



Abacus
Australian Mutuals

Association of Building Societies and Credit Unions

MEDIA RELEASE

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Henry calls for less tax on deposits

Credit unions and mutual building societies are urging the Government to promptly accept the Henry Report recommendation to reduce tax on deposits.

"The Henry Report on taxation out today says that the real effective marginal tax rate on interest income from deposits can be as high as 80 per cent," says Abacus CEO Louise Petschler.

"This is a punishing tax burden.

"Heavy taxation of deposits discourages domestic saving and pushes up the cost of funding for home lenders.

"Our research also shows that the taxation treatment of deposits disproportionately affects savers with relatively lower levels of wealth and income. A fairer system is needed.

"The Henry Report recommends a 40 per cent savings income discount to individuals for non-business related net interest income.

"We are encouraged by the Government's statement that it will have more to say on this recommendation in coming months.

"But we would like to see a commitment to this long overdue reform sooner rather than later.

"The Henry Report says its recommendation would provide a more consistent tax outcome from income from deposits and bonds, shares and rental properties, and provide a means for adjusting for the effect of inflation."

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