



The Secretary
Senate Economics Legislation Committee
Parliament House
CANBERRA ACT 2600

15 June 2017

Dear Secretary

Major Bank Levy Bill 2017

In anticipation of the Senate Economics Committee's examination of the Major Bank Levy Bill 2017, the Self-managed Superannuation Funds Association (SISFA) makes the following brief submission.

We question the rationale for the Major Bank Levy Bill 2017 as given by the Government.

The Treasurer has variously justified the Bill because the major banks make big profits, because there's not enough competition among them and even simply because he believes people don't like the big banks.

These are not proper policy reasons for a selective new tax that targets just five financial institutions.

The singling out of successful businesses for a new tax sits oddly with the Government's objective to reduce corporate taxes. Targeting the major Australian-owned banks with a new tax that does not apply to their foreign bank competitors, is discriminatory and against the interests of their Australian shareholders.

The Treasurer has told the banks to 'absorb' the cost of the levy. However, all costs must be allocated within a business and the levy can only be absorbed by lower profits and dividends paid to investors, lower interest paid on deposits, higher interest charged on loans, higher service fees, reduced payments to staff and suppliers or a combination of these factors.

In so far as it affects dividends paid and interest paid on deposits, the bank levy will cause collateral damage to 27 million superannuation account holders whose funds invest heavily in bank shares, and a further one million with accounts in self-managed funds.

SMSFs have large deposits with the major banks – about 30% of SMSF assets, amounting to some \$160 billion, are held in bank deposits. SMSFs are also significant investors in the large banks. We estimate SMSFs hold bank shares worth \$60 billion. SMSF owners have seen the market value of their investment in banks drop significantly since the levy was announced in the 2017 Budget.

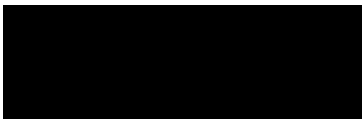
These adverse impacts for self-managed funds come on top of measures targeting SMSFs in the 2016 Budget, including reduced contributions, two new balance caps, a new earnings tax on retirement savings and capital gains tax on assets previously CGT free in the retirement phase.

The Government does not appear to have a coherent policy framework on taxes that impact on superannuation. Change is driven by revenue and justified by politics. Complex new legislation affecting superannuation, particularly self-managed funds, is introduced with just a few days allowed for responses.

The changes to superannuation in the 2016 budget – the most significant in the modern era – are due to take effect in a few days yet the legislation defining the purpose of superannuation, as inadequate as it is, is still before the Parliament.

This is a plea for the Senate Economics Committee to uphold proper process in policy setting. It is particularly important that changes to superannuation are measured and undertaken in a way that improves and builds confidence in superannuation throughout the working and retirement years of most Australians.

Yours sincerely



Chris Balalovski
Chairman
Self-managed Independent Superannuation Funds Association

About SISFA:

SISFA speaks for the one million Australians who have taken responsibility for their financial independence in retirement. SISFA recently combined with the SMSF Owners' Alliance to create a constituency of 10,000 members of self-managed funds.