Terry McCrann: Bank tax gives rise to three certainties

Terry McCrann, Herald Sun,May 15, 2017 10:53pm

THERE are three absolutely iron-clad, undeniable truths about the bank tax — in addition to the most basic fact that it is a tax.

The first is that unless Malcolm Turnbull and Scott Morrison either separately or together wake up one morning in a very cold sweat realising that it is a very bad idea and so abandon it, it will be imposed.
It is just too popular in Canberra; or more exactly, inside the 'House on the Hill,' where it enjoys cross-all-party support and is seen by the Canberra Press Gallery as politically inspired.
Quite whether the other 24 million or so Australians who don't live inside the 'House-on-the-Hill bubble' agree is more problematic.

Their likely less-than-enthusiastic attitude is partly a function of the other two fundamental truths. The tax will be paid mostly or eventually by bank customers and that, once introduced, it will be 'forever'.
It's also a product of the way these two truths intersect with the widespread belief out there that 'banks are bastards'. Just like we 'know' that they 'don't pass on Reserve Bank rate cuts', we 'know' that they will pass on this tax hike.

TERRY MCCRANN: A TAX YOU CAN BANK ON PAYING

This really is quite exquisite. The reason Morrison and Turnbull thought the bank tax was a free political gift is because people don't like the banks — indeed, Morrison said that explicitly on national TV last week.
Yet that's also precisely why it's not that free gift; that voters have a nagging feeling that they will pay the tax, not the banks. And so, rather than being a vote-winner, it will join with the Medicare levy hike to work against the government's poll-driven ambitions.

Those people are right of course. But not because the banks are bastards. It's because 'people' ultimately pay (nearly) every cent of every tax. Apart from taxes on export income and taxes paid by foreigners, the money simply can't come from anywhere else.


The reason Scott Morrison and Malcolm Turnbull think the bank tax is a free political gift is because people don’t like the banks. Picture: AAP/Lukas Coch

Market dynamics will drive where the tax falls as between borrowers and depositors and shareholders. I would suggest over time it would more likely coalesce on the first two.

The broader point is that, over time, it will just merge with all the other cost and revenue flows. No bank is going to ‘separate’ it from its broad pool of money. Functionally it will either be incorporated in costs or within the operating interest margin or some mix of both, with perhaps some residual falling on shareholder returns.

On the third point, sorry Ian, Andrew & Co, there is no way that the government is going to apply a ‘sunset clause’ to the tax — so that it goes away after a certain period of years (like the 2 per cent deficit levy did? will? won’t?) or once the Budget is back in surplus.

ONCE the tax is in, it’s permanent. It is permanent for two reasons. Mostly, because we ain’t getting back to a Budget surplus this side of the 12th of Never.

But in the extraordinary circumstance that we did get back to a Budget surplus, there is a big queue of other taxes — and a heap of spending demands — that will rank ahead of cutting the bank tax.

Just as there is no way that the (deficit-levy-boosted) 49.5 per cent top tax rate would ever be cut, if Bill Shorten succeeded in keeping it — that would be giving ‘the rich’ a ‘tax cut’ — there is equally no way the bank tax would either. That would be giving ‘the big end of town’ — indeed, the biggest end of town — a tax cut.

MALCOLM TURNBULL WARNS BANKS OF LYING TO AUSTRALIANS
BANKS TO REVEAL BUDGET TAX BLOW TO SHAREHOLDERS

You might reasonably conclude that what is going to become increasingly complicated and toxic politics around the bank tax shows the unwisdom of the guys who are supposed to be on the rational side of politics embracing populist Leftist 'tax-the-rich' agendas. And you'd be dead right — as indeed the government is almost certainly 'dead to Rights'.

It was crystal clear on Budget night, that this Budget was framed for the next Newspoll. Well, that poll has come and gone, badly. It's not going to get any better. The Budget is going to be — was always going to be — diced and sliced, exactly like the 2014 Budget it was supposed precisely not to be.

The popular bits will be endorsed — the bigger spending, the bank tax; but not the nasties like the Medicare levy, as Shorten has already made clear. You will see slippage on the bottom line. And voters will still feel badly done by. So the government is likely to end up with the worst possible combination: a Budget that looks (and is) irresponsible and loses votes, or certainly doesn't attract them.

As for the tax itself, the banks showed on Monday why consultation was imperative, just to make it work. Like, for example, the way it will tax the liabilities of banks' foreign branches but not their foreign subsidiaries.
The banks argue that means neither should be taxed. One could equally conclude that both should be.

That goes to a bigger point. The banks detailed a list of liabilities that should not be taxed. They hope it will cut the tax take from the proposed $6.2 billion. The government could well say, 'you're right', so we'd better increase it from six points to eight points on the lower liability figure.

In sum, it's a mess that will get messier.