



## MEDIA RELEASE

### Loss of OBU Regime will Harm Australia's Competitiveness

12 March 2021

The Australian Financial Markets Association (AFMA) is concerned about the harm to Australia's competitiveness as a location for international financial business consequent to the changes to the offshore banking unit (OBU) regime announced today by the Treasurer, the Hon Josh Frydenberg MP.

The OBU regime covers a broad range of trading, investment management and other financial activities that are internationally mobile. Used by banks and other financial entities, it ensures that Australia's high corporate tax rate does not overwhelm the strong competitive advantages we have developed in non-tax areas, like rule of law, pool of talent, economic stability and access to markets.

The Government will amend the OBU regime by removing the preferential tax rate and closing the regime to new entrants, with existing participants able to continue to conduct business in the regime over a two-year transition period.

AFMA acknowledges the need for the Government to respond decisively to the OECD's expected declaration of the OBU regime to be a harmful tax practice. AFMA considers the framework through which the OECD Forum determines a practice to be harmful is flawed. This is evidenced by the fact that tax outcomes for companies conducting similar business from competitor jurisdictions in the region, like Singapore, are acceptable to the OECD, even though less tax is payable than under Australia's OBU regime.

AFMA welcomes the Government's commitment to work with the industry on alternative measures to ensure that Australia remains globally competitive and will actively participate in the consultation process on behalf of its member firms.

The OBU regime is a key pillar of Australia's international competitiveness as a financial centre and consequently, supports significant employment, income and taxation revenue to Australia. Establishing alternative arrangements to preserve these benefits is vital, especially as the economy recovers from the effects of the COVID-19 pandemic.

**Notes for Editors:**

The Australian Financial Markets Association (AFMA) is an industry association that promotes 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. AFMA member firms perform a range of important roles within these markets, including financial intermediation and market making.

For further information:

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