

Committee Secretary
Senate Select Committee on Financial Technology and Regulatory Technology
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Ms Beverley

EY participated in the recent Senate hearing on FinTech and RegTech reform to discuss the points raised in our supplementary submission to the Committee lodged on 9 January 2020.

During the hearing, we discussed two integrity measures to our proposal that re skilling costs of terminating employees be exempt from FBT not included in our supplementary submission. These proposed changes should be included in an expansion of the FBT exemption to exempt retraining of terminating employees.

The two integrity measures we recommended are:

- The re-education services proposed to be exempted from FBT must be services provided by a Australian resident service provider and be wholly provided in Australia. This would have the added benefit that any income generated by the service provider would be subject to Australian tax and, therefore, the services would not be a drain on the Australian tax revenue since the deduction claimed by the employer is matched by the revenue collected from the service provider
- Any recreational or entertainment component of such services not be exempted from FBT unless it is ancillary in nature

We believe these two limitations would suffice to allay any possible concerns that exempting outplacement training could be the subject of widespread or systemic tax abuse.

Senator Marielle Smith's question to EY: Your submission also notes that while the recruitment and retention of talent remains an issue, you have seen a significant shift in perceptions over the four years in which your census was conducted. Can you expand on that for me?

EY response:

In our first submission lodged in December 2019, we have presented findings from the EY Fintech Australia Census 2019 (attached). The EY Fintech Australia Census is an annual census we've been doing for the last four years in collaboration with Fintech Australia. This Census remains the only detailed, industry-backed analysis of the Australian fintech industry. The research is based on a combination of qualitative and quantitative data collected through online surveys from 120 participants in the fintech industry and 8 interviews with fintech leaders and stakeholders at Melbourne and Sydney hubs. 43% of participants were founders of fintech companies, 58% were CEOs and 21% were heads of functional areas. Additionally, 6 interviews on collaboration case studies with leaders of innovation/digital functions within major Australian financial service organisations were also used in the survey.

According to the 2019 Census, the general view of the survey participants regarding talented workforce is below:

- While the recruitment and retention of talent will remain an issue, we have seen a significant shift in perceptions over the four years in which the Census has been run. There has been a 15% drop since 2016 in the percentage of fintech leaders who believe there is a lack of experienced start-up and fintech talent in Australia (58% in 2016 vs. 43% in 2019). This reflects a maturing fintech sector and the continued development of the tech sector more generally.
- There has been a slight decline in the proportion of fintechs indicating that easier access to the skilled migration visas would be effective in tackling recruitment issues (66% in 2019, down from 75% last year).
- When the list of internal challenges is analysed, attracting suitable or qualified talent drops to third place (down from 45% in 2018 to 41% in 2019). The bigger challenges for fintech leaders were product development and product and market fit.
- As an industry becomes more mature and profitable, there is typically a stronger emphasis on customer acquisition, product development and the enhancement of go-to-market strategies. This is reflected in the type of talent that is proving difficult to attract - with sales and marketing talent becoming more pressing areas for recruitment. Of those fintechs that struggle to attract qualified or suitable talent, recruiting suitable engineering or software talent remains the top challenge for seven in ten (69%), although this is less pronounced than last year (76%).

Therefore, according to the Census, despite the favourable shift in perception regarding the lack of experienced start-up and fintech talent in Australia, other challenges in attracting and recruiting new talents also needs consideration.

I hope the above outline of our views will be useful for the Committee to review and assess our recommendations.

Should any further queries arise, please feel free to notify us any time.

Kind regards,

Alf Capito