

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2017 - 2018

Division/Agency: Financial System Division
Question No: 206
Topic: Bank Levy
Reference: Hansard page 69-70 (30 May 2017)
Senator: Gallagher, Katy

Question:

Senator GALLAGHER: Referring back to that second dot point on page 32, the one you did accept—if that had been raised by the RBA as part of consultations, would that not normally have been dealt with in the original measure rather than cropping up in the post-budget period and you then having to respond to it?

Mr Lonsdale: As is usual, we find that when we go out and talk to stakeholders, we get a richer set of information. As we outlined yesterday, we were not able to talk to the banks, the taxpayers involved, until after the measure was announced. At that stage, they came back with very detailed and helpful information on a whole range of design elements. They raised issues that we then tested with regulators, and tested within as well, to form a position to put to government. That is pretty much how it worked out.

Senator GALLAGHER: Can I assume from that that the RBA raised it during the pre-budget consultations, but it was then subsequently backed up by the banks in the post-budget consultations, and that is why you are addressing it now as part of the final draft legislation?

Mr Lonsdale: I think that is reading a little bit too much into the first part in terms of the interaction with the Reserve Bank. There are a number of what I would call fine-detail design issues that were raised after the levy was announced, things like the netting of derivatives, the ESA account and the averaging of the liability base over the quarterly period. These sorts of issues benefited from discussion with industry and also with the regulators.

Senator GALLAGHER: The explanatory memorandum also confirms that the bank levy will be a BAS provision at, I think, 1.51.

Mr Lonsdale: Is this paragraph 1.51?

Senator GALLAGHER: Yes.

Mr Lonsdale: In the EM or in the RIS?

Senator GALLAGHER: Have I got them connected as two documents? They all appear in one for me. My question is: does that imply that tax deductions will be available the month after the first payment is made?

Mr Lonsdale: I will just check so that I can give you a precise answer. Sorry, it is technical, so I want to get it right.

Senator GALLAGHER: Sure.

Mr Maloney: Your question was about whether the levy will be collected through the business activities—

Senator GALLAGHER: Whether the tax deductions on the levy will be available the month after the first payment is made.

Mr Maloney: I am assuming that the levy will be collected through the business activity statement.

Senator GALLAGHER: Yes.

Mr Maloney: The corporate tax deduction is generally going to be available when they lodge their tax return, and then, ultimately, that will adjust their pay-as-you-go instalment rate. That

takes time to take effect. It is open to entities to adjust their pay-as-you-go instalment rate, but I would not say it is a common thing.

Senator GALLAGHER: We might come back to that when I have more time. What does Treasury believe the total dollar value of tax deductions claimed in relation to the levy will be? Do you have a total figure?

Mr Lonsdale: That is one of the interactions, and it is not something that we have at the moment. If you—

Senator Cormann: We will consider, as part of the questions on notice on modelling and assumptions, how we can best assist in relation to that.

Senator GALLAGHER: Presumably, if you have the tables showing what you expect to collect as part of net revenue without interactions—

Senator Cormann: The revenue estimates are what is reflected in the budget papers. But, if I understand the question you are asking, you are asking the expected gross revenue minus relevant deductions—

Senator GALLAGHER: Exactly.

Senator Cormann: We will see, on notice, as part of the question on modelling and assumptions, what we can provide.

Senator GALLAGHER: Because it is not available at hand?

Senator Cormann: The evidence that was just given by Mr Lonsdale was that he did not have it at hand, which is why we have taken it on notice.

Answer:

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.