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## **MEDIA RELEASE: Government shows strong commitment to Australia's funds management sector**

The Financial Services Council (FSC) commends Minister for Revenue and Financial Services the Hon Kelly O'Dwyer MP's announcement today to support Australia's funds management sector.

The government has committed to provide certainty for the sector through a package of changes which will create momentum in the lead up the commencement of the Asia Region Funds Passport.

The changes will:

- strengthen the Investment Manager Regime to provide certainty to foreign investors;
- clarify treatment under the managed investment trust tax regime to allow a greater number of trusts to enter; and
- substantially improve Australia's international reputation as a globally competitive financial services centre

FSC CEO Sally Loane said: "These changes will provide a significant boost to Australian fund managers looking to sell their skills and expertise overseas and are particularly timely with the Asia Region Funds Passport coming online from 1 January 2018.

"The government has acted to ensure the effectiveness of Australia's Investment Manager Regime. The announced changes will remove uncertainty over tax residency issues to ensure Australia's regime is world class and on the same footing as comparable regimes such as the United Kingdom.

"There is strong and growing competition to managed money on behalf of foreign investors. A robust Investment Manager Regime, which affords foreign investors the same tax treatment whether they invest in assets directly or via an Australian fund manager, is essential for maintaining Australia's reputation as an attractive international financial services centre."

In addition the government has announced improvements for domestic investors through greater clarity of treatment under the Attribution Managed Investment Trust tax regime, by:

- proposing to bring investment by platform-based investors into line with the treatment offered to other large scale superannuation and life insurance investors;
- certainty for specific types of single-unitholder trusts; and
- through technical amendments to ensure the regime operates as in intended

Ms Loane said the final remaining barrier to increasing exports of funds management to overseas investors is our complex and high non-resident withholding taxes.

“We look forward to the outcomes of the government’s review of non-resident withholding tax rates for foreign investors into Australian based funds. We encourage the government to now take the last step and ensure passive income from Australian funds is taxed in an internationally competitive manner.”

## **Background**

As Mark Johnson AO outlined in his report, *Australia as a Financial Services Centre*, despite having a strong, skilled, competitive, well-regulated and highly regarded financial services sector, our exports of funds management services are low by international standards.

Australia only sources 3.4 per cent of its \$2.8 trillion funds management industry from offshore funds. This compares to our competitors in the global \$94.9 trillion dollar industry such as the United Kingdom (31 per cent), Hong Kong (68.5 per cent), Singapore (80 per cent) and Luxembourg (99 per cent), whom all substantially manage more funds from offshore both as a per cent of their industry and in the value managed.

The benefits to Australia of increasing funds management exports would be substantial. Research by Deloitte Access Economics for the FSC found that if Australia could grow overseas-sourced funds under management equal to that of Hong Kong over the next decade, our GDP would grow by more than \$4.2 billion, tax revenue would increase by \$1.2 billion and nearly 10,000 jobs would be created.

The Asia Region Funds Passport (ARFP) is set to commence from 1 January 2018. Australian, Japan, South Korea, Thailand and New Zealand are signatories to the agreement.

## **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 more than \$2.7 trillion on behalf of 13 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.