

11 June 2015

Dr Kathleen Dermody
Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Dr Dermody

**RE: INQUIRY INTO THE TAX AND SUPERANNUATION LAWS AMENDMENT
(2015 MEASURES NO. 1) BILL 2015**

The Financial Services Council (FSC) represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, licensed trustee companies and public trustees. The Council has over 125 members who are responsible for investing more than \$2.5 trillion on behalf of 11 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.

The *Tax and Superannuation Laws Amendment (2015 Measures No. 1) Bill 2015 (the Bill)* contains a number of measures. The FSC comments in this letter relate to Schedule 3 (Offshore Banking Units) and Schedule 7 (Investment Manager Regime).

Improvement of the Offshore Banking Unit (OBU) regime and introduction of an Investment Manager Regime (IMR) are both recommendations of the 2011 report "Australia as a Financial Centre – Building on our Strengths" (the *Johnson Report*).

The FSC has long advocated for both recommendations to be implemented and both have received bipartisan support since the Johnson Report was released. These measures are critical in supporting Australia's financial services sector as it enters its next phase of growth. They will allow Australian fund managers to compete against their global competitors and will provide certainty to foreign investors regarding their tax treatment when using the services of an Australian manager.

Offshore Banking Units

We support the comments made by AFMA in their submission to this enquiry, in particular as the regime relates to leasing.

Investment Manager Regime

Schedule 7 of the Bill contains what the Financial Services Council believes will be an effective IMR and we fully support the measure.

Importantly, the IMR will allow Australian fund managers greater scope in attracting offshore clients to invest both into Australian assets and through Australian managers into offshore assets.

We note that a regulation making power has been included and we would urge the Government to utilise this power to enable endowment funds to benefit from the regime. Endowment funds, particularly from United States universities, represent a significant potential foreign investor base. Regulation providing for their inclusion should be made swiftly, following passage of this legislation.

Should you wish to discuss this submission further please do not hesitate to contact me on (02) 9299 3022.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Carla Hoorweg', written in a cursive style.

CARLA HOORWEG

Senior Policy Manager – Investment, Global Markets & Tax