

TREASURER TOM KOUTSANTONIS

Thursday, 22 June 2017

New major bank levy to fund jobs initiatives

A South Australian major bank levy will be introduced from 1 July 2017 to support the State Government's Future Jobs Fund and other job-creation initiatives.

Based on the Commonwealth Government's measure, the levy is expected to raise about \$370 million over the forward estimates.

The levy will not apply to mortgages or ordinary household deposits, rather to bank bonds and deposits over \$250,000.

Only banks liable for the Commonwealth major bank levy will be liable for the South Australian levy, meaning smaller financial institutions will not be affected.

It is expected that the Commonwealth Bank, National Australia Bank, Westpac, ANZ and Macquarie Bank will be liable for the levy.

Background

Premier Jay Weatherill has on a number of occasions raised through COAG the need to address the under-taxation of the financial-services sector.

The amount payable under the South Australian major bank levy will be about 6 per cent of each bank's Commonwealth levy liability. This represents South Australia's share of the national economy.

The levy applies only to banks' liabilities that are also subject to the Commonwealth's major bank levy. The rate applied to the relevant liabilities is 0.015 per cent per quarter.

The Commonwealth Treasury's 2016 Tax Expenditure Statement suggests that financial services are undertaxed by more than \$4 billion per annum. Even after accounting for the impact of the Commonwealth and South Australian major bank levies, financial services will still be undertaxed by about \$2.3 billion.

Although levy liabilities will start accruing from the quarter ending 30 September 2017, the first levy payment will not be due until 21 March 2018, after the legislation has received Royal Assent. These are the same timeframes as the Commonwealth levy and will give banks time to update their systems in order to accommodate changes.

The draft legislation for the levy prohibits banks from creating a fee to recover the cost of the levy.

Quotes attributable to Treasurer Tom Koutsantonis

Major banks make super profits and they make those profits on the mortgages of hardworking South Australians.

Banking services have benefited enormously from the decision not to apply GST to the financial sector. This decision has meant that for too long this sector has been dramatically undertaxed.

The Commonwealth's major bank levy seeks to address this, but ignores the state's share.

Major banks also capitalised on the Global Financial Crisis, acquiring many smaller financial institutions and growing their market share to a combined 80 per cent.

We are putting South Australians first by supporting growing industries that will create jobs for South Australians, and this measure will help raise the revenue we need to drive those initiatives.

The profits of the big banks are large - in the last year alone the five banks have collectively made profits of about \$30 billion after tax. They can and should contribute more to economic growth and job creation in this state.

This levy does not apply to mortgages or deposits under \$250,000, so there is no justification for the banks to pass on the costs to those customers.

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