



**AUSTRALIAN BANKERS'
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Dr Kathleen Dermody
Committee Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600
economics.sen@aph.gov.au

Dear Dr Dermody,

Tax and Superannuation Laws Amendment (2015 Measures No. 1) Bill 2015

The Australian Bankers' Association (**ABA**) appreciates the opportunity to provide comments to the Senate Economics Legislation Committee inquiry into the *Tax and Superannuation Laws Amendment (2015 Measures No. 1) Bill 2015*.

With the active participation of 24 member banks in Australia, the ABA provides analysis, advice and advocacy for the banking industry and contributes to the development of public policy on banking and other financial services.

The ABA works with government, regulators and other stakeholders to improve public awareness and understanding of the industry's contribution to the economy and to ensure Australia's banking customers continue to benefit from a stable, competitive and accessible banking industry.

The ABA provides comments on the changes to repeal the legislation providing for the First Home Saver Accounts (**FHSAs**) Scheme, including the related tax concessions, as well as to make a number of reforms to modernise the Offshore Banking Unit regime.

First Home Saver Accounts (FHSAs) scheme

The ABA has previously provided comments to the Federal Government about FHSAs outlining our concerns with the operation of the scheme and cessation of the scheme; most recently being to the Senate Economics References Committee inquiry into affordable housing as well as Treasury¹.

While the banking industry welcomed the initiative and supported the policy to create a tax-preferred savings vehicle to assist people save and purchase their first home, there were some significant issues that impacted the banks' ability to deliver these new products in a straightforward, low cost and timely manner. Despite changes being made to FHSAs, consumer interest remained low. The complex product rules, especially the four year qualifying rule, and the availability of better savings products within the market limited consumer interest in FHSAs.

A number of banks offered FHSAs and any change to the scheme will impact on these banks and their customers. We recognise that uptake of FHSAs has been very low with some banks withdrawing from the FHSA market, continuing to manage existing accounts, but not offering new accounts. We also recognise that the cessation of the scheme will result in savings being redirected to fund other policy priorities of the Government.

¹ ABA submission to Senate Economics References Committee. (3 April 2014). *Inquiry into affordable housing*.
ABA submission to Treasury. (28 January 2014). *Cessation of FHSA scheme*.

The ABA has supported FHSAs in the past and advocated for improvements to be made to the scheme to encourage greater uptake by consumers.

The ABA believes that it is important for the cessation of the scheme to be managed in a way which avoids disruption for those banks who continue to offer and service these products and adverse implications for FHSA account holders. We note that FHSAs will be treated as ordinary deposit accounts following the cessation of the scheme. This will ensure that customers are not disadvantaged. It will also be important to ensure transitional arrangements minimise issues for banks and their customers.

Finally, if the Government is minded to implement an alternative initiative to address housing affordability, we strongly believe that the banking industry should be closely consulted so that the design and implementation of any initiative involving alternative financial products or incentives to promote savings or first home buyers' access to the property market is done in a way that best leverages existing banking systems and product offerings, minimises unintended and adverse consequences for the property market, and responds to consumer demand for certain products or incentives.

Close consultation with the banking industry on the development of initiatives to address housing affordability will improve administration and reduce associated compliance costs, improve uptake of financial products to lift savings and align first home buyers with their saving and borrowing preferences and needs, and better achieve Government policy objectives.

Offshore Banking Unit regime

The ABA supports reform that promotes Australia as a strong and stable financial centre, encompassing a strong core of local institutions, with global scale, and a meaningful presence of foreign institutions. Branding, strategy and an internationally competitive tax system are all key pillars.

This is discussed in more detail in the Financial Industry Council of Australia's (**FICA**), of which the ABA is a member, 2009 submission to the Australian Financial Centre Forum (the 'Johnson Report').

The ABA believes that further reform of the arrangements for Offshore Banking Units would assist in this regard. The reforms outlined in the Budget 2015-16 largely give effect to the major recommendations in the Johnson Report.

The ABA is supportive of the proposed reforms to the Offshore Banking Units regime, but believe they could go further as outlined in the joint ABA/AFMA submission of 8 April 2015².

Yours sincerely,

Steven Münchenberg

² Joint ABA/AFMA Submission to Treasury (8 April 2015), *Reforms to Offshore Banking Units, Exposure Draft and Draft Explanatory Memorandum*.