

Date: 21st February 2019

Hon. Josh Frydenberg, MP
Treasurer of the Commonwealth of Australia
PO Box 6022
House of Representatives Parliament House
Canberra ACT 2600

Dear Minister,

Re: Review of TSA's submission to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services industry

Taxpayers Australia Limited, trading as Tax & Super Australia (TSA) is a not-for-profit organisation that has assisted accountants, tax and superannuation professionals for nearly a century. It was established in 1919 to help promote a simpler and fairer tax system for all Australians. With a subscriber base of approximately 12,000 including 4,500 members, the organisation has evolved to meet the challenges of Australia's modern tax regime and remain at the forefront of supporting accounting professionals.

TSA provided a submission to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services industry. A copy of our submission is attached to this letter.

TSA has concerns that there have been failings in the transparency processes of the Royal Commission, with our submission being removed from the ASIC website.

We also have concerns that our proposals for rectification of problems identified by our members involving issues in the Financial Services industry and the ASIC regulatory framework impacting on our members, which have caused economic distortions and costs to our members and their clients have been overlooked.

We seek that the Treasurer undertake the processes to ensure that shortcomings in the current regulatory arrangements are rectified, even though the Royal Commission did not specifically address these.

Transparency of the Royal Commission process

Our submission to the Royal Commission was initially available on their website but has been removed now and was not mentioned in the final Royal Commission Report.

For enhancing transparency and informed debate, all public submissions should be made available publicly on the Royal Commission website. The information from all the public submissions provide a capacity for research and a greater understanding of issues that were raised in the Royal Commission and could be of immense benefit in understanding and resolving other issues of relevance to the finance sector.

As it was a public enquiry, we believe all submissions that were displayed on the website initially should continue to be on the website for the general public's view.

TSA strongly urges that all public submissions be made publicly available on the Royal Commission website.

Exorbitant Fees for Services

ASIC's new model of annual levies to be borne by the industry has resulted in significant increases in costs for some sectors especially in an environment where compliance and business costs are ever-increasing.

Each AFS licensee that provides personal advice to retail clients on relevant financial products will be now paying a minimum annual levy of \$1,500 plus \$934 per adviser. This is in addition to the application fees for an Australian Financial Services licence between \$2,233 and \$5,025.

The annual recurring cost for a sole practitioner will be more than \$2,400 which is a major disincentive to continue providing financial advice – even before other regulatory costs from FASEA reforms that have come into effect from 1 January 2019 are considered.

We have grave concerns around ASIC’s funding model, and this was articulated in our submission to the Royal Commission through examples and illustrations.

TSA is deeply concerned that this increasing regulatory burden on public practitioners will further negatively impact accessibility to quality advice for the community at large due to increased costs and diminishing supply.

Following the Royal Commission’s inquiry into Misconduct in the Banking, Superannuation and Financial Services Industry where the major banks and financial institutions have started divesting themselves from their wealth business, we see this as a poor outcome for the ordinary Australians.

Our submission to the Royal Commission provided specific examples and options on how to make the financial system more efficient and less expensive for the 600,000 SMSFs in Australia.

The Royal Commission addressed the issue of fees for no service in the financial advisory industry but did not address the concern we expressed in our submission of exorbitant fees for services by ASIC. The details of the unnecessary costs imposed by ASIC regulations are demonstrated in our submission through case studies.

The government response to the Royal Commission stated that “In undertaking these reforms, the Government will ensure that the financial system continues to provide consumers and small businesses with access to credit and other affordable financial services that they need, and that the financial system remains competitive, efficient and resilient.”

There were no specific recommendations in the Royal Commission report on improving the economic efficiency of the system. TSA recognised the problem and provided options that can be negotiated with the government to reduce costs to all taxpayers while maintaining the integrity of the system. However, our submission appears to have been overlooked.

The government response to the Royal Commission stated that it “will require the regulators to take on new responsibilities and, in many cases, simply do more.” There is also the alternative of the regulators focusing on problem areas and allowing market forces to work where there have been no identified problems, such as the issues that TSA have outlined.

In summing up, we would like the Government of the day to look into the submission put to the Royal Commission by TSA and consider our arguments and recommendations for a fairer, simpler and cost-effective regulatory system that will produce a better outcome without compromising on the integrity of the services being provided.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Moti Kshirsagar', with a long horizontal stroke extending to the right.

Moti Kshirsagar
CEO, Tax & Super Australia