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FICA Launches State Tax Reform Report

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Media Release

The Finance Industry Council of Australia (FICA) today launched modelling into State stamp duty reform undertaken by Access Economics. The report "*Analysis of State Tax Reform*", prepared by Access Economics, notes that reforming State stamp duties could produce gains to the national economy equivalent in scale to the microeconomic reforms of the past two decades.

FICA is a body comprising the Australian Bankers' Association (ABA), Abacus–Australian Mutuals, Australian Finance Conference (AFC), Australian Financial Markets Association (AFMA), Financial Planning Association (FPA), Investment and Financial Services Association (IFSA), and the Insurance Council of Australia.

Mr David Bell, FICA spokesperson, said: "FICA commissioned Access Economics to gauge the benefits to the national economy from reform of State stamp duties."

"Access Economics have been able to confirm that the potential gains from the reform of State stamp duties are large and rival the gains derived from past microeconomic reforms."

"According to Access Economics, reforming State stamp duties could deliver long run economic welfare benefits of between 1% and 2%. This is the equivalent of gains to household consumption of between \$6 to \$10 billion - making State stamp duty reform a major microeconomic reform initiative", Mr Bell said.

Access Economics were also commissioned by FICA to undertake a costing of State stamp duty reform.

Mr Bell said: "The Access Economics modelling costed the up front cost to the States of stamp duty reform to be \$15.2 billion, with property and insurance stamp duty reform taking up the greatest share of the cost at \$13.2 billion."

"However, arising from the efficiency gains from the reform State stamp duties, additional revenue gains of \$5.7 billion would be generated, leaving the 'net cost' of State stamp duty reform to be \$10.5 billion after taking into account these second round effects."

“The net cost of reforming State stamp duties on business transactions would have a net cost of \$2.6 billion.”

The majority of the ‘second round’ revenue gains would accrue to the Commonwealth. Of the \$5.7 billion in additional revenue, some \$4.6 billion would accrue to the Commonwealth, particularly in greater personal and company tax takes.

Mr Bell said: “The extent of the Commonwealth revenue gains arising from the efficiency dividend of State stamp duty reform, clearly suggests that the Commonwealth has a major role to play in reform of State stamp duties.”

“As Access Economics note in their report, the further reform of State taxation is one area where the national benefits are large and the policy options involving the Commonwealth and State cooperating together are achievable.”

“For this reason, FICA has submitted the report to the Australia’s Future Tax System review (the ‘Henry Review’) for its consideration,” Mr Bell concluded.

The report is available at the following websites: www.bankers.asn.au, www.abacus.org.au, www.afc.asn.au, www.afma.com.au, www.fpa.asn.au, www.ifsa.com.au and www.insurancecouncil.com.au

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Notes for editors:

FICA is comprised of the Australian Bankers’ Association (ABA), Abacus–Australian Mutuals, Australian Finance Conference (AFC), Australian Financial Markets Association (AFMA), Financial Planning Association (FPA), Investment and Financial Services Association (IFSA), and the Insurance Council of Australia. FICA provides a focus for the discussion of the overarching international and domestic issues affecting providers of financial services in Australia. FICA was formed in June 2004. FICA’s members have financial assets under management, including banks and other depositories and both the general and life insurance industries, which generate around 8% of Australia’s GDP. FICA facilitates high level responses to regulatory and market developments affecting the overall sector, building upon the work done by the individual FICA constituents.

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