



MEDIA RELEASE

Budget to Support Jobs and Growth: AFMA

4 May 2016

The Australian Financial Markets Association has welcomed the focus in the 2016/17 Budget on promoting growth in the Australian economy. The Government has laid out a cohesive narrative to support the transition of the Australian economy into one that promotes Australia's competitiveness in the region and enhances Australia's financial services export capability.

A key pillar of the Budget is the aspiration to reduce the company tax rate to 25% by 2026-27, through staggered implementation. While the announcement is laudable from a policy perspective, there is no real guarantee in terms of future governments implementing the proposed reductions, particularly given previous experience in implementation of such long-term fiscal plans. Accordingly, AFMA advocates bipartisanship on this important reform and calls on both sides of Government to commit to the reduction.

AFMA also expresses concern regarding the use of turnover as the metric to determine eligibility for earlier reductions in the corporate tax rate. Many AFMA members operate in industries that exhibit high-volume, low-margin business models and hence will generally display higher turnover when compared to companies of a similar size in other industries. AFMA seeks further engagement with the Government to determine a more appropriate metric.

AFMA notes the announcement of the Diverted Profits Tax, based largely on the UK Model, and particularly the threshold criterion of a tax reduction of more than 20% arising from the cross-border payment. While this model may be fit-for-purpose in the UK context, given its low 20% corporate tax rate, applying it to the relatively high corporate rate in Australia gives rise to the potential of considerably broader application. AFMA looks forward to engaging with Treasury to ensure that the measure prosecutes its policy intention without unintended consequences.

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.

Contact details for further information:

Rob Colquhoun
Director, Policy
+61 2 9776 7996
rcolquhoun@afma.com.au