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MEDIA RELEASE: Long-awaited Asia Region Fund Passport legislation passes Parliament

The Financial Services Council (FSC) welcomes the passage through Parliament of legislation to implement the Asia Region Funds Passport (the Passport), but warns that tax reforms to complement the Passport are now urgent.

The Passport enables a fund registered in one country to be sold to retail investors in other participating countries, which include Australia, Japan, Korea, Thailand and New Zealand. This means increased choice and competition for investors in the Asian region.

FSC CEO Sally Loane said, “The FSC has been a consistent and longstanding supporter of the Passport, and our policy team, along with our members, have worked long and hard over many years to see it to fruition. We are very pleased to see the Passport legislated and congratulate the Government for its work to get to this point.

“However the Government now needs to act without delay to address Australia’s complicated withholding tax regime which acts as a barrier to retail, or mum and dad investors, from investing in Australian funds.

“Australia, unlike other countries in our region, has a complicated non-resident withholding tax regime which means we will not be able to compete with countries where this rate is zero.”

The Passport was one of the recommendations of a 2009 review by veteran fund manager Mark Johnson to position Australia as a global financial centre.

The FSC has long held that exports of Australia’s expertise in funds management present a great potential for growth, particularly to the burgeoning Asian middle classes. Research done for the FSC by Deloitte Access Economics in 2014 found that increasing the level of Australia’s funds management exports to levels equal to Hong Kong by 2023-4 would support an extra 10,000 FTE jobs in Australia. A doubling of export revenue from funds management exports would result in an increase to GDP of A\$330 million by 2029-30.

Ms Loane said: “We are very keen to see the benefits to the Australian economy from expanding our trade in funds and their management, and the Passport represents a huge opportunity.

“This is why we need the Government to follow up on their good work in setting up the Passport by fixing the non-resident withholding tax issue. We don’t want to see investors in our fellow Passport countries bypass our local industry because of a complex tax issue.

“Our analysis indicates this tax raises \$15 million or less per year, so we cannot understand why it can’t be reduced to zero. The upside will be more managers establishing in Australia, more foreign investors into Australian based funds, more ancillary economic activity from the advisers, accountants and lawyers required to support these operations, all resulting in more corporate tax revenue going to Australian Treasury. And more Australian jobs.”

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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 14.8 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. The FSC promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

About the Asia Region Funds Passport

The Asia Region Funds Passport aims to facilitate cross border distribution of managed fund products across the Asia region. It allows collective investment products offered in one Passport economy to be sold to investors in another economy. Currently, funds are manufactured, distributed and administered within each jurisdiction, with no transferability across borders. The five signatories include Australia, Japan, New Zealand, South Korea and Thailand. Activation of the Passport will occur as soon as any two participating economies implement the arrangements under the Memorandum of Cooperation.