Parliamentary Budget Office

Banking for People, Not Profit	
Party:	Australian Greens
Summary of proposal: This proposal would increase the major bank levy rate from its present level of 0.015% per quarter to 0.05% per quarter. The proposal would have effect from 1 July 2022.	

Costing overview

This proposal would be expected to increase the fiscal balance by around $12.75 billion and the underlying cash balance by around $12.56 billion over the 2022-23 Budget forward estimates period. This impact entirely reflects an increase in revenue.

The proposal would have ongoing impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2032-33 is provided at Attachment A.

There is a difference between the fiscal and underlying cash balances due to timing differences in when the major bank levy tax liability is recognised and paid. The major bank levy is calculated quarterly and paid in the quarter after they accrue.

The costing includes an income tax effect as the levy is deductible for company tax purposes and there would be a pass-through of costs for affected institutions, which would alter the tax payable by bank customers.

Estimates in this costing are sensitive to assumptions regarding the overall growth in the liabilities of affected institutions, and the potential behavioural responses in relation to changes to the major bank levy rate.

Table 1: Financial implications ($m)(a)(b)

	2022-23	2023-24	2024-25	2025-26	**Total to 2025-26**
Fiscal balance	3,030.0	3,120.0	3,200.0	3,400.0	**12,750.0**
Underlying cash balance	2,990.0	3,070.0	3,150.0	3,350.0	**12,560.0**

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

(b) PDI impacts are not included in the totals.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- The growth in liabilities would be evenly distributed through the year. The banks' liabilities beyond 2021-22 would increase in line with their average historical growth rate of approximately 1.3% per quarter.
- Affected banks would react to the increased levy as follows:
  - Approximately 75% of the increased levy amount would be passed on to bank customers.
    - Around 30% of the passed-on costs would go to individuals who would be able to claim a tax deduction for these costs.
    - Around 15% of the passed-on costs would go to businesses that would be able to claim a tax deduction for these costs.
    - Any remaining passed-on costs would be non-deductible for tax purposes.
  - Around 13% of the additional levy would be passed on to shareholders of the affected banks through reduced dividend payments. These reduced dividend payments would reduce the taxable incomes of shareholders liable to pay tax in Australia.
  - The remainder would be absorbed by the affected banks.
- Domestic banks that are not currently liable to pay the major bank levy would not become liable for the levy over the period to 2032-33.
- All institutions are expected to be taxable over the period to 2032-33.

Methodology

The fiscal balance impact of the increase in the major bank levy was calculated at the end of each quarter by applying the increase in the major bank levy rate to the estimated value of the banks' liabilities. Cash timing assumptions were then applied to reflect the timing of the payments of the levy in order to determine the impact on an underlying cash balance basis.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.[1]

Data sources

Australian Government (2022), *2022-23 Budget,* Australian Government.

The Treasury provided Major Bank Levy projections as at the 2022-23 Budget.

The Australian Prudential Regulation Authority provided information on the banks' liabilities that have been used to calculate the major bank levy revenue for the 2021-22 financial year.

[1] https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

Attachment A – Banking for People, Not Profit – financial implications

Table A1: Banking for People, Not Profit – Fiscal balance ($m)[(a)]

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Revenue													
Major bank levy	*3,660.0*	*3,780.0*	*3,900.0*	*4,130.0*	*4,250.0*	*4,480.0*	*4,710.0*	*4,950.0*	*5,320.0*	*5,550.0*	*5,830.0*	***15,470.0***	***50,560.0***
Income tax	*-630.0*	*-660.0*	*-700.0*	*-730.0*	*-770.0*	*-820.0*	*-860.0*	*-900.0*	*-950.0*	*-1,000.0*	*-1,060.0*	***-2,720.0***	***-9,080.0***
Total (excluding PDI)	**3,030.0**	**3,120.0**	**3,200.0**	**3,400.0**	**3,480.0**	**3,660.0**	**3,850.0**	**4,050.0**	**4,370.0**	**4,550.0**	**4,770.0**	**12,750.0**	**41,480.0**

(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.

Table A2: Banking for People, Not Profit – Underlying cash balance ($m)[(a)]

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Receipts													
Major bank levy	*3,620.0*	*3,730.0*	*3,850.0*	*4,080.0*	*4,200.0*	*4,430.0*	*4,670.0*	*4,900.0*	*5,250.0*	*5,480.0*	*5,760.0*	***15,280.0***	***49,970.0***
Income tax	*-630.0*	*-660.0*	*-700.0*	*-730.0*	*-770.0*	*-820.0*	*-860.0*	*-900.0*	*-950.0*	*-1,000.0*	*-1,060.0*	***-2,720.0***	***-9,080.0***
Total (excluding PDI)	**2,990.0**	**3,070.0**	**3,150.0**	**3,350.0**	**3,430.0**	**3,610.0**	**3,810.0**	**4,000.0**	**4,300.0**	**4,480.0**	**4,700.0**	**12,560.0**	**40,890.0**

(a) 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.

Table A3: Banking for People, Not Profit – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances ($m)[(a)(b)]

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	**Total to 2025-26**	**Total to 2032-33**
Fiscal balance	*30.0*	*100.0*	*180.0*	*250.0*	*340.0*	*440.0*	*550.0*	*690.0*	*840.0*	*1,020.0*	*1,240.0*	***560.0***	***5,680.0***
Underlying cash balance	*30.0*	*100.0*	*170.0*	*240.0*	*330.0*	*430.0*	*540.0*	*670.0*	*820.0*	*1,000.0*	*1,210.0*	***540.0***	***5,540.0***

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the tables above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary[2].

(b) 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.

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[2] Online budget glossary – Parliament of Australia (aph.gov.au)