr Bragg said.

"Australia's tax and regulatory systems force our financial services businesses to fight with both arms behind their back. This costs Australia an additional contribution to GDP of \$4 billion, tax revenue of \$1.2 billion and 10,000 jobs."

"For example, foreign investors are not familiar with our unit trust structure – which is currently the only option available to them."

"Investors are flocking to other jurisdictions such as Singapore, Hong Kong and Luxembourg which have broader collective investment vehicle structures which are simple, effective and workable," he said.

The FSC has also recommended changes to Australia's withholding tax regime to ensure the competitiveness of Australian funds.

"Australia's taxation regime for foreign investors is complicated, with different rates or withholding tax applied to the type of income received by investors," Mr Bragg said.

"This is confusing, uncompetitive and needs to be swept away for the implementation of the Asia Region Funds Passport in 2017."

"The FSC has recommended the Government reduce the withholding tax rate for passport funds from 15 per cent to five per cent in the 2016-17 Budget."

Mr Bragg said that more broadly, this Budget must support the general direction of essential tax reform.

"Australia must emerge from this tax reform discussion with a company tax rate which is closer to 20 per cent. It is the single lever which will significantly boost growth."

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About the Financial Services Council

The Financial Services Council (FSC) has over 115 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, licensed trustee companies and public trustees. The industry is responsible for investing more than \$2.6 trillion on behalf of 11.5 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the third largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.