



AUSTRALIAN BANKERS'
ASSOCIATION INC.

Strong banks – strong Australia

The Commonwealth Club of Adelaide

The Economic Impact of Taxes on Banks

10 October 2017

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Australian Bankers' Association**





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FINANCIAL REVIEW

Xenophon warns against SA bank tax

ABC NEWS

SA bank tax blocked by opposition

business **banking**

South Australia defends 'desperate' bank tax

A NEW bank tax described as "desperate" has opened a "Pandora's Box", with homeowners and businesses to feel the pain.

SA News

Institute of Public Affairs report says state's bank tax has already damaged SA's reputation

Adam Langenberg, Political reporter, The Advertiser
July 6, 2017 10:09pm

The four big banks

Posted 23 Jun 2017, 1:09pm

The SA Government's bank tax may reap millions, but customers could end up paying for it.

AAP



Terry McCrann

Why you'll pay South Australia's bank tax

Terry McCrann, Sunday Herald Sun



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How did we get here

- Tax on major banks announced in the 2017/18 State Budget
- It's a revenue raising initiative which will discourage investment, put a handbrake on growth, and impact jobs
- It will cost the banks \$370 million over the next four years.



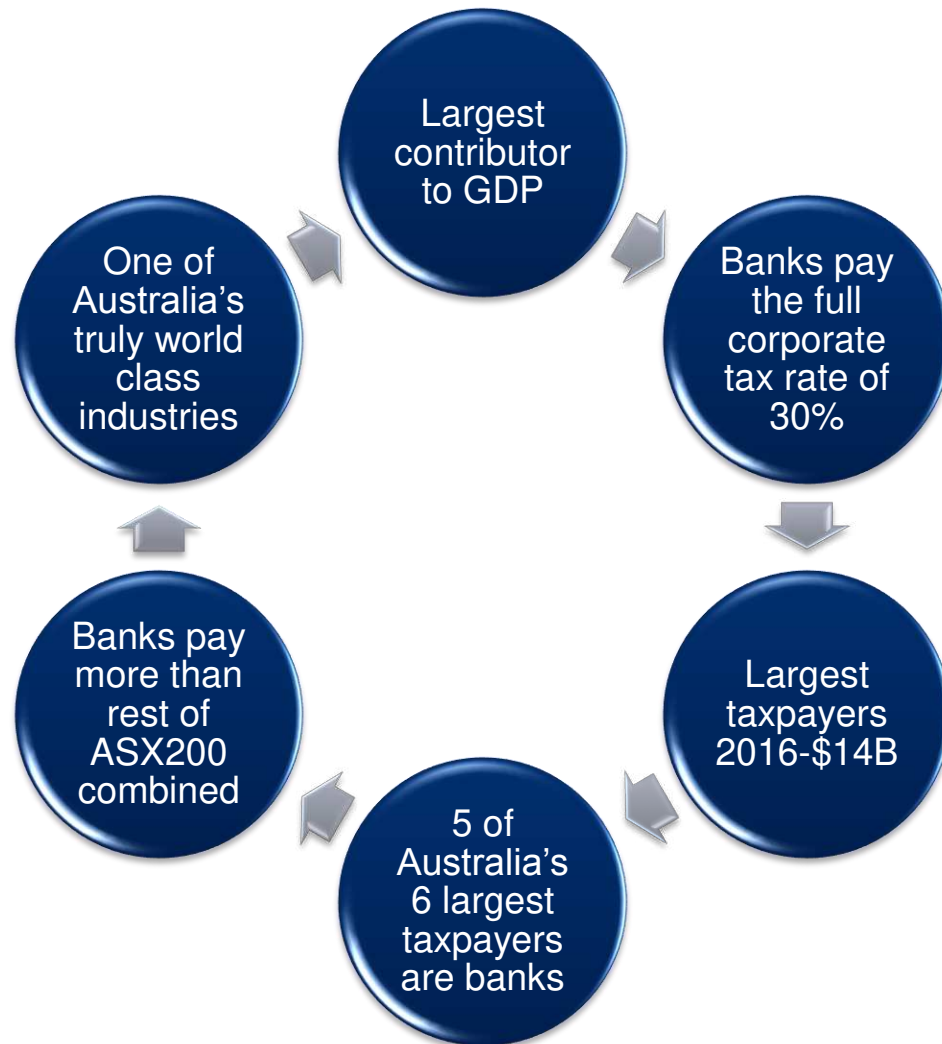
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Banks are an easy political target

- Labor – Royal Commission
- Coalition – taxes, punitive reforms
- Minor parties – fuelling the fire

Banks don't fear scrutiny – they have faced 37 reviews, investigations and inquiries since GFC

So, what are the facts ?





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Where do profits go?

- 80% returned to shareholders – (individuals) self funded retirees, (institutional) superannuation
- 75% shareholders are Australian
- In 2016 about \$1.5 billion in dividends paid to S.A. shareholders
- \$10 billion lent to South Australians to buy a home
- Remaining 20% reinvested, technology, capital reserves more borrowing



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S.A. needs jobs to grow its economy, not new taxes

- Over past 10 years full time jobs grew here 0.2%, Australia wide growth was 0.9%
- Known brain drain in S.A
- Galaxy poll found 52% oppose tax





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Short term thinking–long term implications

- Companies are less inclined to do business in S.A.
 - Projects already on hold
- It will make S.A. a risky place to do business
- S.A. cost of borrowing increases
- Investors worried it could spread – bad for Australia

The dangers of singling out industries

- What message does this send?
- Who will be next?
- Australia's attraction as an investment destination





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Where do we go from here?

This is a tax on all South Australians and will impact shareholders, customers and bank employees

- Banks prefer to grow economy, not fight with govts
- Prepared to take the matter to the High Court

For more info visit www.jobsnottaxes.com.au



Rebuilding Trust

Federal Government budget package:

- Bank tax
- Banking Executive Accountability Regime (BEAR)
- Credit Card reforms
- Independent review of an open banking regime (open data)
- Productivity Commission review into competition in banking
- One stop shop for customer complaints

Better Banking

- Eliminate commissions
- New customer advocate
- Code Review
- Removing ATM fees
- Protection of Whistle blowers
- Removing poor conduct
- Boards exercising their responsibilities

Three current parliamentary inquiries



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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.