



Policy costing request—during the caretaker period for a general election

Name of policy:	Too-Big-To-Fail Bank Levy
Person requesting costing:	Senator Di Natale
Parliamentary party:	Australian Greens
Date of request to cost the policy:	23 June 2016
<i>Note: This policy costing request and the response to this request will be made publicly available.</i>	
Has a costing of this policy been requested under Section 29 of the Charter of Budget Honesty (ie from the Treasury or the Department of Finance)?	No
Details of the public release of this policy (Date, by whom and a reference to that release):	http://www.smh.com.au/business/banking-and-finance/greens-big-four-bank-tax-would-raise-15-billion-20160526-gp4f88.html
Description of policy	
Summary of policy (as applicable, please attach copies of relevant policy documents):	<p>A 20 basis point levy on bank assets in excess of \$100 billion, as suggested by the International Monetary Fund and acknowledged by the Reserve Bank of Australia.</p> <p>The levy would be deductible for the purposes of calculating company tax payable.</p>
What is the purpose or intention of the policy?	Implicit guarantees for banks that are too large and central to our financial system to be allowed to fail provides a funding advantage over the small banks. This policy would require the large banks to pay a fair charge for this public support that increases their competitive position, both making competition fairer between big and small banks and raising revenue.
What are the key assumptions that have been made in the policy, including:	
Is the policy part of a package? If yes, list the components and interactions with proposed or existing policies.	No
Where relevant, is funding for the policy to be demand driven or a capped amount? If a capped amount, are the costs of administering the policy to be included within the capped amount or additional to the capped amount?	N/A

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Will third parties (for instance the States/Territories) have a role in funding or delivering the policy? If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged?	No			
Are there associated savings, offsets or expenses? If yes, please provide details.	No			
Does the policy relate to a previous budget measure? If yes, which measure?	No			
If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program?	N/A			
Will the funding/program cost require indexation? If yes, list factors to be used.	No			
Expected impacts of the proposal				
If applicable, what are the estimated costs each year? If available, please provide details in the table below. Are these provided on an underlying cash balance or fiscal balance basis?				
Estimated financial implications (outturn prices)^(a)				
	2016–17	2017–18	2018–19	2019–20
Underlying cash balance (\$m)	2900	3700	4000	4300
Fiscal balance (\$m)	2900	3700	4000	4300
(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 positive number in the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.				
What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)?				
Has the policy been costed by a third party? If yes, can you provide a copy of this costing and its assumptions?	No			

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<p>What is the expected community impact of the policy?</p> <p>How many people will be affected by the policy?</p> <p>What is the likely take up?</p> <p>What is the basis for these impact assessments/assumptions?</p>	<p>Only four taxpaying companies will be directly affected. There will be an incidental effect on shareholders of these four banks.</p> <p>Because not all banks are affected, it will prevent costs being passed through to consumers and boost competition in the banking sector.</p>
<p>Administration of policy:</p>	
<p>Who will administer the policy (for example, Australian Government entity, the States, non-government organisation, etc)?</p>	<p>Australian Taxation Office, Treasury and the Australian Prudential Regulation Authority</p>
<p>Please specify whether any special administrative arrangements are proposed for the policy and whether these are expected to involve additional transactions/processing (by service delivery agencies).</p>	<p>None</p>
<p>Intended date of implementation:</p>	<p>1 September 2016</p>
<p>Intended duration of policy:</p>	<p>Ongoing</p>
<p>Are there transitional arrangements associated with policy implementation?</p>	<p>No</p>
<p>List major data sources utilised to develop policy (for example, ABS catalogue number 3201.0).</p>	
<p>Are there any other assumptions that need to be considered?</p>	<p>No</p>
<p>NOTE:</p> <p><i>Please note that:</i></p> <p><i>The costing will be on the basis of information provided in this costing request.</i></p> <p><i>The PBO is not bound to accept the assumptions provided by the requestor. If there is a material difference in the assumptions used by the PBO, the PBO will consult with the requestor in advance of the costing being completed.</i></p>	