



Policy costing

| Banking Fairness Fund Levy | |
|--|------------------------|
| Party: | Australian Labor Party |
| Summary of proposal: The proposal would impose a levy on significant banking businesses listed on the ASX 100. This levy would be applied proportionately, based on market capitalisation of these companies in the previous 12 month period. The levy would be deductible for company tax purposes, and raise \$160 million each year, net of the applicable company tax impact. The proposal would commence on 1 January 2020. There would be a half-year impact in 2019-20. | |

Costing overview

This proposal would be expected to increase the fiscal and underlying cash balance by \$618 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis, this impact reflects an increase in revenue of \$630 million and an increase in expenses of \$12 million.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at [Attachment A](#). The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

There is no difference between the fiscal and underlying cash balances due to payments for the levy being calculated yearly and paid in the same year as they are accrued.

Departmental expenses would be \$12 million to implement the proposal.

Estimates in this costing are sensitive to the assumptions that affected banks would absorb the costs of this levy given the limited financial implications of the proposal on any individual bank.

Additionally, the Parliamentary Budget Office (PBO) has not undertaken any analysis to assess whether the proposed expenditures would be sufficient to achieve the objective of the proposal.

Table 1: Financial implications (\$m)^{(a)(b)}

| | 2019–20 | 2020–21 | 2021–22 | 2022–23 | Total to 2022–23 |
|-------------------------|---------|---------|---------|---------|---------------------|
| Fiscal balance | 105 | 198 | 158 | 158 | 618 |
| Underlying cash balance | 105 | 198 | 158 | 158 | 618 |

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- The affected banks would absorb the costs of this levy.
- All banks that would be liable to pay the levy would remain taxable over the 2019-20 Budget forward estimates period.

Methodology

The yearly levy amount imposed on banks listed on the ASX 100 was calculated, taking into account the applicable company tax impact. The levy is paid in the same year as the liability is raised. Consistent with company tax timing, the company tax deduction occurs in the year after the levy is paid.

Revenue estimates have been rounded to the nearest \$10 million.

Departmental expense estimates have been rounded to the nearest \$1 million.

Data sources

Commonwealth of Australia, 2016. *2016-17 Mid-year Economic and Fiscal Outlook*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2017. *2017-18 Budget*, Canberra: Commonwealth of Australia.

Attachment A – Banking Fairness Fund Levy – financial implications

Table A1: Banking Fairness Fund Levy – Fiscal and underlying cash balances (\$m)^{(a)(b)}

| | 2019–20 | 2020–21 | 2021–22 | 2022–23 | Total to 2022–23 |
|-----------------------------|------------|------------|------------|------------|------------------|
| Revenue | | | | | |
| <i>Levy</i> | 110 | 230 | 230 | 230 | 800 |
| <i>Company tax</i> | - | -30 | -70 | -70 | -170 |
| Total – revenue | 110 | 200 | 160 | 160 | 630 |
| Expenses | | | | | |
| <i>Departmental expense</i> | -5 | -2 | -2 | -2 | -12 |
| Total – expenses | -5 | -2 | -2 | -2 | -12 |
| Total | 105 | 198 | 158 | 158 | 618 |

- (a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
 A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
 A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
 A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- (b) Figures may not sum to totals due to rounding.
- Indicates nil.