



MEDIA RELEASE

Henry Review: Another tick for reform of interest withholding tax

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The Australian Financial Markets Association (AFMA) has responded to the report of the 'Henry Review' into *Australia's Future Tax System* released today.

The Review Panel has produced a comprehensive and important piece of policy work that provides the basis for a fully integrated redesign of key aspects of our tax system. The recommendations are a substantial and complex set of tax reforms. AFMA will carefully review the recommendations and the Government's response to the Report.

AFMA's initial response is that we are pleased to see that the Review has recommended that financial institutions operating in Australia should generally not be subject to interest withholding tax on interest paid to non-residents (recommendation 33).

This is the same conclusion as that reached by Australian Financial Centre Forum in its report on *Australia as a Financial Centre* (the Johnson Report), released in January this year which also recommended the abolition of interest withholding tax on banks operating in Australia (see recommendation 3.4 of that report).

In our members' experience, interest withholding tax is an impediment to overseas funding by financial intermediaries and places an additional cost on finance to Australian business. Moreover, it imposes a compliance cost on business, adversely impacts competition within the financial sector in some instances and reduces Australia's international competitiveness as a financial centre.

AFMA encourages the Government to act now to implement the recommendations of the Henry and Johnson reports by abolishing interest withholding tax on non-resident borrowing by financial intermediaries operating in Australia.

Notes for Editors:

The Australian Financial Markets Association (AFMA) is the leading industry association promoting 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. Market participants perform a range of important roles within these markets, including financial intermediation and market making.

AFMA represents over 130 members, including Australian and international banks, leading brokers, securities companies, state government treasury corporations, fund managers, traders in electricity and other specialised markets and industry service providers.

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