

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2017 - 2018

Division/Agency: Financial System Division
Question No: 204
Topic: Bank Levy
Reference: Hansard page 87 (30 May 2017)
Senator: Gallagher, Katy

Question:

Senator GALLAGHER: Okay, I will follow that up. I want to go back to the bank tax numbers—I promise for one last time. Mr Lonsdale, you took me to statement 10-24, which I think gives us a total impact of \$7 billion for the major bank levy. Is that right?

Mr Lonsdale: In fiscal terms for the revenue head, correct.

Senator GALLAGHER: You said that the figures at 10-24 do not take into account things like deductions and other interactions. Could you provide us—I meant to ask this earlier—with a list of what the other interactions would be?

Mr Lonsdale: I am happy to take that on notice.

Senator GALLAGHER: You cannot—

Senator Cormann: We have taken it on notice.

Senator GALLAGHER: How much of the difference between the fiscal balance numbers at 10-22 and the numbers in BP 2 are deductions and how many are other interactions?

Senator Cormann: We will take that on notice.

Senator GALLAGHER: Again, you cannot answer that now?

Senator Cormann: We will take that on notice. No, I cannot answer that now.

Senator GALLAGHER: Could officials answer it?

Senator Cormann: I have taken it on notice, and we will make sure that you get an accurate response.

Answer:

The costing takes into account a range of factors other than gross levy revenue, including:

- Interactions with corporate income tax given the levy is deductible for corporate tax purposes.
 - This deduction takes effect with a one year lag since companies usually do not adjust their pay as you go (PAYG) instalment rate, which are provided by the Australian Taxation Office, to incorporate new deductions. The corporate tax deduction is expected to be claimed by the banks when they remit their income tax returns. The deduction may flow through to PAYG instalments over time but the deduction is quite small relative to the amount of tax paid by the banks.
- Bank responses to the imposition of the levy, which include:
 - Some pass-through of the levy to customers, as evidenced by previous behaviour by the banks.
 - Consequences for dividend payments and franking credits should profitability impacts have a flow on effect to the amount of dividends they pay out.

In accrual terms, the major bank levy is estimated to have a net impact on revenue of \$6.2 billion over the forward estimates period. This is made up of an increase to revenue of \$7.0 billion over the forward estimates period from the gross levy receipts and a reduction in revenue of \$0.8 billion over the forward estimates period from interactions with other taxes including corporate income tax.