

INTERVIEW WITH MARIUS BENSON

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SUBJECTS: Interest rates; effect on Australia's banks; tax bonus deadline; tax cuts July 1.

GLEN BARTHOLOMEW:

Well Australian banks are under renewed pressure over interest rates following the release of Reserve Bank figures which show bank profits are increasing at the same time they're putting up interest rates.

To look at that, Marius Benson is speaking now to the Assistant Treasurer, Nick Sherry.

MARIUS BENSON:

Senator Nick Sherry, the hard times seem to be getting less hard for our banks, with profit margins growing, according to the Reserve Bank.

NICK SHERRY:

Well, the Reserve Bank I think has made the correct general observation that our banks are strong; they're well capitalised; they're making sound profits. And consequently the recent decision to increase rates, by the Commonwealth Bank for example, was very selfish in the context of the circumstances they're in. And, also selfish to the extent that, in the current circumstances, it is important to underline and reinforce the recovery.

REPORTER:

Do you believe then the interest rate rises are simply unjustified, given profits are increasing?

NICK SHERRY:

Well I don't believe that they're justified in the context of the general overall strength of our banking sector in Australia. It's certainly one of the strongest banking sectors anywhere in the world. The Rudd Labor Government decisively put a bank guarantee in place last year, and that was to support the Australian people and the economy more broadly.

So they are well placed. And, at the in the current circumstances, it's important to support the economy, to cushion the economy from the significant international financial and economic circumstances - very difficult circumstances - so the banks should pull together with the Australian community and the government to combine to support our economy during this global recession.

REPORTER:

Okay. The financial year is coming to an end and there are some warnings for people, or in fact reminders for people that, if you get in quick you get some discounts on your tax this year.

NICK SHERRY:

Well in the case of the tax bonus - up to \$900 - there's just over a week to lodge your 2007/08 tax return, otherwise taxpayers will miss out. And there's a couple of hundred thousand people who haven't yet done so, so they've got just over a week to do so.

But also on 1 July there will be tax cuts; the second round of the tax cuts that the government promised at the 2007 election, for a person on \$60,000 annual income, a tax cut of \$300 over the new financial year. For small business there will be cash-flow relief by reducing PAYG instalments. In the area of education, there'll be a tax refund on some education expenses incurred after 1 July for children who are in primary or secondary school. And same sex couples from 1 July will be treated in the same way for tax purposes.

REPORTER:

Okay. And just on the tax cuts, all tax cuts are welcome, but, \$60,000 annual income you get a tax cut of \$300 a year, about \$6 a week, that is not in the phrase even a sandwich and a milkshake.

NICK SHERRY:

Well it's the second stage of tax cuts that we promised during the 2007 election campaign. In 08/09 the same, at the same income level they would have received a tax cut of \$600 a year. In 2010/11 they'll receive a tax cut on the same income, of \$450 a year.

So, every, every dollar counts in the current circumstances for hardworking Australian families.

REPORTER:

On the same sex couples, they are now to be treated the same way for tax purposes. Are they treated the same way for benefits purposes?

NICK SHERRY:

Ah, yes, they will be. But in terms of the detail and operative dates on social security, these are best outlined by the ministers who are responsible in those areas.

REPORTER:

Okay, Senator Sherry, thank you very much.

NICK SHERRY:

Thank you. Good morning.

GLEN BARTHOLOMEW:

That's the Assistant Treasurer, Senator Nick Sherry, with some advice for taxpayers; speaking to Marius Benson there.