



## MEDIA RELEASE

Tuesday 2 April 2019

### FSC RESPONSE TO 2019 BUDGET

The Financial Services Council (FSC) welcomes the confirmation that the Budget will return to surplus in 2019-20 after a lengthy period of deficits. The improving Budget position means the Budget can afford personal tax reductions, which will help address the growing tax burden, boost household incomes and help Australians create wealth.

However, the FSC is concerned about Australia's increasingly uncompetitive business tax system. This needs to be addressed to counteract ongoing weakness in economic growth, investment and wages.

#### **Royal Commission Recommendations**

The FSC notes the Government will provide \$606.7m over five years from 2018-2019 to undertake a range of measures in response to the recommendations of the Royal Commission into Misconduct in Banking, Superannuation and Financial Services.

#### **ASIC/APRA Funding**

More than \$550 million will be provided, over four years from 2019-20, to ASIC and APRA which will enable oversight and enforcement to be strengthened. Both ASIC and APRA will also receive additional staff, with the former receiving 149 additional staff and the latter receiving 87 additional staff. The FSC supports the additional funding and increases in regulator resourcing. Appropriate resourcing is essential to enabling APRA and ASIC to properly perform their respective regulatory functions.

#### **Commitment to legacy unpaid EDR determinations**

The FSC supports Government funding of legacy unpaid external dispute resolution determinations from the Financial Ombudsman Service (FOS) and the Credit and Investment Ombudsman. This funding relates to determinations from the Financial Ombudsman Service and Credit Investment Ombudsman which were unpaid between 2010 and 2018.

#### **Superannuation**

The FSC welcomes superannuation changes to reduce red tape and improve access to voluntary contributions. The expansion of the work test exemption, spouse contributions and bring-forward arrangements will provide workers nearing retirement greater flexibility to make additional super contributions if they are able. The electronic requests for release of super and simplification of exempt current pension income calculations are sensible and welcome.

The FSC also supports the tax relief for merging super funds, as this will help the superannuation industry consolidate to reduce costs and improve member outcomes. However, the FSC is disappointed this is not part of a comprehensive product rationalisation scheme, despite this being a longstanding Government commitment. A lack of reform in this area means consumers are locked into older, more expensive products.

The FSC is pleased to note the Budget has largely kept the superannuation settings unchanged. This will increase consumer confidence and encourage engagement with super. The FSC encourages both political parties to commit to continuing this tax and regulatory pause into the future.

### **Withholding tax**

The FSC is disappointed the Government has failed to reform non-resident withholding tax for managed funds in the Asia Region Funds Passport. This means Australia will remain uncompetitive in our region, and Australia will not be competing with Asian funds on a level playing field. The withholding tax on managed funds raises little money, but harms our competitiveness within Asia, putting Australia's fund managers at a major competitive disadvantage in the region.

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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