



MEDIA RELEASE

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BUDGET 2021-22: UNSHACKLING THE ECONOMY TO DRIVE GROWTH

The Financial Services Council (FSC) congratulates the Government for delivering a Budget that unshackles the economy to drive growth and investment in the financial services sector.

FSC CEO Sally Loane said: “Financial services is one of the largest sectors in the economy, contributing around 10 per cent of GDP and employing 450,000 people. We welcome the Government’s commitment to initiatives for further growth, modernisation and flexibility in the financial services sector.

“Reducing costs in financial services through efficiency measures will be positive for consumers,” Ms Loane said.

The FSC is pleased to see the Government’s commitment to tackling the vexed issue of legacy products across the financial sector, which has been a long-term focus of FSC advocacy. The FSC cautions the policy settings need to be carefully calibrated to ensure any solutions will be beneficial for consumers.

“We look forward to working closely with the Government to ensure that the product modernisation scheme for life insurance and investment products removes the tax and social security barriers which have prevented millions of Australians from moving from older products to more modern ones.”

“Approximately 1.6 million Australians are currently in outdated life insurance products. The ability to move into a modern product without any tax penalties will be a great outcome for consumers.”

“The ability to move out of legacy pension products, many of which are outdated and expensive, is a welcome move. However the tax and social security settings will be the key factor in consumers and their financial advisers in determining whether to take up the scheme.”

Superannuation

The FSC welcomes the announcement of a package of measures to modernise the superannuation system, including the removal of the \$450 threshold for Superannuation Guarantee payments and changes to increase flexibility for older Australians seeking to top up their superannuation balances through the removal of the work test and reducing the eligibility age for access to the downsizer contribution.

“This package of superannuation changes will allow Australians to save more for their retirement and have flexibility with their contributions as they move toward retirement.

“The removal of the \$450 threshold will help women build their superannuation savings throughout different stages of their career, particularly if they are working multiple jobs.”

Funds Management

The FSC welcomes the reforms to attract offshore investors into Australian managed funds, including the implementation of the long-awaited Corporate Collective Investment Vehicle (CCIV). Finalising a competitive CCIV regime and removing tax barriers on Australian fund managers will deliver an economic windfall as the economy recovers from the COVID-induced downturn.

“Foreign capital currently only contributes just over five per cent of investment into Australian managed funds, \$126bn as a proportion of \$2.2tr. The FSC has long advocated for using our large and successful funds management sector’s untapped potential as a major export opportunity.”

The FSC also welcomes government commitments to:

- accelerate the program of tax treaty negotiations;
- establish an ‘early engagement service’ (or concierge service) to give investors fast track tax advice on transactions;
- consult on broadening tax residency rule changes to trusts and corporate limited partnerships;
- review the tax treatment of venture capital; and
- implement reforms to the tax hedging rules for financial arrangements.

We look forward to working with the Government to make these reforms a success for Australia and the financial services sector.

Other financial services announcement

The FSC is pleased that the Government has announced the removal of regulatory costs on foreign financial services providers (FFSPs) that only deal with wholesale clients and professional investors. This measure will also drive greater diversity of investment strategies and competition among fund managers which will further drive competitive pressure on fees to the benefit of investors and superannuation fund managers.

- Ends

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About the Financial Services Council

The Financial Services Council (FSC) has over 100 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. The industry is responsible for investing almost \$3 trillion on behalf of more than 15.6 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 fourth largest pool of managed funds in the world.