



MEDIA RELEASE

TOFA Announcement Improves Tax System Efficiency

29 June 2010

AFMA has responded to the Assistant Treasurer's, Senator Nick Sherry, announcement today of refinements to the income tax law relating to the Taxation of Financial Arrangements (TOFA). The TOFA legislation modernises the tax treatment of gains and losses on financial arrangements, providing more consistent and sensible tax outcomes for financial institutions.

AFMA has strongly endorsed the Government's decision to amend the tax law to allow foreign bank branches to rely on their audited APRA reports for the purpose of utilising the TOFA elective methods – item 11 of the Assistant Treasurer's announcement.

Foreign bank branches are widely expected to take advantage of the TOFA method elections in order to reduce their tax compliance costs and achieve greater certainty in managing their tax affairs.

Like all banks, they naturally hold large positions in financial instruments, including securities and derivatives, so the ability to make the fair value, hedging and other TOFA elections will enable them to align their economic and tax performance.

The announced measures will improve the efficiency of the tax system for business and the ATO in relation to foreign bank branches and it will strengthen the integrity of the tax system. There are 34 authorised foreign bank branches operating in Australia.

The Assistant Treasurer's announcement is timely as TOFA has a mandatory start date of 1 July 2010 for many banks, while some other 'early balancing' banks will have to make their TOFA elections by 15 July 2010.

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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