

2020–21 Budget – supplementary submission

The Financial Services Council (FSC) welcomes the opportunity to provide a supplementary submission to the Government in relation to the 2020–21 Budget. This submission complements the submission the FSC made earlier in 2020 on this Budget.^[1]

About the Financial Services Council

The FSC is a leading peak body which sets mandatory Standards and develops policy for more than 100 member companies in Australia's largest industry sector, financial services. Our Full Members represent Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. Our Supporting Members represent the professional services firms such as ICT, consulting, accounting, legal, recruitment, actuarial and research houses.

The financial services industry is responsible for investing \$3 trillion on behalf of more than 15.6 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world.

Submission

In June 2020, the FSC released the report *Accelerating Australia's Economic Recovery*, as one of the first contributions to the national debate on getting Australia back to work.

This report is Attached.

The significant new recommendation in the report is for the Federal Government to introduce a new investment vehicle which would reduce the barriers to infrastructure investment for around \$1.7 trillion of funds in the choice and Self Managed Super Fund (SMSF) sectors.

The new vehicle, the Australian Superannuation and Infrastructure Investment Vehicle (ASIIV), would be unitised, tradable, and available to retail investors through existing platforms, addressing concerns about liquidity of the investments and allowing much lower minimum investment amounts. The vehicle would also increase diversification opportunities for many investors, while opening up a much larger investment pool to help address Australia's infrastructure needs.

Other key recommendations from the report include:

- Reduce the company tax rate to 25 per cent for all companies, to help address Australia's critical investment shortfall.
- Measures to help Australians rebuild retirement savings, including a co-contribution scheme, an increased concessional contribution cap, and an increase in the superannuation preservation age.
- Implementing reforms to the default superannuation system and to regulations about electronic communications to make the superannuation system more efficient.
- Prioritise the introduction of the Corporate Collective Investment Vehicle (CCIV), an existing Government commitment from 2016.

^[1] See: <https://fsc.org.au/resources/1928-fsc-submission-budget-2020-21/file>

- Address a substantial number of tax problems facing managed funds – including a number of existing Government commitments that have not yet been legislated.
- Of particular importance is the Government meeting a commitment from 2015 to implement a product modernisation scheme for managed funds and life insurance, which would enable Australians to move from out of date financial products to modern ones.
- Increasing access to affordable financial advice, particularly a temporary change to allow scalable advice on a specific subject, documented through a Record of Advice.
- Allow life insurers to fund medical treatments for rehabilitation.

The report also contains a recommendation for State Governments to abolish stamp duties. The FSC estimates the stamp duties on life insurance products cost the superannuation system \$235 million per year. This results in substantial declines in retirement incomes and increased costs to the Federal Government from higher Age Pension payments.