

Federal Budget 2017/18 Fast Facts Financial Services



What did we deduce?

This Budget was a mixed bag for the financial services industry. The banks are going to be held more accountable for their actions and with the new Major Bank Levy effective 1 July, there will be greater scrutiny and greater incentive for Fintech competition.

As a result, \$14 Billion was wiped off the market capitalisation of the Banks on the back of the rumour of the Major Banking Levy being introduced.

The key takeouts are:

Major Bank Levy

- The big banks will have a hit to their bottom line with the introduction of the Major Bank Levy, costing the industry an estimated \$1.6 Billion for the 2017/2018 year. It will apply to Authorised Deposit-taking Institutions (ADIs), with licensed entity liabilities of at least \$100 billion.

Greater scrutiny of Banks

There will be greater bank scrutiny:

- APRA will have new powers to remove, disqualify, issue penalties and defer remuneration of senior executives.
- The banking sector will be required to share data when requested by customers. This will provide consumers with greater choice and also support greater competition in financial services.

- The ACCC is expected to carry out more inquiries into specific financial system competition issues; and
- A new framework for dispute resolution is to be introduced.

Reducing Barriers for New Banks

The Government is looking to:

- Relax the 15% closely held ownership cap for innovative new entrants.
- Allow any ADI with more than \$50 million in capital to call themselves a Bank.
- Support streamlining for smaller ADI licensing process.

Removal of double GST of digital currency

- The Fintech Sector will have a boost with digital currencies (such as Bitcoin) no longer being subject to GST. This demonstrates a sensible approach for dealing with GST in a highly evolving space.

**ShineWing Australia
Budget Rating:**



Federal Budget 2017/18 Fast Facts Financial Services



ASIC Industry Funding Model

Extends previously announced recovery of ASIC's regulatory costs from those entities that create the need for regulation. AFS Licence holders will now need to fund ASIC.

Crowd-sourced Equity Funding for Proprietary Companies

The Government is introducing a new Crowd-Sourced Equity Framework (CSEF) regime for proprietary companies. This will make it easier for start-ups to seek the investment they require.

Affordable housing through Managed Investment Trusts and increase in CGT discount to 60%

- MITs will be able to acquire, construct or redevelop property but must derive at least 80 per cent of its assessable income from affordable housing. This measure will apply from income years starting on or after 1 July 2017.
- There will be an increase in CGT discount from 50% to 60% for Affordable Housing.

Affordable Housing – establishment of the National Housing Finance and Investment Corporation

- Establish the National Housing Finance and Investment Corporation (NHFIC). The NHFIC will operate an affordable housing bond aggregator. The function of the bond aggregator is to provide cheaper and longer term finance for community housing providers.
- The NHFIC will also administer the National Housing Infrastructure Facility, which will provide financial assistance to local government for related infrastructure.

Tax Integrity Package – toughening the multinational anti-avoidance law

The Government will negate the use of foreign trusts and partnerships in corporate structures to circumvent the multinational anti-avoidance law from 1 January 2016.

Superannuation Merger relief extended

The Government will extend the current tax relief for merging superannuation funds until 1 July 2020.

What does this mean for you:

- A more competitive playing field for alternative lenders, small banks, new bank entrants and Fintech.
- Greater flexibility and more borrowing options for businesses .
- Mortgage Funds, Super Funds have different opportunities to capitalise on.

This will be remembered as the budget where the Commonwealth stopped asking the big banks to improve their culture and performance and decided they would do it for them. And then for good measure, made them pay for a number of new spending initiatives and introduced increased competition in the sector.

There needs to be more done to provide incentives for the Financial Services Sector to help provide innovative solutions for dealing with Australia's Housing Affordability problem.

The banks will be forced to endure a new regime that will see greater accountability and scrutiny. Greater competition in this field is welcomed, however time will tell if Government is going to stay on this path, in the face of what might be some fierce opposition from the major banks.