



Investment & Financial Services Association Ltd

ABN 82 080 744 163

20 January 2009

Committee Secretary
Senate Economics Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

By Email: economics.sen@aph.gov.au

Dear Mr Hawkins

Re: Inquiry into the Tax Laws Amendment (Taxation of Financial Arrangements) Bill 2008

The Investment and Financial Services Association (IFSA) welcomes the opportunity to contribute to the Senate Economics Committee Inquiry into the Tax Laws Amendment (Taxation of Financial Arrangements) Bill 2008 (the TOFA Bill).

IFSA is a national not-for-profit organisation which represents the retail and wholesale funds management, superannuation and life insurance industries. IFSA has over 140 members who are responsible for investing over \$1 trillion on behalf of more than ten million Australians. Members' compliance with IFSA Standards and Guidance Notes ensures the promotion of industry best practice.

IFSA is a strong supporter of the need for substantial reform to Australia's income tax rules applying to financial transactions. The TOFA Bill has been developed through extensive consultation and will provide IFSA members a number of benefits, including increased certainty and lower compliance costs.

It is therefore appropriate for Parliament to support the TOFA Bill without delay.

Background

The TOFA Bill has resulted from a long reform process involving many years of consultation and consideration by government and industry. The reform process commenced under the previous Labor Government and continued during the previous Coalition Government; resulting in the passage of two Bills and the introduction of the Tax Laws Amendment (TOFA) Bill 2007 into Parliament which

lapsed when the 2007 Federal Election was called. The TOFA Bill includes additional provisions which have been the subject of a further round of consultation with industry.

The TOFA Bill is expected to deliver a number of benefits, which centre on providing greater certainty and alignment with some accounting practices, including:

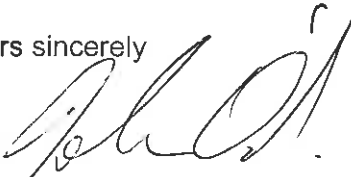
- Making it easier to determine taxable income from financial arrangements through allowing eligible taxpayers to make use of parts of the accounting standards.
- Reducing the influence of tax considerations on the choice of a financial arrangement, thus encouraging the use of the most appropriate arrangement according to the particular situation.
- Reducing compliance costs by establishing clear guidelines.

A modern and internationally competitive tax system is essential if Australia is to compete as an international financial centre. The TOFA Bill will make an important contribution to Australia's success.

As with any legislation dealing with a complex area of taxation law, a range of issues will inevitably arise during implementation. IFSA recommends that these issues be dealt with as they arise rather than cause any delay in the passage of the TOFA Bill. IFSA will be pleased to assist with resolving any implementation issues as they arise.

Please feel welcome to contact me or Daniel Caruso on 02 9299 3022 if you would like to discuss this matter further.

Yours sincerely



John O'Shaughnessy
Deputy Chief Executive Officer