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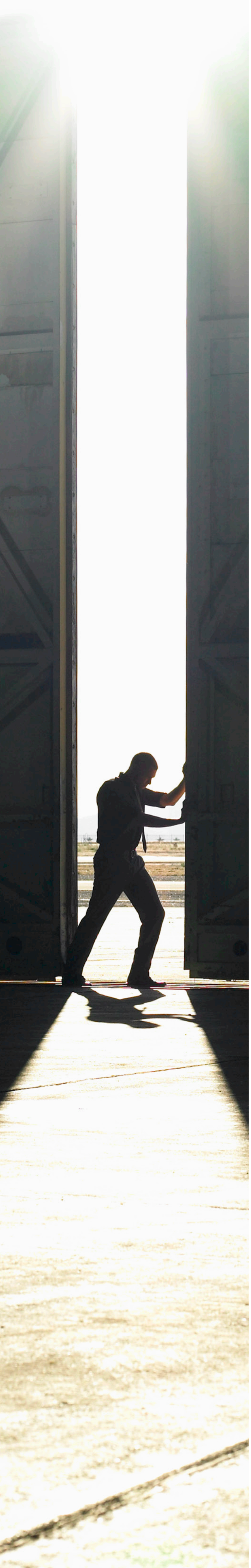

Federal Budget 2018–19 Fast Facts

Financial Services

On the back of the Financial Services Royal Commission the Budget does not provide any big surprises for the financial services sector.

Hopefully the personal tax cuts and large infrastructure spend will stimulate the economy and provide opportunities for those in the sector.

Most important take outs

- ASIC and APRA will receive an extra $10.6m and $2.7m to fund their involvement in the ongoing Royal Commission, funded by an increased levy on the Banks.
- 50% CGT discount will be calculated at investor level – not Managed Investment Trust (MIT) / Attribution MIT (AMIT) level. This will remove an unintended advantage that companies and superfunds may have obtained. Refer to the example below:

	Existing		Proposed		
	Trust	Investor	Individual	Company	Superfund
Capital Gain	100	N/A	100	100	100
CGT Discount	50	N/A	50	N/A	33
Net Capital Gain	50	N/A	50	100	67
Losses before Capital Gain	(60)	N/A	(60)	(60)	(60)
Taxable Income/ (Loss)	Nil	Nil	Nil	40	7

- Crack down on stapled structures will ensure that business income cannot be shifted from 30% corporate tax rate to 15% MIT withholding rate.
- Managed Investment Trust withholding rate of 15% will be available to an additional 56 foreign jurisdictions that have an information sharing agreement with Australia.
- Deferral of Taxation of Financial Arrangements (TOFA) simplification measures to date of royal assent of legislation.
- The definition of Significant Global Entity (SGE) has been expanded to potentially capture all groups with global turnover of $1b or more.

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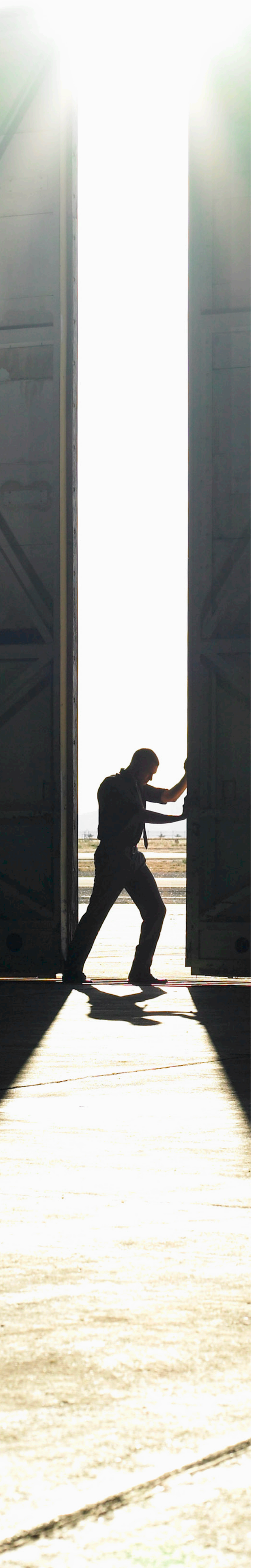

Financial Services

Main impacts to your business

- Lower Witholding Tax (WHT) for new jurisdictions may encourage greater foreign investment in MITs.
- Existing stapled structure arrangements will need to have processes in place to identify business income in staple structure subject to 30% WHT.
- Funds to change annual distribution statements to remove discount capital gains and need to educate investors as to their ability to claim the CGT discount.
- The SGE change is likely to include in wealthy individuals, large global private equity funds and others that did not previously prepare consolidated accounts. This will mean that they will have to provide Country by Country Reporting, prepare General Purpose Financial Accounts and be subject to the Diverted Profits Tax.

Maximising your opportunity

The general strength of the economy should provide a positive environment for the financial services sector:

- Cuts to tax rates should allow investors to have more free cash to invest in funds.
- The large infrastructure spend should provide a general productivity boost, jobs growth and economic opportunities.
- The areas adjacent to any new infrastructure should provide opportunities for new investment and asset values are likely to increase.
- Bank profitability should remain strong on back of lower non-performing loans.

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