

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

**Budget Estimates**

2017 - 2018

**Division/Agency:** Financial System Division

**Question No:** 214

**Topic:** Bank Levy

**Reference:** Hansard page 75-76 (30 May 2017)

**Senator:** Ketter, Chris

**Question:**

Senator GALLAGHER: That is it; it is 5-18.

Mr Lonsdale: That is correct. So these figures—the \$1.2 billion, \$1.6 billion, \$1.7 billion, and \$1.8 billion—are the cash revenue head. So the other interactions—for example, the deduction—will apply, to the extent a bank claims a deduction. You will find that in another revenue head. I will just check that I have gotten that right. I am getting nods from behind me, so that is right.

Senator GALLAGHER: In total, over four years of the revenue head—I think that is what you are calling it—the fiscal balance is \$6.2 billion. The cash receipts balance across the forward estimates is \$6.3 billion, as I have added it up. Can you explain what the difference there might be?

Mr Lonsdale: You are adding the four years across?

Senator GALLAGHER: Yes, I am.

Mr Lonsdale: Timing of collections is the key difference between the two.

Senator GALLAGHER: How do those numbers—the \$6.2 billion and \$6.3 billion—then relate to budget paper No. 1 on 3-29, which talks about \$5.5 billion over the forward estimates?

Mr Lonsdale: Could I explain two things to you, Senator? It might be easiest. On 3-29 the \$5.5 billion—could I take that? It might be clearer if I explain it with the measure description in budget paper No. 2 on page 24. Do you have that, Senator?

Senator GALLAGHER: Yes.

Mr Lonsdale: I will explain this one first, and then I will explain the one on page 329, because they are related. Is that okay, Senator?

Senator GALLAGHER: Yes, sure.

Mr Lonsdale: Budget Paper No. 2 contains the actual revenue gain of the measure itself. So, if you think about the revenue head and interactions that apply—deductions, timing, growth from the base—there are a whole bunch of things that are tied up in determining the revenue impact of the measure. And that is done, in a fiscal sense, on page 24. Again, this is the same way it has been done for a very long time.

Senator GALLAGHER: So that is the \$6.2 billion.

Mr Lonsdale: That is the \$6.2 billion, and that equivalent measure, the revenue impact of the measure—in cash terms, not in fiscal terms—is the figure on page 329. That is the \$5.5 billion. The way I think about it is, in Budget Paper No. 2, the \$6.2 billion across the forwards is the fiscal revenue impact of the measure, and the \$5.5 billion is the cash revenue impact of the measure.

Senator GALLAGHER: So that is once other interactions and deductions have occurred.

Mr Lonsdale: Correct, Senator. If you are asking what the revenue gain of the measure is, it is expressed in fiscal terms and it is expressed in cash terms.

Senator GALLAGHER: I think I get that. I will probably come back to this in the Senate

inquiry. Is it possible to provide the \$5.5 billion broken down over the forwards in a similar way? It does not relate then to the underlying cash table that you have outlined either, does it? It sits independent of that \$6.3 billion.

Mr Lonsdale: There would be four numbers that add up to this. If you are asking whether you can have those numbers, I am happy to take that on notice, if that is what you are after.

Senator GALLAGHER: Okay. So the \$5.5 billion, the \$6.3 billion and the \$6.2 billion are all the same measure. The \$5.5 billion is the total receipts. The \$6.2 billion and the \$6.3 billion other revenue gains reported in accrual in a cash way. Is that right?

Mr Lonsdale: The two earlier figures that we talked about, the one in statement 10 and the one in statement 5, are both revenue head numbers—just the raw revenue head. The other two numbers that we talked about, the one in Budget Paper No. 2 on page 24 and the reference to \$5.5 billion on page 329, so that is statement 3, is the revenue impact of the measure—not the revenue head; the revenue impact of the measure, all included.

Senator GALLAGHER: This assumes that this levy applies to five entities only.

Mr Lonsdale: The design of the measure, as you know, is ADIs over \$100 billion in liabilities, but—

Senator GALLAGHER: So that is your five.

Mr Lonsdale: You are correct; at the moment that is five entities.

Senator GALLAGHER: Are you able to advise the committee what Treasury estimated each of those five would have to pay both before and after tax in both underlying cash and fiscal balance terms for each of the years over the forward estimates?

Mr Lonsdale: Just so I am clear, Senator, you are asking for the fiscal and cash revenue collected by each of the taxpayers that will pay the levy.

Senator GALLAGHER: Yes, that you have estimated.

Mr Lonsdale: I will have to take that on notice, Senator.

#### **Answer:**

The yearly breakdown of the \$5.5 billion net cash estimate of the major bank levy is presented in Table 3.

**Table 3:** Net major bank levy estimates (Underlying Cash Balance, \$m)

<b>Year</b>	<b>17-18</b>	<b>18-19</b>	<b>19-20</b>	<b>20-21</b>	<b>Total</b>
Net major bank levy estimates (UCB, \$m)	1,200	1,400	1,400	1,500	5,500

Treasury cannot provide individual bank levy estimates for each of the five banks as that would raise taxpayer confidentiality issues.