



30 January 2026

Hon Dr Jim Chalmers MP
Treasurer
The Treasury
Langton Crescent
Parkes ACT 2600 Australia
prebudgetsubmissions@treasury.gov.au

Dear Treasurer

AFIA 2026-27 PRE-BUDGET SUBMISSION

The Australian Finance Industry Association (AFIA) is the only peak body representing the entire finance industry in Australia.¹ We appreciate the opportunity to provide a Pre-Budget submission to the 2026-27 Budget.

We represent over 150 members, including bank and non-bank lenders, finance companies, fintechs, providers of vehicle and equipment finance, car rental and fleet providers, and service providers in the finance industry. We are the voice for advancing a world-class finance industry and our members are at the forefront of innovation in consumer and business finance in Australia. Our members finance Australia's future.

We collaborate with our members, governments, regulators and customer representatives to promote competition and innovation, deliver better customer outcomes, and create a resilient, inclusive, and sustainable future. We provide new policy, data, and insights to support our advocacy in building a more prosperous Australia.

AFIA is pleased to make our 2026-27 Pre-Budget submission to the Government, and we welcome the opportunity to engage further to discuss the recommendations and information we have provided.

INTRODUCTORY COMMENTS

As the peak body for Australia's finance industry, our members are integral to driving economic resilience by providing innovative financial solutions that support productivity, competition, and inclusion; particularly in areas like housing affordability, digital innovation, and transition to net zero. By advocating

¹ [Australian Finance Industry Association \(afia.asn.au\)](https://afia.asn.au)

for policies that enhance competition in finance, we aim to ensure better pricing, consumer outcomes, and access to finance, ultimately putting more money into Australians' pockets, helping more individuals and families into homes, and supporting businesses to achieve their ambitions.

AFIA's work is anchored in our **three strategic priorities**:

- (1) Advocating for a balanced regulatory framework that instils trust and confidence in Australia's finance industry;
- (2) Promoting and leading a safe digital economy to support innovation in finance, economic participation, and financial inclusion; and
- (3) Improving access to affordable and sustainable finance to drive economic growth and financial wellbeing for Australians.

These strategic priorities have informed our recent campaigns where we have promoted: the role of financial digitisation in productivity, growth, and wellbeing; the role of finance in economic transition; and non-bank lenders' contribution to competition and the economy. These campaigns have helped inform advice to the Government on striking the right balance in designing policy settings for the Australian financial system.

This submission highlights opportunities for the 2026-27 Budget to support ongoing economic resilience amid persistent inflationary pressures, elevated interest rates, and cost-of-living challenges for households and businesses.

We begin with broad macroeconomic considerations, focusing on targeted measures that can ease these pressures while advancing reforms to foster a more competitive, innovative, and efficient financial system – with particular emphasis on strengthening finance competition to deliver better outcomes for consumers and small businesses.

Building on this, we address key current policy topics:

- Insights from [AFIA's Non-Bank Lending Report](#) on enhancing competition for better economic and customer outcomes;
- The implications of the Government's National AI Plan and AFIA's Report '[The Impact of Artificial Intelligence on the Australian Finance Industry](#)' and preparedness required in planning for productivity growth and skills in finance;
- Extensions to the Electric Vehicle (EV) Fringe Benefits Tax (FBT) discount to support net-zero transition and emissions reductions through vehicle finance;
- Reforms to the Compensation Scheme of Last Resort (CSLR) for sustainability;
- Enhancements to the Consumer Data Right (CDR) to promote competition in the right areas, minimising administrative and red tape burden where there is limited benefit;

- Greater long-term clarity on the instant asset write-off (IAWO) to enable efficient business planning; and
- The design and appropriate home for policy that ensures a fit-for-purpose, safe and efficient payments ecosystem.

We believe considering these matters and committing to the corresponding recommendations will enable the Government to address immediate economic pressures and build on the foundation for long-term prosperity through improvements in affordability, sustainability, and quality of living.

MACROECONOMIC CONDITIONS

Australia's economy continues to navigate a challenging landscape marked by persistent inflationary pressures and potential for elevated interest rates, which are intensifying cost-of-living strains for households and businesses.

AFIA recognises that a stable and resilient macroeconomic environment is essential to support productivity, competition, and inclusive growth. Our members play a vital role in providing innovative financial solutions that help households and businesses manage these pressures and contribute to long-term economic strength.

In our September 2025 submission to the Productivity Commission's interim reports on the five pillars of productivity, AFIA highlighted the importance of policy and regulatory settings that foster a more dynamic and resilient economy.² Key themes included ensuring regulators and policymakers consider broader economic objectives, competition, resource allocation, and the cumulative impact of regulation. We welcome the Government's continued focus on these issues in the 2026-27 Budget and stand ready to support measures that deliver sustainable growth and tangible improvements in the lives of Australians.

COMPETITION & INNOVATION IN FINANCE

AFIA recently released its 2025 Residential Non-Bank Lenders Report (NBL Report), which underscores the critical role of non-bank lenders in Australia's housing finance ecosystem.³ These lenders provide essential competition, choice, and access to credit for underserved borrowers, such as self-employed individuals, contractors, and small business owners.

With a loan stock of \$72.2 billion as of June 2025, representing 3 per cent of the national residential mortgage market, non-bank lenders supported approximately 51,000 Australians in purchasing or refinancing homes in FY25. By driving innovation in products, pricing, and customer service, they enhance market dynamism and financial inclusion, particularly in niches like investor lending and time-sensitive

² [AFIA submission to Productivity Commission Five Pillars Interim Reports](#)

³ [AFIA Residential Mortgage Non-bank Lenders Report \(2025\)](#)

transactions, while maintaining prudent underwriting standards with a focus on lower loan-to-value ratios compared to major banks.

The NBL Report highlights strong consumer outcomes, with arrears rates comparable to or better than those of major banks (0.67 per cent early-stage and 0.81 per cent 90+ arrears), reflecting disciplined lending practices and robust regulatory oversight under frameworks like the National Consumer Credit Protections Act. Non-bank lenders also demonstrate commitment to hardship support, approving over 80 per cent of applications through flexible arrangements and empathetic assistance.

Non-bank lenders are regulated, vital contributors to housing affordability and accessibility, that promote efficiency, innovation, and a balanced competitive landscape to benefit of all Australians.

Recommendations

The recent Council of Financial Regulators' (CFR) Review into Small and Medium-sized Banks highlighted the benefits of proportionate, fit-for-purpose regulation in supporting competition and reducing unnecessary regulatory burdens.⁴ While focused on small and medium-sized authorised deposit-taking institutions (ADIs), the Review notes that certain proposed simplifications – particularly in areas such as breach reporting under the reportable situations regime, internal dispute resolution (IDR) data reporting frequency, and compliance certifications under the National Consumer Credit Protection Act – could usefully be considered for extension beyond ADIs.

AFIA recommends that the Government extend these relevant regulatory simplifications to non-bank lenders (Australian Credit Licence holders), consistent with the option flagged in the Review. This would promote regulatory consistency and competition neutrality across the finance sector, reduce administrative burdens without compromising consumer protections, and further support non-bank lenders' vital role in enhancing choice, innovation, and access to housing finance for underserved borrowers.

THE IMPORTANCE OF AI: UNLOCKING PRODUCTIVITY

AFIA welcomes the Government's National AI Plan, which provides a strategic framework to position Australia as a global leader in AI while ensuring equitable benefits and safety.⁵ AFIA strongly supports capturing opportunities through significant investments in infrastructure (e.g., over \$100 billion in data centres and digital connectivity) and commercialisation programs like the AI Accelerator; spreading benefits via workforce upskilling, AI literacy initiatives, and support for SMEs through the \$17 million AI Adopt program; and keeping Australians safe with adaptive, consultative regulation that emphasises ethical practices, bias mitigation, and human oversight in AI deployment.⁶ This aligns with the finance

⁴ [CFR Review into Small and Medium-sized Banks Consultation Paper \(2025\)](#)

⁵ [National AI Plan \(2025\)](#)

⁶ [Australia Launches Ai Safety Institute \(2025\)](#)

industry's goals of driving efficiencies for customers, fostering innovation, and maintaining a competitive, principles-based regulatory environment.

AFIA's report, [The Impact of Artificial Intelligence on the Australian Finance Industry](#), prepared with King & Wood Mallesons and Sapere, highlights the use of Narrow AI and the rapid projected growth in Generative AI adoption in the finance industry in Australia, which is expected to double within three years.⁷ Key findings include the potential for AI to deliver substantial productivity gains, automate processes, and provide customer benefits such as streamlined document processing, personalised communications, and enhanced fraud protection. There is the opportunity to unlock up to \$60 billion in economic growth by 2035 through responsible AI deployment; relying on a need for balanced, adaptive regulation that addresses legal gaps without imposing broad restrictions, emphasising industry co-development of frameworks to promote ethical governance and global competitiveness.⁸

The National AI Plan and AFIA's report share strong synergies in promoting innovation, customer-centric efficiencies, and responsible use of AI, with the Plan's funding initiatives complementing AFIA's projections of productivity boosts in finance. Both emphasise AI for better services and equitable access, including workforce skills for diverse groups, while aligning on light-touch, principles-based regulation that manages risks without stifling competition. They also share a stress on governance, bias mitigation, and partnerships between government and industry, creating a foundation for tailored finance policies that enhance trust and position Australia competitively internationally.

Recommendations

AFIA recommends the following actions to the Government to build on the National AI Plan and to maximise AI's benefits. Without targeted support, finance risks lagging in AI adoption, potentially forfeiting significant export opportunities and economic contributions.

- **Deepen Industry-Government Partnerships for Co-Development of AI Frameworks:** Establish joint working groups with relevant industry bodies (e.g., finance, banking, and insurance), such as AFIA, to co-design any specific AI governance.
- **Adopt a Productivity-Focused, Light Touch Regulatory Approach:** Issue a Statement of Regulatory Expectations to the Council of Financial Regulators (CFR), prioritising outcomes such as efficiency gains and customer benefits over prescriptive rules, to support the \$37-60 billion in AI-driven economic contributions without deterring investment.
- **Ensure Reliable, Cost-competitive, and Sustainable Energy for Digital Infrastructure:** Prioritise policies that deliver the reliable, cost-competitive, and sustainable energy required to power data centres critical for AI development, drawing on international benchmarks like those in Singapore or the US for AI hubs. For the finance sector, energy security is synonymous with payment system stability, data availability, and reduced latency in edge computing applications. AFIA recommends

⁷ [The Impact of AI on the Australian Finance Industry \(2025\)](#)

⁸ [AFIA Calls for Policy Reform to Regulate for Growth Not Risk \(2025\)](#)

the Government explicitly link energy policy with the National AI Plan to ensure that the infrastructure supporting Australia's financial rails remains resilient and cost-effective for businesses, households, and the broader economy – fostering domestic innovation without compromising accessibility while aspiring to achieve emissions targets.

AFIA is highly supportive of the Government's efforts to date in supporting AI adoption. It is imperative that there is a continued policy priority on AI in all its elements; the efficiencies gained by businesses and individuals stand to improve the lives of all Australians and create vast opportunity for future generations.

THE IMPORTANCE OF ECONOMIC TRANSITION: ELECTRIC VEHICLES AND ACHIEVING CLIMATE TARGETS

In September 2025, new modelling by Magenta Advisory that was commissioned by AFIA, the Electric Vehicle Council and NALSPA, showed the significant success of the EV FBT Discount in accelerating EV adoption across Australia, with over 105,000 new battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs) placed on roads between 2022 and 2024, representing a surge driven by the tax exemption that has made cleaner transport more accessible for middle-income families in outer suburban areas.⁹

The Magenta modelling highlights that the discount has not only boosted new EV sales but also stimulated a 157% increase in used electric car sales since early 2022, adding 61,000 vehicles to the second-hand market and broadening choice for a wider demographic. Key findings from the Magenta Advisory modelling, indicate that every dollar invested in the EV Discount has delivered \$2.25 in environmental, economic, and health benefits, with projections showing this return could rise to \$3 by 2030, underscoring the policy's role in reducing emissions and supporting a sustainable transport transition.¹⁰

While the uptake has been promising, careful consideration is required to sustain momentum, as ending the discount could hinder progress, whereas extending it to 2035 could halve light-vehicle emissions compared to an early termination and add another 1.5 million new electric cars to roads, plus 870,000 used EVs, aligning with Australia's net-zero ambitions.

To meet climate targets, including a projected reduction of 321 million tonnes of CO2 emissions by 2050 through measures like the New Vehicle Efficiency Standard (NVES), Australia must continue investing in EVs and charging infrastructure, with the Magenta Report estimating the discount could drive nearly \$190 million in charging investments in 2025 alone, dropping by 40% without it, and emphasising the need for faster rollout to support the current network of 4,138 fast and ultra-fast charging plugs, which grew 21% year-on-year to June 2025.¹¹

⁹ [Electric Car Discount Could Halve Vehicle Emissions if Continued to 2035 \(2025\)](#)

¹⁰ [Magenta PPG Research Media Release \(2025\)](#)

¹¹ [Magenta FBT Modelling Report - Building a Self-Sustaining Australian EV Market\(2025\)](#)

These investments are crucial to overcome barriers like range anxiety and infrastructure gaps, ensuring equitable access and enabling EVs to reach 10.9% of new light vehicle sales in 2024-25, scaling towards mass adoption for a greener future.

Building on AFIA-commissioned reports by Deloitte Access Economics (The Role of the Finance Industry in the Transition to Sustainable Transport, January 2025)¹² and Magenta Advisory (September 2025, with the Electric Vehicle Council and NALSPA), the Electric Car Discount (FBT exemption) has proven highly effective in accelerating uptake while addressing key barriers such as charging infrastructure gaps, policy fragmentation, and the need for sustained incentives.

The Deloitte Access Economics report made several findings supporting the retention the current FBT settings, notably¹³:

- **Key Finding 1:** the finance industry plays a vital role in enabling consumers to transition, but requires the appropriate policy supports from Government to do so.
- **Key Finding 3:** Among the primary perceived barriers to adoption of low-emission vehicles identified by Australian industry and consumers is availability of reliable chargers.
- **Key Finding 6:** continuing existing financial incentives offers considerable benefits as they are highly effective and align well with consumer expectations.
- **Key Finding 11:** the Government should identify and remove barriers, while the industry should consider how product offerings can create a seamless user experience.

AFIA data shows members financed over 122,000 EVs and hybrids in FY25 (up 44% from FY24, totalling over \$7 billion), yet ICE vehicles still dominate (over 361,000 units financed). The removal of the exemption for PHEVs demonstrated an immediate market impact, underscoring the importance of stable demand-side incentives.

While progress is evident, with EV market share rising to ~12% in Q2 2025 and strong returns per dollar invested (\$2.25 in benefits, potentially rising to \$3 by 2030), significant challenges remain, including range anxiety, inconsistent state policies, and limited alternatives for outright purchasers. Premature restriction or removal of the Discount risks slowing momentum, reducing infrastructure investment, and hindering emissions targets, particularly without replacement demand-side measures.

¹² [AFIA \(2025\) News Release](#)

¹³ [Deloitte Access Economics, 2025, pp15+](#)

Recommendations

AFIA recommends that the Government:

- Maintain the Fringe Benefits Tax (FBT) exemption for battery electric vehicles (BEVs) and reinstate the exemption for plug-in hybrid electric vehicles (PHEVs), recognising its proven effectiveness in driving uptake, supporting second-hand market development, and delivering broad demographic access, particularly for middle-income families in outer suburban and regional areas.
- Introduce new upfront purchase discounts and adjustments to the Luxury Car Tax (LCT) threshold for low-emission vehicles to provide targeted incentives for consumers and businesses preferring outright ownership over salary packaging.
- Fast-track nationally coordinated deployment of reliable public charging infrastructure through public and public-private partnership investment, including integration of vehicle-to-grid energy management and standardised, transparent pricing to address primary consumer barriers like range anxiety and charger availability.
- Expedite and escalate public-private partnerships (such as an expanded role for the Clean Energy Finance Corporation (CEFC)) to support fleet upgrades, electrification infrastructure, and harmonised state-based approaches to EV policy.

THE IMPORTANCE OF BALANCED REGULATION: ENSURING REDRESS REMAINS VIABLE AND FAIR

The Compensation Scheme of Last Resort (CSLR) was established following recommendations from the 2017 Ramsay Review¹⁴ and the 2019 Hayne Royal Commission into Misconduct in the Banking, Superannuation, and Financial Services Industry,¹⁵ with the primary aim of enhancing consumer trust by providing a targeted, last-resort safety net for victims of financial misconduct when a firm becomes insolvent or fails to pay an AFCA determination.

Operated as an independent, not-for-profit entity since 2 April 2024, the CSLR pays eligible consumers up to \$150,000 per claim in defined areas (personal financial advice, credit provision, credit intermediation, and securities dealing). It was intended to fill genuine gaps in existing frameworks and support confidence in external dispute resolution.

Levy estimates have escalated sharply. The brief initial government-funded period captured limited claims due to processing times and scheme setup. Subsequent levies grew rapidly: the 2025-26 estimate reached \$75.698 million (revised from \$77.975 million),¹⁶ requiring a \$47.3 million special levy imposed

¹⁴ [Ramsay Review \(2017\)](#)

¹⁵ [Hayne Royal Commission - Volume 1 \(2019\)](#)

¹⁶ [CSLR FY2026 Revised Levy Estimate \(2025\)](#)

across sectors to cover excesses beyond the \$20 million subsector cap, particularly in financial advice. The November 2025 initial FY27 estimate rose to \$137.5 million (described by the CSLR Operator as conservative),¹⁷ with the financial advice subsector projected at \$126.9 million and further uncertainty from collapses such as Shield and First Guardian.

Industry has been made subject to a special levy as part of measures to address the current shortfall. However, without structural reform, recurrent breaches of subsector caps and ongoing special levies are anticipated, effectively turning the mechanism into a broad-based industry tax rather than a targeted last-resort scheme. This model disproportionately burdens compliant and viable businesses, ultimately passing costs to consumers. It also creates moral hazard, where bad actors may operate knowing that industry will cover liabilities, alongside risks of scope creep in the harms addressed. These issues raise fundamental questions of what is fair, reasonable, and sustainable for broad industry, superannuation sector, and policy makers to contribute.

AFIA strongly supports the CSLR's original intent to protect consumers harmed by egregious misconduct. The Assistant Treasurer has recognised the need for consideration of wholesale reform.¹⁸ For the scheme to remain viable, fair, and truly last-resort, urgent design reforms are required to moderate demand, enhance sustainability, and preserve behavioural incentives.

Recommendations

AFIA recommends that the Government prioritise structural reforms to the CSLR in the forthcoming Treasury consultation and options paper, including:

- Limiting compensation to actual capital losses only (excluding hypothetical or opportunity gains) and ensuring payments are made once per determination, to significantly moderate costs while preserving the scheme's focus on genuine consumer harm from misconduct.
- Reviewing and adjusting the scheme's overall scope, eligibility criteria, subsector caps, and funding model to better target last-resort cases, improve proportionality across diverse subsectors, and prevent ongoing reliance on special levies.
- Strengthening regulatory oversight and enforcement to prevent misconduct at the source and embed stronger incentives for compliance and prudent risk management among all financial firms.

THE IMPORTANCE OF BALANCED REGULATION: COMPETITION NEUTRALITY FOR THE CONSUMER DATA RIGHT

AFIA strongly advocates for the application of consistent regulatory thresholds across the financial services sector to uphold the principle of competition neutrality, ensuring that neither banks nor non-bank

¹⁷ [CSLR FY2027 Initial Levy Estimate \(2025\)](#)

¹⁸ [Assistant Treasurer Mulino Media Release – Consumer Protection and Stability in the Finance Sector \(2025\)](#)

lenders are unfairly advantaged or disadvantaged in their compliance obligations under the Consumer Data Right (CDR) framework. The proposed \$5 billion de minimis threshold for Authorised Deposit-taking Institutions (ADIs) would exempt smaller banks from mandatory CDR participation, recognising the disproportionate compliance costs relative to consumer uptake.

However, applying a lower \$1 billion threshold to non-bank lenders creates an uneven playing field, imposing significant regulatory burdens on NBLs that compete directly with banks in providing similar financial products, such as loans and credit services. This disparity risks distorting competition, as NBLs would face higher costs without equivalent treatment, potentially reducing their ability to offer competition pricing and services to consumers.

It would be inherently unfair to impose substantial compliance costs on some market participants but not others, particularly when NBLs and banks operate in overlapping segments of the finance industry. Such an approach contravenes established competitive neutrality principles, which require governments to ensure that public and private businesses compete on equal terms, avoiding regulatory distortions that favour one group of market participants over another.

By extending the \$5 billion (or higher) de minimis threshold to all lenders, including non-banks, the Government can prevent unnecessary barriers to entry and innovation, fostering a more dynamic and inclusive financial ecosystem. This alignment would support smaller NBLs in focussing resources on customer-centric advancements rather than burdensome CDR implementation for low-volume products, ultimately benefiting consumers through enhanced choice and lower costs.

Recommendation

AFIA recommends implementing a uniform \$5 billion de minimis threshold across all finance companies, or ideally a \$10 billion threshold as previously supported, to reflect institutional scale and ensure proportionality. This would be consistent with broader national competition policy objectives, which emphasise removing unjustified restrictions and promoting fair market conditions. Without such measures, the CDR risks exacerbating competitive imbalances.¹⁹

THE IMPORTANCE OF BALANCED REGULATION: PAYMENTS INFRASTRUCTURE

Australia's payments infrastructure is fundamental to economic stability and growth, facilitating seamless transactions that underpin consumer confidence, business operations, and financial inclusion.

As outlined in AFIA's previous submissions, a modernised, resilient system is essential for managing risks, promoting efficiency, and adapting to digital advancements. The infrastructure must balance innovation with security, ensuring interoperability across domestic and international networks to avoid disruptions

¹⁹ [Treasury Consultation Paper - Revitalising National Competition Policy \(2024\)](#)

that could impact trade and daily commerce, while aligning with broader digital economy goals to foster a transparent and inclusive financial ecosystem.

Domestic participants and new entrants contribute significantly to the payments landscape by driving competition, reducing costs, and introducing innovative solutions that benefit consumers and businesses. Established financial institutions provide reliable core services and invest in scalable infrastructure, while fintechs and non-bank providers bring agility, specialised offerings, and enhanced choice, as emphasised in AFIA's advocacy for open access and proportionate regulation to encourage participation without undue burdens.

Careful consideration is required in policy reforms affecting payments infrastructure, particularly regarding access to technologies such as Apple Pay's Near Field Communication (NFC) capabilities, where restrictions have limited third-party providers' integration, raising concerns about anti-competitive practices and reduced innovation.

AFIA has consistently called for mandated open access to NFC, drawing on international models like Germany's approach, to ensure equitable participation and prevent big tech from imposing non-negotiable terms or fees that distort the market.

Such measures must prioritise consumer protection, cybersecurity, and scam prevention, while evaluating scope creep in harms addressed, to maintain fairness and avoid perverse incentives where compliant firms subsidise failures, ultimately protecting end users from passed-on costs.

Recommendation

AFIA recommends that the Government prioritise a functions-based, proportionate regulatory approach to payments modernisation, investing in infrastructure upgrades like the NPP and establishing collaborative frameworks with industry and regulators to promote competition, innovation, and open access for all participants, including fintechs and non-banks. This includes mandating access to NFC technologies for third-party providers, similar to international benchmarks, to level the playing field and prevent anti-competitive barriers from device manufacturers, while ensuring efficiency and alignment with digital economy strategies.

THE IMPORTANCE OF INCENTIVES TO DRIVE INVESTMENT & ECONOMIC GROWTH: INSTANT ASSET WRITE-OFF & BUSINESS INVESTMENT

The instant asset write-off (IAWO) enables small businesses in Australia with under \$10 million in annual turnover to immediately deduct the full cost of eligible depreciating assets under \$20,000, thereby enhancing cash flow, encouraging timely investments in essential equipment and technology, and fostering productivity growth amid economic challenges. This measure supports trades, retail, and

hospitality sectors in upgrading tools or equipment without the burden of prolonged depreciation schedules.

However, the recurring short-term extensions create uncertainty that hampers strategic decision-making, as small businesses struggle to plan purchases effectively without knowing if the threshold will persist or revert to lower limits.

While the IAWO is highly valuable for many small businesses, others, particularly those structured or operated in ways that limit its direct benefit, would gain more from a broader business investment incentive. This could apply to a wider range of investments, including but not limited to research and development, digital or cyber capabilities, and net-zero initiatives, as well as other purposes that drive economic growth and productivity. Greater long-term clarity and expanded incentives are needed to support sustained investment.

Recommendations

AFIA recommends that the Government:

- Make the instant asset write-off permanent at \$50,000 per asset (with eligibility for businesses with aggregated annual turnover under \$10 million), providing the certainty needed to enable forward-looking investments, drive sustained economic contributions, and deliver better productivity outcomes for Australian small businesses; and
- Introduce a permanent broad-based business investment incentive, such as a 20% tax offset or deduction for qualifying investments, to complement the IAWO, encouraging expenditure on productivity-enhancing activities (including research and development, digital transformation, cybersecurity, and net-zero transitions) across a wider range of business structures and sizes.

SUPPORTING CONSUMERS AND FINANCIAL INCLUSION

AFIA believes ensuring consumers have access to financial products and services that support their financial wellbeing is essential. Financial Counselling Australia has highlighted the increased demand on the national debt helpline from Australians facing cost-of-living pressures and challenges with money, finances, and debt.²⁰ We support the role of financial counsellors in assisting individuals dealing with financial hardship and recognise the critical need for a sustainable, evidence-based funding model for case work and special programs and projects, such as the national debt helpline.

To achieve these outcomes, funding must be predictable, stable, and drawn from both government and private sector contributions, with shared responsibility across key sectors – not just finance, but also telecommunications, utilities, and gambling – to avoid short-term or piecemeal arrangements. The model should be supported by robust data and an equitable methodology that apportions costs fairly based on

²⁰ [Big increase in people reaching out to the NDH - Financial Counselling Australia \(2025\)](#)

actual demand, covers all relevant sectors, and incentivises good behaviour from businesses to reduce overall funding needs.

AFIA would support a pragmatic solution whereby the ASIC industry funding levy is leveraged, either directly or indirectly as a methodology, as the primary mechanism for transparent contributions from financial services participants.

AFIA also supports professional consumer advocacy, particularly through the Consumers Federation of Australia (CFA) as the peak coordinating body for consumer organisations. Maintaining a unified consumer voice is vital to enhance collaboration with industry, provide early warnings on economic impacts (especially for vulnerable consumers), and strengthen accountability through input on industry codes and compliance committees. Ensuring the peak body has adequate resources will contribute to a more stable and fair financial system.

Recommendations

AFIA recommends that the Government work with industry and stakeholders to:

- Develop a sustainable, evidence-based funding model for financial counselling that is predictable, stable, and supported by robust data;
- Ensure the model equitably shares contributions across all sectors creating demand (including finance, telecommunications, utilities, and gambling) while incentivising good behaviour; and
- Leverage existing mechanisms, such as the ASIC industry funding levy, as a pragmatic and transparent contribution pathway for financial services.

FURTHER COLLABORATION ON GOVERNMENT INITIATIVES

AFIA contributes constructively to a wide range of topical policy initiatives that support a resilient, innovative, and consumer-focused financial system.

We express strong support for ongoing collaboration with the Government on key priorities, including strengthening measures against scams, fraud, and cybersecurity through frameworks like the National Anti-Scam Centre, mandatory information-sharing, and industry-led prevention efforts to protect consumers and sustain trust in digital finance. Similarly, we are committed to advancing a safe, efficient, and interoperable Digital ID system that enhances security, streamlines customer verification, and drives broader efficiency across government and financial services.

AFIA also supports ensuring ASIC has adequate and stable funding to effectively regulate a technology-driven future, with resources for supervisory technology, data analytics, and emerging risk management. In addition, we are interested in exploring how targeted training programs and digital

innovation can empower consumer representative groups and vulnerable Australians, building financial literacy and access in complementary ways.

AFIA looks forward to continued engagement and collaboration with the Government, regulators, and stakeholders on these and other important initiatives to deliver better outcomes for consumers, businesses, and the Australian economy.

CLOSING COMMENTS

The 2026-27 Budget represents a pivotal opportunity to foster sustainable economic growth, enhance productivity through targeted investments in AI and digital infrastructure, and ensure a resilient financial system that supports consumers and small businesses amid ongoing cost-of-living pressures and global uncertainties.

By promoting competition in finance, advancing key policy areas such as payments modernisation, and ensuring regulatory efficiency, the Government can deliver long-term benefits for all Australians which drive innovation, inclusion, and prosperity.

AFIA appreciates the opportunity to contribute to the preparation of the 2026-27 Budget and welcomes further engagement on our recommendations. Should you wish to discuss this submission or require any additional information, please contact me at Diane.Tate@afia.asn.au or Ben Jordan, Senior Policy Advisor, at Ben.Jordan@afia.asn.au or 0470 595 707.

Yours sincerely



Diane Tate
Chief Executive Officer