



# Election policy costing

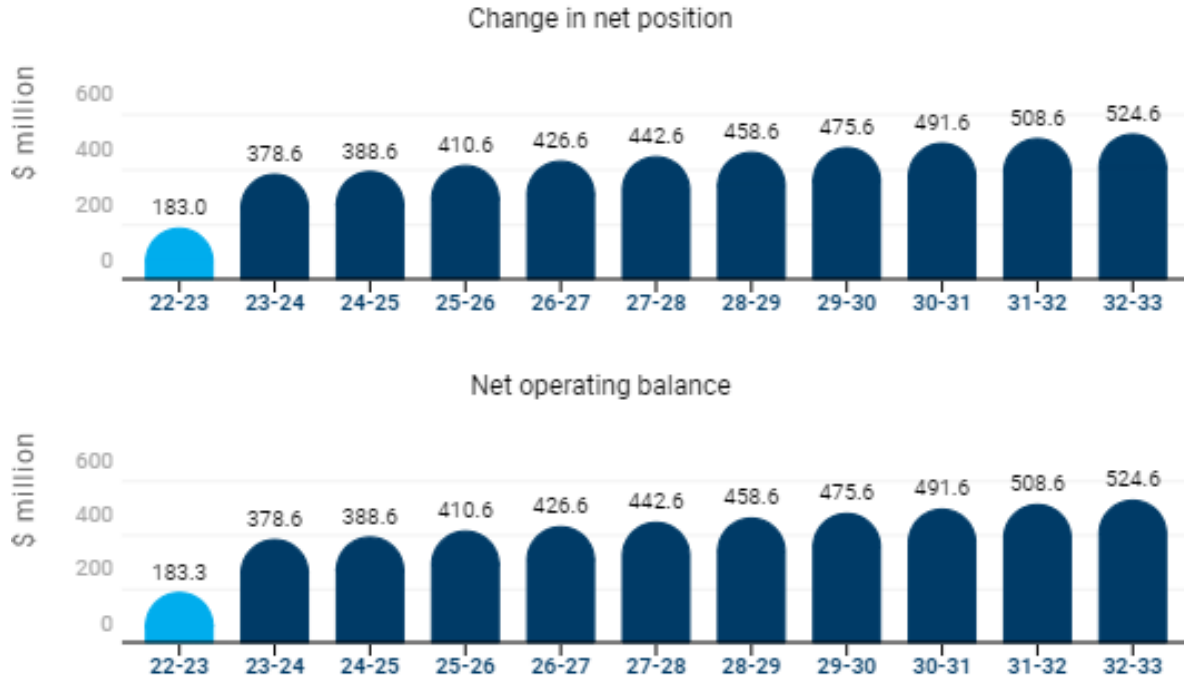
## Establish a levy on big banks (November 2022)

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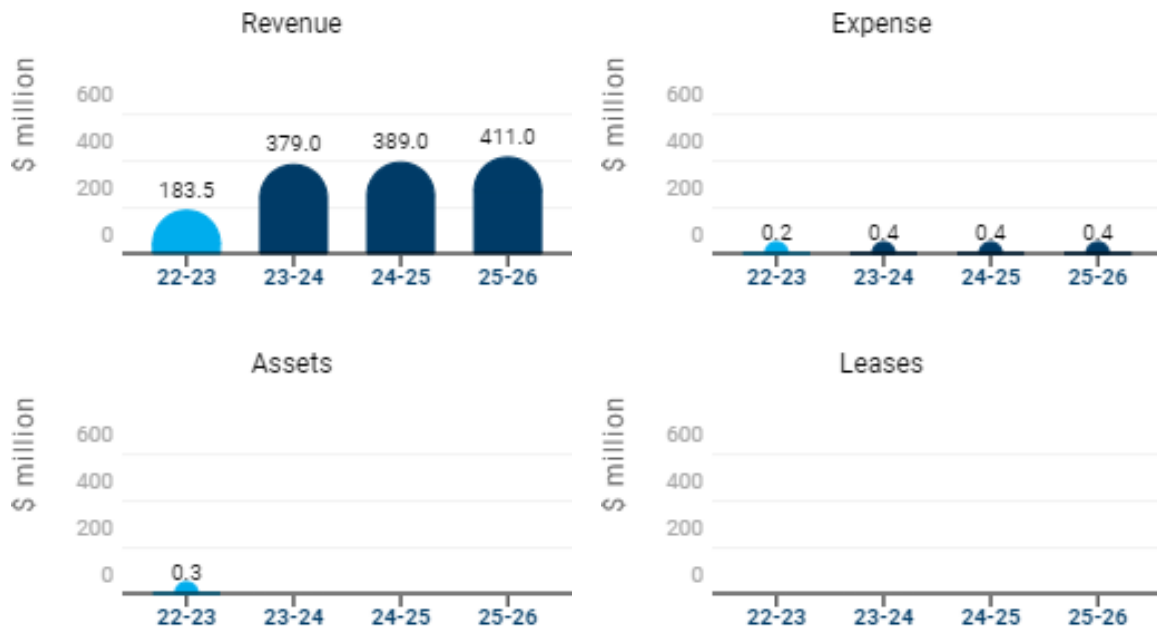
<b>Political party</b>	The Australian Greens - Victoria
<b>Requestor</b>	Dr Samantha Ratnam MP
<b>Request date</b>	3 November 2022
<b>Response date</b>	14 November 2022
<b>Policy commencement</b>	1 January 2023
<b>Policy conclusion</b>	Ongoing
<b>Policy summary</b>	This policy would introduce a separate 0.015% quarterly bank levy of Victoria's share of bank liabilities that are subject to the Australian Government's major bank levy. Victoria's share of the applicable bank liabilities would be based on Victoria's share of the national economy.
<b>Budget baseline</b>	November 2022 pre-election budget update
<b>Expiry date of this response</b>	At the release date of the next Victorian Government budget or budget update.

# Our response

## Budget impact



## Costing components



Source: Parliamentary Budget Office.

## Context

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In 2017, the Australian Government introduced the major bank levy which it estimates will raise \$1,570 million in 2022–23 and \$6,630 million between 2022–23 and 2025–26. The levy rate is set at 0.015% and is applied quarterly to banks with total liabilities in excess of \$100 billion.

This policy would introduce a separate Victorian bank levy of 0.015% for the Victorian share of liabilities held by banks subject to the Australian Government's bank levy.

## Costing overview

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We expect this policy to increase the state's budgeted net position by:

- \$1,360.9 million across 2022–23 to 2025–26, this reflects:
  - an increase in revenue of \$1,362.5 million due to introducing the Victorian bank levy
  - an increase in operating expenses of \$1.3 million due to ongoing administration costs
  - an increase in assets of \$0.3 million due to establishment costs.
- \$4,689.0 million across 2022–23 to 2032–33, this reflects:
  - an increase in revenue of \$4,693.5 million due to introducing the Victorian bank levy
  - an increase in operating expenses of \$4.2 million due to ongoing administration costs
  - an increase in assets of \$0.3 million due to establishment costs.

The total estimated investment (TEI) reflects the amount of expenditure needed to undertake the asset works, but excludes the associated operating, maintenance expenses and finance lease costs. We expect this policy to have a TEI of \$0.3 million from the commencement of asset works in 2022–23 to completion in 2022–23.

This cost estimate is sensitive to:

- the Australian Government's estimates of the major bank levy revenue at the national level, which are impacted by future economic and fiscal outlook updates
- changes in real Victorian gross state product (GSP) and real Australian gross domestic product (GDP).

We made no judgement on how this policy would collect the 0.015% quarterly bank levy.

## Our approach

### Assumptions

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When costing this policy, we made the following assumptions:

1. Estimated revenue for the major bank levy beyond 2024–25 would increase in line with the Australian Government's forward estimate projections for the levy.

2. Real Victorian GSP and real Australian GDP would increase in line with their estimated medium-term projections in the latest Victorian and Australian budgets, respectively. As a result, Victoria's share of the national economy would remain constant from 2026–27.

## Method

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When costing this policy, we:

- indexed Victorian real GSP, Australian real GDP, and the Australian Government's major bank levy revenue
- estimated the policy's revenue by applying the relevant Victorian GSP to Australian GDP ratio to the Australian Government's major bank levy revenue
- estimated establishment and ongoing administration costs based on similar initiatives.

We applied a part year impact to the first year of this policy to reflect a proposed 1 January 2023 commencement date.

## Data sources

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- Australian Budget 2022–23, Budget Paper No. 1 Budget Strategy and Outlook 2022–23
- Australian Bureau of Statistics. 2022. Australian National Accounts: State Accounts. [ONLINE] Available at: <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-state-accounts/latest-release> [Accessed 11 November 2022]
- Victorian Budget 2022–23, Budget Paper No. 1 Strategy and Outlook 2022–23

# Attachment A – Detailed budget impacts

## Year-on-year impacts

(\$ million)	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Revenue	183.5	379.0	389.0	411.0	427.0	443.0	459.0	476.0	492.0	509.0	525.0
Expense	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Net operating balance	183.3	378.6	388.6	410.6	426.6	442.6	458.6	475.6	491.6	508.6	524.6
Assets	0.3	-	-	-	-	-	-	-	-	-	-
Leases	-	-	-	-	-	-	-	-	-	-	-
Change in net position	183.0	378.6	388.6	410.6	426.6	442.6	458.6	475.6	491.6	508.6	524.6

## Cumulative impacts

(\$ million)	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Revenue	183.5	562.5	951.5	1,362.5	1,789.5	2,232.5	2,691.5	3,167.5	3,659.5	4,168.5	4,693.5
Expense	0.2	0.5	0.9	1.3	1.7	2.1	2.5	2.9	3.3	3.8	4.2
Net operating balance	183.3	562.0	950.6	1,361.2	1,787.8	2,230.4	2,689.0	3,164.6	3,656.2	4,164.7	4,689.3
Assets	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Leases	-	-	-	-	-	-	-	-	-	-	-
Change in net position	183.0	561.6	950.3	1,360.9	1,787.5	2,230.1	2,688.7	3,164.3	3,655.8	4,164.4	4,689.0

Notes: Figures may not sum due to rounding. Consistent with Victorian Budget Paper No.3 – Service Delivery, we do not consider changes to interest, depreciation expense nor non-cash adjustments. The net operating balance measures the gap between government revenue and expenses, and is an indicator of the policy's impact on operating sustainability. A positive change indicates that this policy would improve the net operating balance of the state budget. The net position measures the gap between government revenue and expenses, and movements in financial and non-financial assets. It is an indicator of the policy's impact on the state budget, and is more appropriate for comparing policy costings. A positive change indicates that this policy would improve the net position of the state budget.

Source: Parliamentary Budget Office.