



MEDIA RELEASE

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AUSTRALIA'S MANAGED FUNDS WORLD LEADING DESPITE INFERIOR TAX AND REGULATION

Australia's managed funds industry is hamstrung by high taxes and cumbersome regulatory settings, according to a new global study from Morningstar, putting Australia at the bottom of the ranking for investor-friendly markets.

Despite this, the same study last year found that Australia's managed funds are global leaders in low levels of fees.

The results, from the Morningstar Global Investor Experience Study: Regulation and Taxation for 2020, show that Australia, along with Canada, New Zealand and the United States endure tax and regulatory regimes that are inferior to 20 other markets including the UK, much of Europe, Hong Kong, Singapore, Thailand, Taiwan and Korea.

Sally Loane, CEO of the Financial Services Council (FSC), said the Morningstar Study on Regulation and Taxation indicates the "lead in the saddlebags" our taxation and regulatory regime has added to our substantial managed funds sector, creating distortions and disincentives to invest.

"We already know that Australia leads the world in low fees because of the significant competition in our market, but a commitment to cut domestic taxes, slash the red tape and commit to more efficient regulatory regime would make our market much more attractive to overseas investors and improve our global standing.

"The Morningstar study shows Australia imposes one of the largest tax burdens on managed funds, with many other countries exempting investors from capital gains. By contrast, the Australian Government is planning on *increasing* the Capital Gains Tax on managed funds, a very poor policy choice.

"While Australia's managed funds have a tax and regulatory disadvantage, this is offset by our competitive market with significant economies of scale, showing the industry has itself dealt with the handicaps placed on it by Government policy. But now it is time for the Government to step up.

"Taxes on managed funds need to be reduced, and a long-overdue regulatory reform is needed to introduce a product modernisation scheme to help remove the poor performing legacy products in the market," Ms Loane said.

This Global Investor Experience Study is the sixth edition of this report, and evaluates the environment for investors in managed funds in 26 major markets including the US, New Zealand, India, Germany, Canada, China, and Mexico.

The chapter in the Study relating to fees and expenses was released in September 2019 and the chapter on regulation and tax has just been released and is available [here](#).

The FSC's September 2019 media release welcoming the Morningstar study on fees is [here](#).

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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.