

Tax Reform

Tax Institute Financial Services Conference

8 February 2018

**Anna Bligh, Chief Executive
Australian Bankers' Association**





Strong banks – strong Australia

Tax Matters

- Underpins the provision of essential public infrastructure and services
- Can incentivise or distort economic behaviour
- Critical to get it right



Strong banks – strong Australia

Tax Reform at its Best

- Evidence-based & holistic
- Sparks investment & employment
- Always controversial & intensely political
- E.g: GST



Strong banks – strong Australia

Doesn't Always Work That Way

- Banks – 2017, a Big Tax Year
- New Federal Bank Levy
 - 5 Major Banks only – liabilities \$100bn+
 - \$1.6bn
 - Levy on liabilities
 - Levy on a levy
- Uncertain Rationale
 - Budget repair
 - Level playing field
 - They don't like you very much



Strong banks – strong Australia

Popular Politics

National Galaxy research June 2017

Do you support or oppose the new federal bank tax?

■ Strongly support ■ Somewhat support ■ Don't know ■ Somewhat oppose ■ Strongly oppose



Total support: 67%



Strong banks – strong Australia

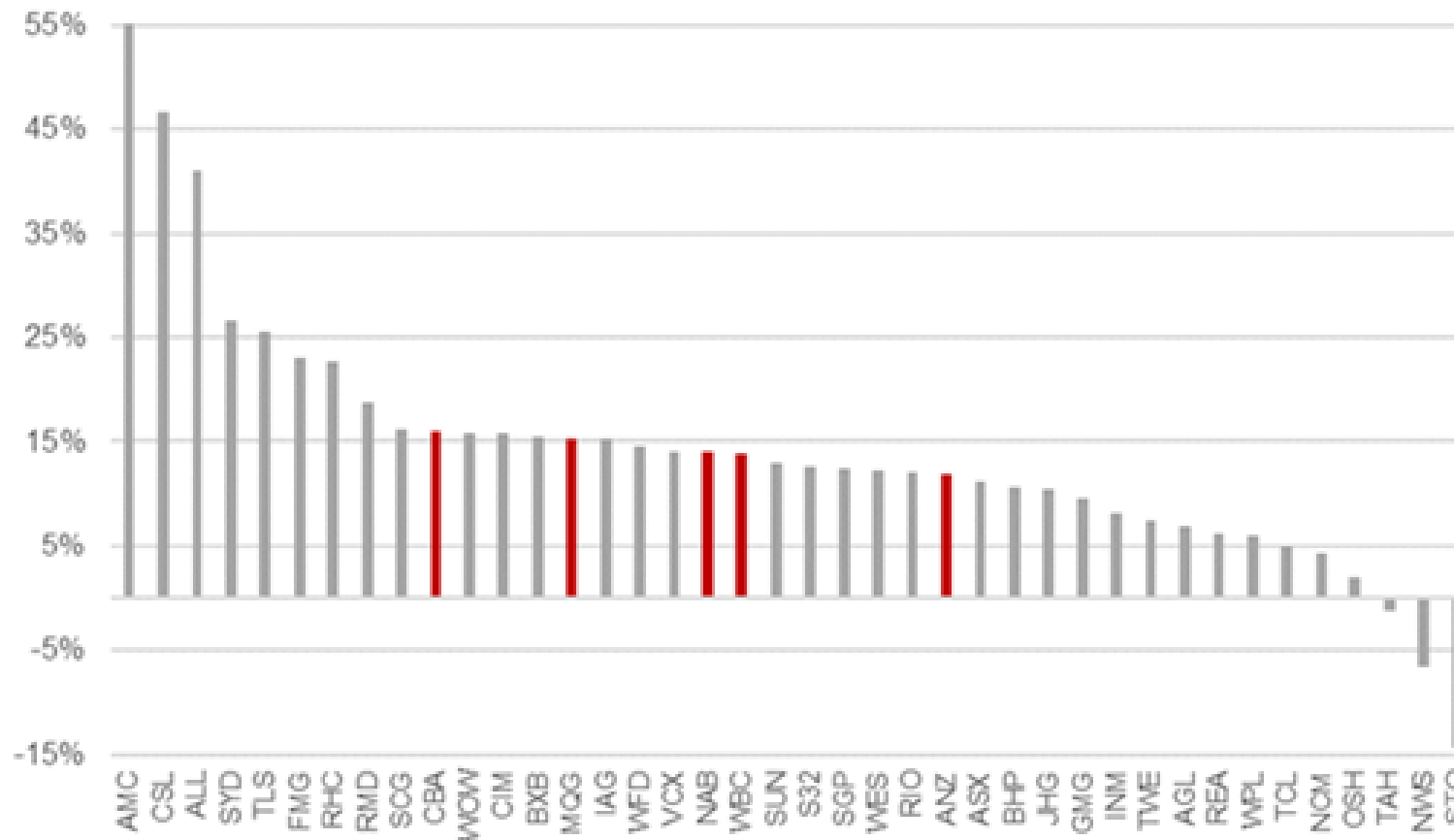
Why So Popular?

- Robin Hood Factor
 - Not a tax on profits
 - Banks not the highest ROE
- A growing loss of trust
 - GFC & global reputational damage to banks
 - Serious breaches of customer rights & interests
 - Escalating political intensity



Strong banks – strong Australia

Return on equity top 40 ASX – 2017



Source: Thomson Reuters



Strong banks – strong Australia

A State Based Bank Tax

- SA Budget June 2017 – a new SA Bank Tax
- Novel Formula – imposed on same 5 banks subject to the federal bank tax at rate of 0.015% per quarter based on SA share of national economy (around 6%)
- Novel Rationale – Compensate for GST – SA Treasurer Tom Koutsantonis on Sky News online: 'They make super profits and they don't pay GST'



Strong banks – strong Australia

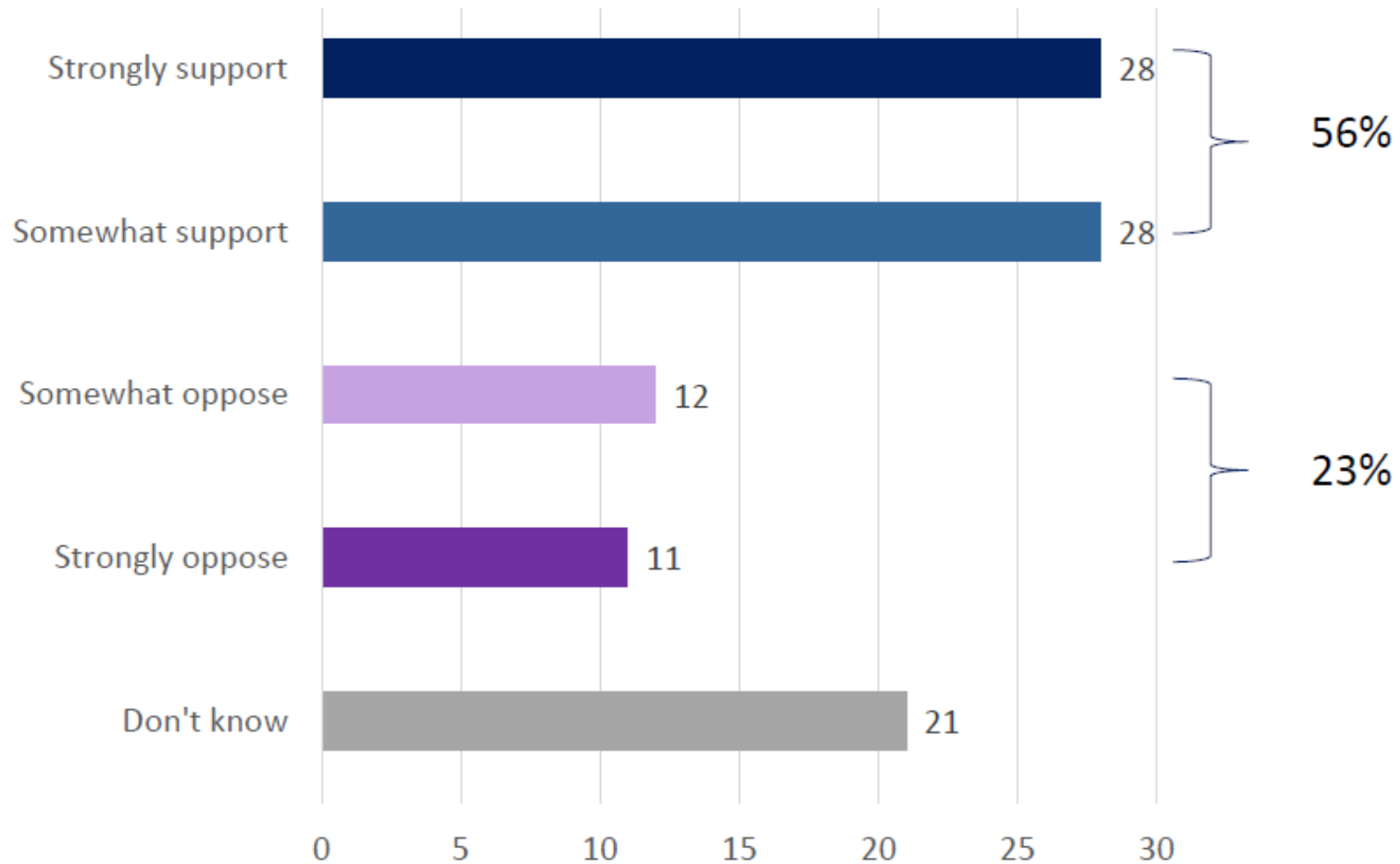
A State Based Bank Tax

- Breach of GST Agreement – States and Territories will cease to apply specified taxes, including financial taxes, and will not reintroduce them or *similar taxes* in the future:
 - Financial Institutions Tax
 - Stamp Duties on Marketable Securities
 - Debits Tax
- Constitutional issues



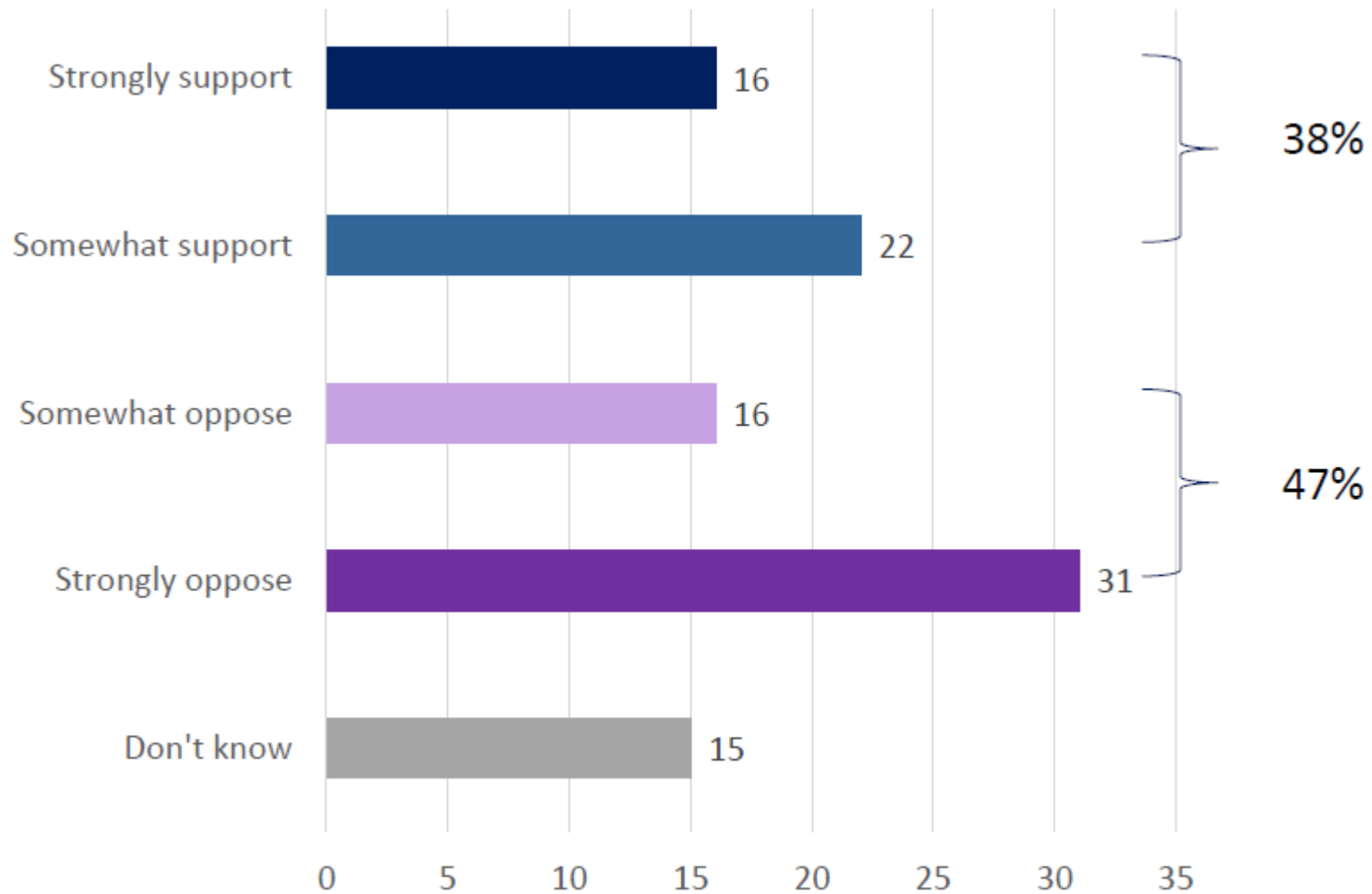
Federal and State Differences

South Australia Galaxy research June 2017 – federal bank tax





When it comes to the SA state bank tax....



Those ‘on the fence’ almost halved

- In July, 19% of South Australians answered ‘don’t know’ to whether they support or oppose the state bank tax
- By September, only 10% of people said they didn’t know





Strong banks – strong Australia

Jobs not Taxes





Strong banks – strong Australia

Consistently, South Australians told us the bank tax would

- Hurt investment in SA and the state's competitiveness
- Negatively impact jobs
- South Australia needed incentives to attract business, not new taxes



Strong banks – strong Australia

State Bank Taxes

- Bill defeated in SA Upper House November 2017
- State Bank Tax remains on agenda for WA & NT Governments
- GST Reform – Productivity Commission Report



Strong banks – strong Australia

Do banks pay their fair share?

- Largest taxpayers in Australia - \$14 billion in 2017
- Pay almost as much tax as the rest of the ASX200 combined
- Four of Australia's five largest taxpayers are banks
- Equivalent to \$600 per man, woman and child in Australia - one bank estimates their annual tax = 260 schools and 6 hospitals



Strong banks – strong Australia

Top 5 Australian Taxpayers (2017)

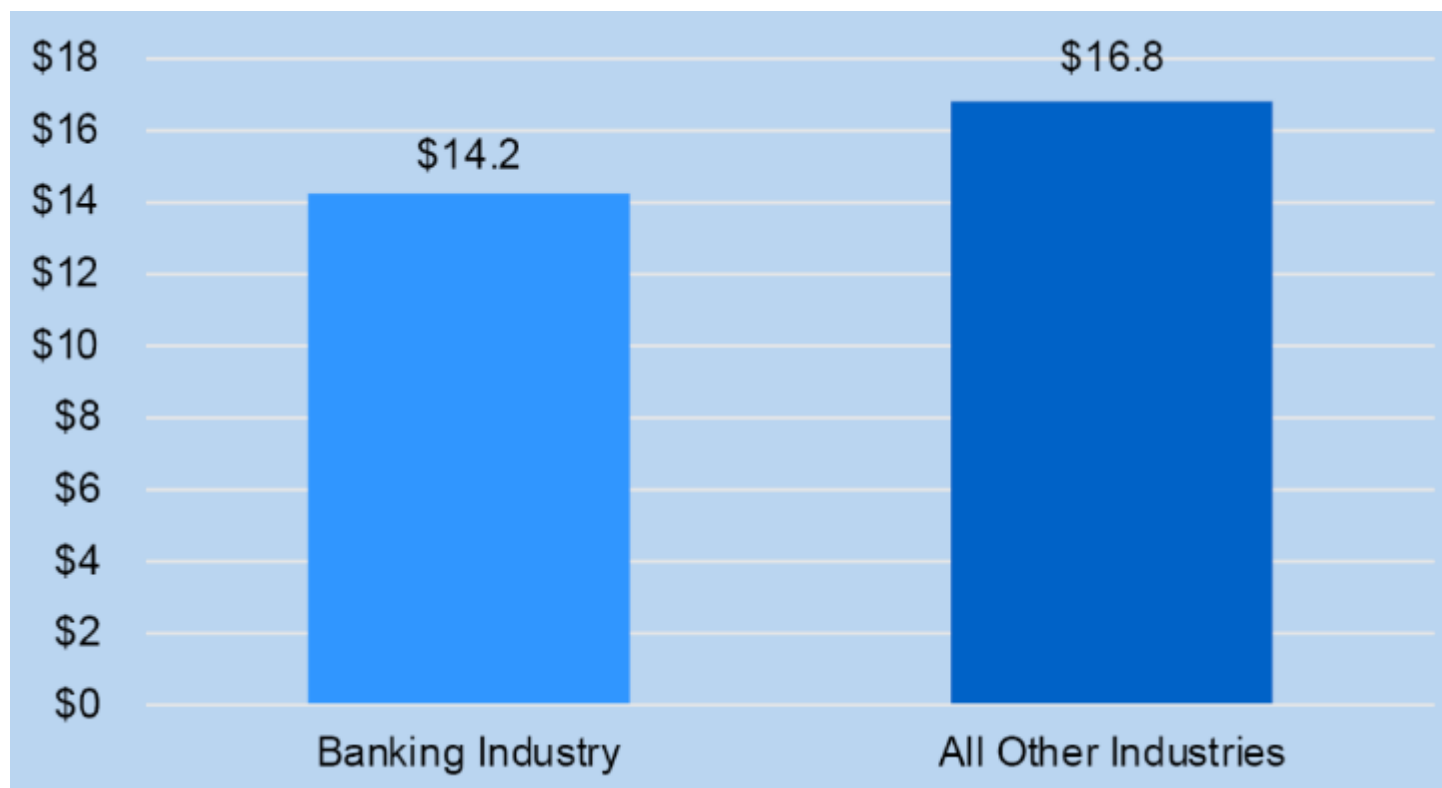
Company	Industry	Tax Paid (\$bn)
Commonwealth Bank of Australia	Banking	\$4.3
Westpac Banking Corporation	Banking	\$3.4
Australia and New Zealand Banking Group	Banking	\$3.1
National Australia Bank Ltd	Banking	\$2.6
Rio Tinto Ltd	Metals & Mining	\$2.1

Source: Thomson Reuters



Strong banks – strong Australia

S&P/ASX 200 Company Tax paid by Industry (\$bn)



Source: Thomson Reuters



Strong banks – strong Australia

Tax and Trust

- Tax as punishment
- Banks – reforming the sector to rebuild trust



Strong banks – strong Australia

Unprecedented Scrutiny and Reform

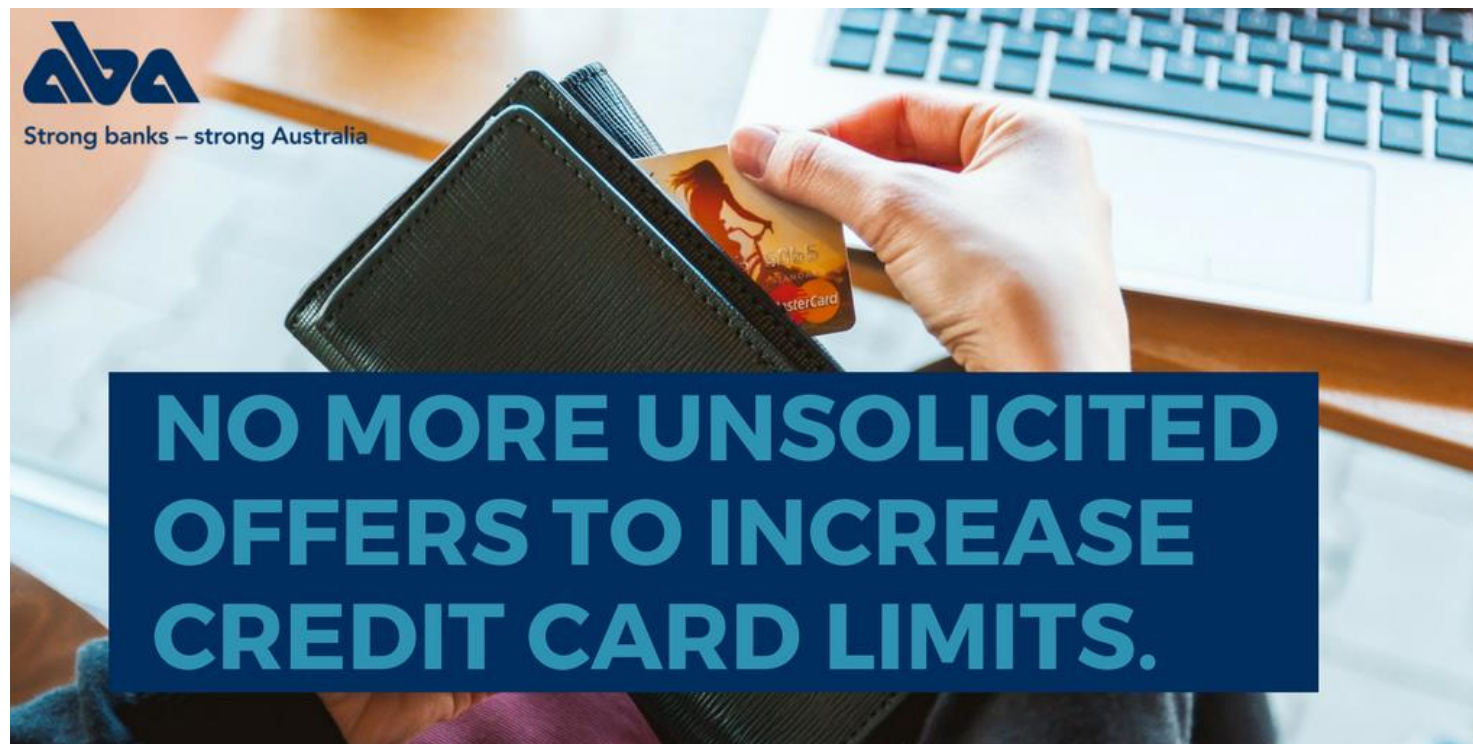
- More than 50 inquiries, reviews & investigations since GFC
- 30 in the past 4 years
- Almost 350 recommendations
- 48 Government initiatives for reform
- 9 Industry reforms



Strong banks – strong Australia

Changes in the banking industry

New Banking Code of Practice submitted to ASIC



Sedgwick remuneration review recommendations



Major banks have abolished ATM fees




Banking Executive Accountability Regime (BEAR)



Banks face civil penalties of up to \$200 million for misconduct

BEAR continued...



**40-60% OF BANK
EXECUTIVE PAY WILL
BE DEFERRED A
MINIMUM OF 4 YEARS**



Strong banks – strong Australia

Australian Financial Complaints Authority





Strong banks – strong Australia

Next Big Challenges

- Profound change and disruption in Financial Services
 - Open Data
 - New Payments Platform
 - Digital Wallets
 - Cryptocurrency
 - Peer to Peer Lending
- How to protect against erosion of national tax base?



Strong banks – strong Australia

Australians' attitudes to innovation and security

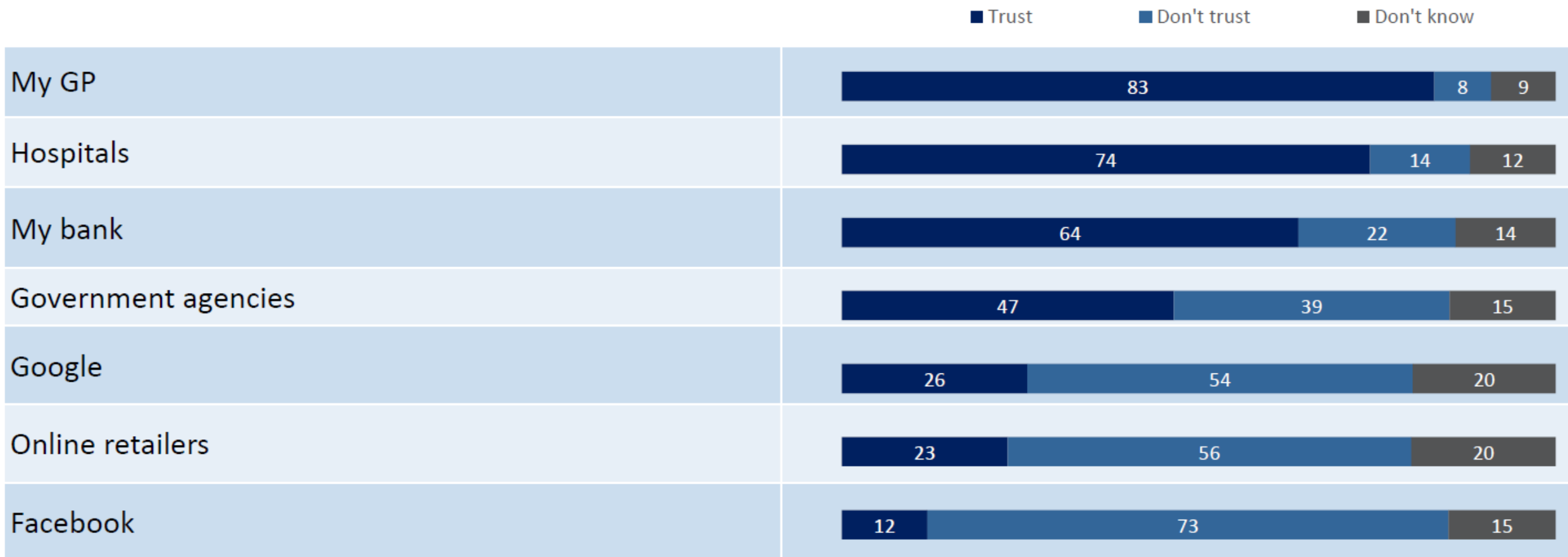
- Galaxy poll in November 2017
- Nearly two thirds of Australians trust their bank to keep their personal data secure
- Banks are more trusted than government agencies, online retailers or social media platforms



Strong banks – strong Australia

Thinking now about some different organisations and the information you give them.

For each of these please indicate whether you generally trust them to keep your personal data secure?





AUSTRALIAN BANKERS'
ASSOCIATION INC.

Strong banks – strong Australia

Questions?

About the ABA

With the active participation of 24 member banks in Australia, the Australian Bankers' Association provides analysis, advice and advocacy for the banking industry and contributes to the development of public policy on banking and other financial services.

The ABA works with government, regulators and other stakeholders to improve public awareness and understanding of the industry's contribution to the economy and to ensure Australia's banking customers continue to benefit from a stable, competitive and accessible banking industry.

