

JOINT MEDIA RELEASE

THE HON CHRIS BOWEN, MP

MINISTER FOR FINANCIAL
SERVICES, SUPERANNUATION
AND CORPORATE LAW



SENATOR THE HON NICK SHERRY

ASSISTANT TREASURER

COALITION BACKFLIP ON AUSTRALIA'S FUTURE AS A FINANCIAL SERVICES HUB

The Coalition has abandoned Australia's strategy of becoming a major financial services hub by opposing the historic reforms to interest withholding tax (IWT) announced in the Budget, the Minister for Financial Services, Chris Bowen, and the Assistant Treasurer, Senator Nick Sherry, said today.

In a speech to the Financial Planning Association in March, the Shadow Minister *against* Financial Services, Mr Hartsuyker, declared that the Government should be *"taking the Johnson Report more seriously, because it contains some innovative measures to encourage international financial trading in Australia."*

Just two months later, the Coalition announced that is opposing the Government's proposed reduction in interest withholding tax, which is consistent with a key recommendation from the Johnson report on Australian as a Financial Services Centre.

"By committing to overturn the interest withholding tax reforms, the Coalition is damaging Australia's status as a financial services centre – you can't be in favour of growing Australia as a regional financial services sector, yet oppose every policy setting that is designed to achieve that outcome," Minister Bowen said.

"The Coalition is a reckless rabble that, in seeking to overturn this measure, is coming down on the side of less banking competition and more expensive loans for Australian households and businesses," said Senator Sherry, the Assistant Treasurer.

"This is an important measure and integral part of the Government's strategy to grow Australia as a financial service centre," Minister Bowen said.

The Assistant Treasurer said the Opposition doesn't care about creating better jobs for young Australians.

"The Coalition is pretending to be the friend of young Australians who are studying hard for a career in the well-paid, high-skilled jobs that the financial services sector can provide," the Assistant Treasurer said.

"But retrograde steps like the new Coalition policy will only stand in the way of a vibrant, competitive and growth-focused financial services sector," said Minister Bowen.

The Government IWT reduction measure also applies to Australian-owned financial institutions borrowing from related parties overseas and any financial institution borrowing offshore retail deposits which they on-lend in Australia.

For local subsidiaries of overseas parents, the IWT rate will be reduced on such borrowings from 10 per cent to 7.5 per cent in 2013-14 and to 5 per cent in 2014-15. The IWT rate applying to borrowings by any bank branch from its overseas head office will be reduced from 5 per cent to 2.5 percent in 2013-14 and to zero in 2014-15.

“The Rudd Government's reform package will grow our financial services sector because it's based on lifting national savings and funds under management - the *Stronger & Fairer Superannuation* reforms, the incentive for deposit savings and the cut to IWT,” said Minister Bowen.

“This major new tax initiative will help make the banking system work for families and businesses, not against them – but it depends on funds from the Resource Super Profits Tax and the Liberals are hell-bent on sweeping that away,” the Assistant Treasurer said.

CANBERRA

25 May 2010

Media contacts: James Cullen (Minister Bowen's office) 0409 719 879
Joe Scavo (Assistant Treasurer's office) 0413 800 757