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IPA WELCOMES GOVERNMENT SCRAPPING BANK DEPOSIT TAX

The Abbott government's announcement to scrap plans for a tax on bank deposits of up to \$250,000 is welcomed by free market think tank the Institute of Public Affairs.

"It is pleasing that the Abbott government has come to its senses on the bank deposit tax, providing welcome relief for Australian savers in an uncertain financial environment," says Dr Mikayla Novak, Senior Research Fellow at the Institute of Public Affairs.

"The 0.05 per cent tax on bank deposits, estimated to raise \$1.5 billion over the budget forward estimates, was unwarranted given the relative strength of the Australian financial sector."

"In the current climate of ultra-low interest rates the imposition of the tax would have hurt ordinary Mum-and-Dad bank deposit holders, and would have taken us back to the pre-GST era of inefficient financial transaction taxes," says Dr Novak.

IPA analysis has illustrated that Australia already has an uncompetitive tax position compared with other countries. A bank deposit tax would have only made this worse.

"In 2012, Australia had a tax to GDP ratio of 34.3 per cent when including compulsory super and health insurance mandates. This exceeded the OECD average of 33.7 per cent," says Dr Novak.

"The Abbott government's announcement to scrap the bank deposit tax should be seen as a welcome first step toward making Australia a more attractive place to live, work, and invest," says Dr Novak.

The Australia 'low taxing country' myth, a report by Dr Novak highlighting Australia's uncompetitive tax position, can be downloaded [here](#).

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