



MEDIA RELEASE

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GOVERNMENT RESPONSE ON LRBA WELCOMED: IPA

The Institute of Public Accountants (IPA) has welcomed the Government's rejection of the Financial System Inquiry (FSI) proposal to reinstate the banning of limited recourse borrowing arrangements (LRBA) within an SMSF.

"The IPA has advocated that rather than a ban on LRBAs, there should be more targeted measures to address inappropriate use of gearing linked to poor quality advice," said IPA chief executive officer, Andrew Conway.

"The IPA believes that the issue is not SMSF borrowing per se, but inappropriate advice provided by unlicensed advisers.

"A sledgehammer approach was never going to be an appropriate way to eliminate the use of poor quality advice relating to SMSF related gearing.

"We agree with the Government's observation that while some anecdotal concerns over LRBAs exist, there is insufficient data to justify a ban.

"We need better analysis of ways to address the risks surrounding borrowing before merely imposing an outright ban.

"Interestingly, there are also no alternative measures other than an outright ban to mitigate some of the concerns raised. For example, if they are worried about the diversification, why not consider excluding LRBAs for funds with small balances.

"We welcome the Government's common-sense approach to this measure," said Mr Conway.

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About the Institute of Public Accountants

The IPA, formed in 1923, is one of Australia's three legally recognised professional accounting bodies with more than 25,000 members and students in over 51 countries. The IPA is a member of the International Federation of Accountants, the Accounting Professional and Ethical Standards Board and the Confederation of Asian and Pacific Accountants. The IPA was recognised in 2012 as Australia's most innovative accounting organisation and listed in the top 20 in the 2012 *BRW* Most Innovative Companies List.