



## MEDIA RELEASE

### Support for the Government Tackling the Tax Backlog

6 November 2013

The Australian Financial Markets Association (**AFMA**) is encouraged by the Government's commitment today to reduce uncertainty for business by tackling the backlog of announced but unlegislated tax measures.

The joint announcement by the Treasurer, the Hon. Joe Hockey MP, and Assistant Treasurer, the Hon. Arthur Sinodinos AO, deals with a number of outstanding taxation matters that impact the businesses of AFMA's member firms.

In relation to the **Offshore Banking Unit (OBU)** announcement contained in the 2013-14 Budget, the Government has announced it will not proceed with the part that excludes all related party transactions but will instead have a targeted integrity measure. AFMA believes this is a sensible approach that will enable protection of tax revenue without inhibiting *bona fide* transactions. AFMA has been encouraged by consultation undertaken to date and remains committed to ensure the ongoing competitiveness of the OBU regime.

The Government has also decided not to deny interest deductions claimed under **Section 25-90** of the *Income Tax Assessment Act*, instead opting to introduce a targeted anti-avoidance measure. This approach accords with the position advocated by AFMA that the Government should formulate targeted provisions to address integrity concerns in this area, so as not to detrimentally impact offshore investment by Australian entities.

AFMA supports any steps that can be taken to improve the competitiveness of Australia as a location for financial services business and, thus, welcomes both the OBU and the Section 25-90 announcements. Australian financial markets firms operate in a highly competitive environment, where competing regional financial centres regularly update and enhance the attractiveness of their international tax regimes.

In relation to the announced measures that are still under consideration by the Government, AFMA stands willing to consult on matters that it believes should proceed. These measures include, amongst other things, clarification of the income tax treatment of instalment warrants, the extension of securities lending measures to address insolvency issues and the proposal to align the GST definition of "permanent establishment" with the definition used in income tax law. While these measures may have small or unquantifiable impacts on the budget position, they will cut red tape and reduce complexity and uncertainty as to the operation of the law.

**Notes for Editors:**

The Australian Financial Markets Association (AFMA) is the leading industry association promoting efficiency, integrity and professionalism in Australia's financial markets and provides leadership in advancing the interests of all market participants. These markets are an integral feature of the economy and perform the vital function of facilitating the efficient use of capital and management of risk. Market participants perform a range of important roles within these markets, including financial intermediation and market making.

AFMA represents over 130 members, including Australian and international banks, leading brokers, securities companies, state government treasury corporations, fund managers, traders in electricity and other specialised markets and industry service providers.

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