



Australian Banking  
Association



Inquiry into the Government Amendments to Treasury Laws  
Amendment (Making Multinationals Pay Their Fair Share – Integrity  
and Transparency) Bill 2023

Senate Economics Legislation Committee

22 December 2023





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## ABA submission to the Senate Economics Legislation Committee

The Australian Banking Association (**ABA**) thanks the Committee for the opportunity to comment on the amended *Treasury Laws Amendment (Making Multinationals Pay Their Fair Share-Integrity and Transparency) Bill 2023 (the amendments)*. Among other things, the amendments exclude ADIs and securitisation vehicles from the debt deduction creation rules.

The ABA views these as reasonable amendments that would remove the unintended consequences that may have been introduced by the previous draft legislation. As outlined in our submission of 21 July 2023 to the Committee and during our appearance before that Committee on 15 August 2023,<sup>1</sup> the then-proposed draft legislation would have had the unintended consequence of impacting standard financial transactions (wholesale funding programs) undertaken by banks in the normal course of banking activities.

The ABA refers to the examples provided in our submission and notes that these legitimate financing structures, under the amendments, are excluded from the debt deduction creation rules. This means the funding costs of banks will not be adversely impacted. As noted in our submission, the original draft debt deduction rules raised the potential that increased funding costs could be incorporated into the pricing of banking products to customers.

In the ABA's view this exclusion allows for legitimate deductions for the cost of banking intermediation activities. That is, the financing structures are valid for banks; enabling them to compete for international wholesale funds and obtain the most efficient rate. Further, the exemption for ADIs does not undermine the intent of the legislation and is consistent with other aspects of the Bill, specifically the exclusion of ADIs from the new earnings-based tests<sup>2</sup>.

The proposed amendments largely address the concerns raised by the ABA. We appreciate the work of this Committee on this Bill and support it in its present form.

**Policy Lead:** Emma Penzo (Head of Economy Policy) [REDACTED]

### About the ABA

The Australian Banking Association advocates for a strong, competitive and innovative banking industry that delivers excellent and equitable outcomes for customers. We promote and encourage policies that improve banking services for all Australians, through advocacy, research, policy expertise and thought leadership.

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<sup>1</sup> ABA Submission to Treasury on 21 July 2023.

<sup>2</sup> Paragraph 2.15 of the Explanatory Memorandum.