

Politics Federal

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Scott Morrison locks \$6.2 billion bank levy rate into law

A draft bank levy law was released on Tuesday for 0.015% per quarter.

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Treasurer Scott Morrison has written into law the rate that Australia's big five banks will be charged under the \$6.2 billion major banks' levy.

Mr Morrison released on Tuesday the draft bank levy law, which has been kept under wraps since being announced in the May budget, after taking it through the Coalition party room.

The decision to write the levy rate, at 0.015 a quarter on banks that hold greater than \$100 billion in liabilities, into the legislation will go some way towards assuaging the fears of the five banks subject to the levy. The big five were concerned a government would be able to raise the rate in future at the stroke of a pen, as had happened in the United Kingdom.

However the legislation does not have the sunset clause the banks had pushed for. In addition, the tax will now not apply to money the banks hold with the Reserve Bank, or to derivatives – proof, the Australian Bankers' Association argued, that the original tax had major flaws.



Treasurer Scott Morrison ALEX ELLINGHAUSEN

The levy will target the "big four" - Commonwealth, ANZ, NAB and Westpac - plus Macquarie Bank.

Mr Morrison told Parliament the \$6.2 billion major bank levy would help ensure the stability of Australia's financial system and hold the big five banks to account.

The first two quarterly payments of the new levy will be due in March 2018.

"Our banks must be unquestionably strong but they must also be unquestionably accountable. They must be unquestionably fair and our banking system must be unquestionably competitive," he said.



Australian Bankers Association chief executive Anna Bligh blamed the levy for a slump in bank shares.
ALEX ELLINGHAUSEN

"The government is also committed to ensuring that Australia's largest banks are held to account and make a fair additional contribution to the Australian community, which they serve."

"Australia's five largest banks are highly profitable, earning more than \$30 billion after tax."

The forecast revenue of about \$1.5 billion a year, each year, from the levy represented a "fair contribution" from the major banks.

The chief executive of the Australian Bankers' Association, Anna Bligh, ramped up the industry's campaign against the tax on Tuesday, blaming the policy for a \$39 billion slump in banks' market values since the budget.

Ms Bligh claimed the leak of the news on budget day had sent the markets into "a spiral from which they have yet to recover".

"Since budget day \$39 billion has been wiped off the market value of our five largest banks, and every Australian who has a superannuation account will be seeing a loss of value in their account because of this loss of value," she told journalists.

However, bank shares began falling before the budget's announcement and it is likely that an underwhelming round of profits from lenders also contributed to the slump.

The ABA is pushing for the government to remove the levy from 2020-21, when the budget is projected to return to surplus.

"If this is a tax for budget repair, then it is only fair that it be removed when the budget is repaired," Ms Bligh said.

She also highlighted two concessions the government made in its legislation. After secret talks with banks in recent weeks, the tax will not apply to derivatives or exchange settlement

accounts that banks hold with the Reserve Bank.

Tax Institute senior counsel Robert Deutsch took issue with the use of "legislative instruments" in the draft laws that give the Treasurer of the day broad discretion to alter aspects of the tax.

"There is something distinctly uncomfortable about a law that says – generally this is how you work it out but the minister can tell you what the precise rules are as we go and can even change the rules as he or she has previously applied them", he said.

Labor was not shown the legislation before it was introduced to Parliament. The federal opposition has questioned the revenue estimates from the levy, and the government's handling of the bill, but has said it will support the law.

On Monday, [Treasury secretary John Fraser dismissed](#) the impact of the levy on people's mortgages as "trivial" and said he expected it to have next to no impact on interest rates.

He also stood by forecasts that the levy would raise \$6.2 billion over four years.

Four of the major banks - Commonwealth, ANZ, NAB and Westpac - have released estimates that suggest the levy will raise much less than predicted, prompting claims from Labor of a \$2 billion black hole.

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