



AUSTRALIAN BANKERS'
ASSOCIATION INC.

Strong banks – strong Australia

Taxes and other levies paid to governments in Australia by the banking industry

Economic Report

August 2016





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1. Introduction

This report looks at the contribution of the Australian banking industry to government revenue through taxes and other levies, and compares this with the tax rates paid by banks in other countries and with the tax paid by other industries in Australia.

Key findings of this report are:

- The Australian banking industry pays a lot of tax and levies.
- Australian banks pay a high rate of tax relative to many banks overseas.
- The Australian banking industry pays the most income tax of any industry in Australia.
- Australia’s four major banks are among the biggest individual payers of income tax.

It would seem fair to conclude that Australia’s banks are paying their way in terms of their contribution to government revenue and to national prosperity.

2. Tax paid by banks in Australia

Banks in Australia make a big contribution to government revenue. Over \$14 billion in tax was paid to governments in 2015.

Almost \$12 billion was paid to the Federal Government in corporate income tax; \$1 billion in GST; \$335 million in income tax on life insurance assets, and about \$100 million in fringe benefits tax. Another \$1 billion was paid to state and local governments in payroll tax, land tax and council rates, and other taxes.

Figure 1: Tax paid to Australian governments by banks

	Reporting Year 2012 (\$m)	Reporting Year 2013 (\$m)	Reporting Year 2014 (\$m)	Reporting Year 2015 (\$m)
Income Tax (a)	\$9,338	\$9,052	\$10,985	\$11,864
Net Unrecoverable GST	\$1,052	\$1,060	\$1,112	\$1,065
Payroll Tax	\$766	\$768	\$832	\$858
Policyholder Tax (Benefit)/Expense (b)	\$583	\$417	\$428	\$335
Fringe Benefits Tax	\$104	\$102	\$100	\$103
Land tax and Council rates	\$30	\$27	\$30	\$26
Other	\$100	\$121	\$143	\$145
Total	\$11,974	\$11,548	\$13,630	\$14,395

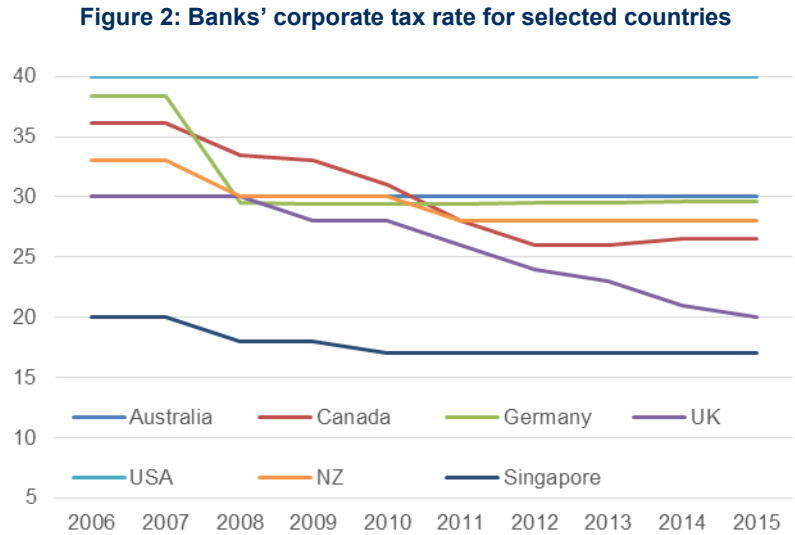
Source: ABA

(a) Corporate income tax paid by the group to the Australian Government.

(b) Tax paid on life insurance policyholders’ investment earnings.

3. Tax paid by banks in other countries

The corporate income tax rate in Australia is a relatively high 30 per cent. There have been substantial reductions in the corporate tax rate for some key competitors over the past 10 years but the corporate tax rate for Australia (and USA) has not changed.



Source: OECD (includes corporate taxes paid to central and other levels of government)

4. Tax paid by industries

Banks in Australia pay a lot of tax compared with other industries.

In 2015, a total of \$31.3 billion in tax was paid by companies listed on the ASX 200. Those seven companies classified as banks¹ paid \$12.7 billion or 41 per cent of all tax paid by the ASX200. This is almost double the next highest industry, metals and mining (\$6.5 billion).

Of the 48 industries covered by the ASX200, the top two pay 60 per cent of all tax paid.

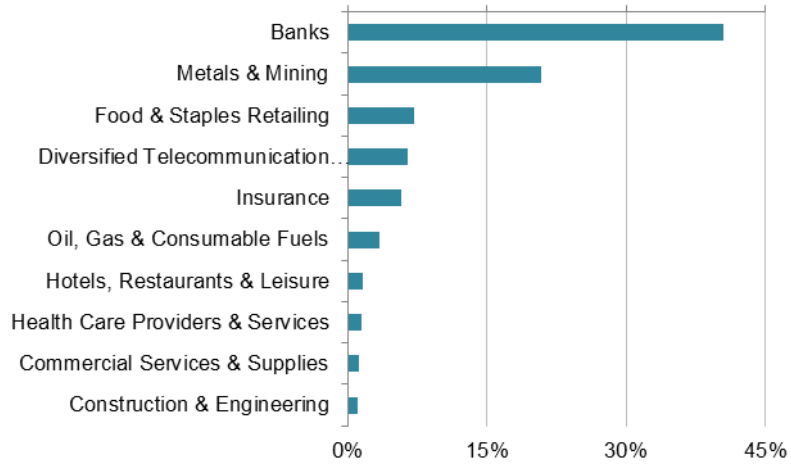
Figure 3: Income tax paid by the top 25 ASX200 industries (2015)

Industry	Number of companies	Tax paid (\$m)	%Tax paid
Banks	7	\$12,672	40.5%
Metals & Mining	14	\$6,531	20.9%
Food & Staples Retailing	3	\$2,241	7.2%
Diversified Telecommunication Services	4	\$2,010	6.4%
Insurance	6	\$1,809	5.8%
Oil, Gas & Consumable Fuels	7	\$1,087	3.5%
Hotels, Restaurants & Leisure	12	\$500	1.6%
Health Care Providers & Services	9	\$479	1.5%
Commercial Services & Supplies	9	\$387	1.2%
Construction & Engineering	2	\$347	1.1%
Biotechnology	3	\$278	0.9%
Diversified Financial Services	3	\$276	0.9%
Media	9	\$266	0.8%
Chemicals	4	\$262	0.8%
Construction Materials	6	\$210	0.7%
Professional Services	5	\$189	0.6%
Beverages	2	\$182	0.6%
Specialty Retail	5	\$177	0.6%
Multi-Utilities	2	\$163	0.5%
Energy Equipment & Services	1	\$156	0.5%
Thriffs & Mortgage Finance	1	\$155	0.5%
Real Estate Investment Trusts (REITs)	10	\$152	0.5%
Containers & Packaging	3	\$151	0.5%
Health Care Equipment & Supplies	4	\$148	0.5%
Real Estate Management & Development	2	\$122	0.4%
Total (includes other not above)	200	\$31,277	100.0%

Source: Bloomberg

¹ The ASX GICS classification does not include Suncorp or AMP as banks (both are classified to the insurance industry) while Macquarie Bank is classified to the capital markets. All three are members of the ABA.

Figure 4: Contribution to total ASX200 tax paid by top 10 tax-paying industries



Source: Bloomberg

Banks pay a lot of tax as an industry but the industry also includes some of Australia’s biggest individual taxpayers. In 2015, Australia’s four major banks were among the top five tax-paying companies, each paying between \$2.4 billion and \$3.4 billion in tax.

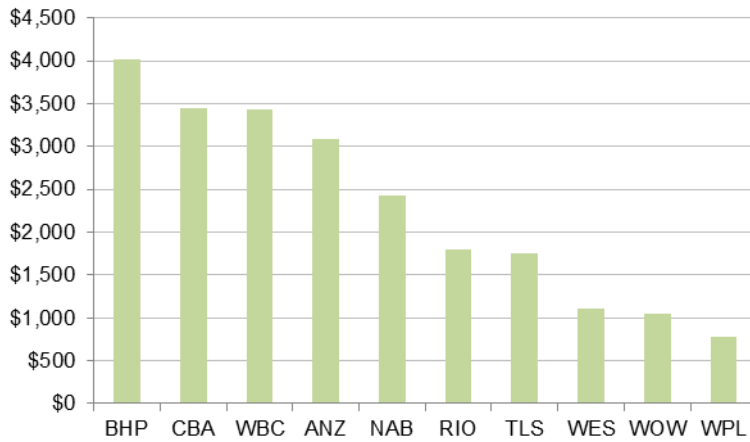
There are only nine companies that paid over \$1 billion a year in income tax in 2015.

Figure 5: Tax paid by the top 25 ASX200 companies (2015)

Name	Industry	Tax paid \$m
BHP Billiton Ltd	Metals & Mining	\$4,025
Commonwealth Bank of Australia	Banks	\$3,444
Westpac Banking Corp	Banks	\$3,426
Australia & New Zealand Banking Group	Banks	\$3,082
National Australia Bank Ltd	Banks	\$2,428
Rio Tinto Ltd	Metals & Mining	\$1,792
Telstra Corp Ltd	Diversified Telecommunication Services	\$1,755
Wesfarmers Ltd	Food & Staples Retailing	\$1,102
Woolworths Ltd	Food & Staples Retailing	\$1,056
Woodside Petroleum Ltd	Oil, Gas & Consumable Fuels	\$780
Suncorp Group Ltd	Insurance	\$620
Fortescue Metals Group Ltd	Metals & Mining	\$529
AMP Ltd	Insurance	\$379
Insurance Australia Group Ltd	Insurance	\$351
QBE Insurance Group Ltd	Insurance	\$347
CIMIC Group Ltd	Construction & Engineering	\$315
CSL Ltd	Biotechnology	\$281
Ramsay Health Care Ltd	Health Care Providers & Services	\$204
ASX Ltd	Diversified Financial Services	\$197
Brambles Ltd	Commercial Services & Supplies	\$167
Orica Ltd	Chemicals	\$163
WorleyParsons Ltd	Energy Equipment & Services	\$156
Genworth Mortgage Insurance Australia	Thriffs & Mortgage Finance	\$155
Amcor Ltd/Australia	Containers & Packaging	\$155
Coca-Cola Amatil Ltd	Beverages	\$148

Source: Bloomberg (Total global income tax paid)

Figure 6: Tax paid by the top 10 ASX200 tax-paying companies (\$m) (2015)

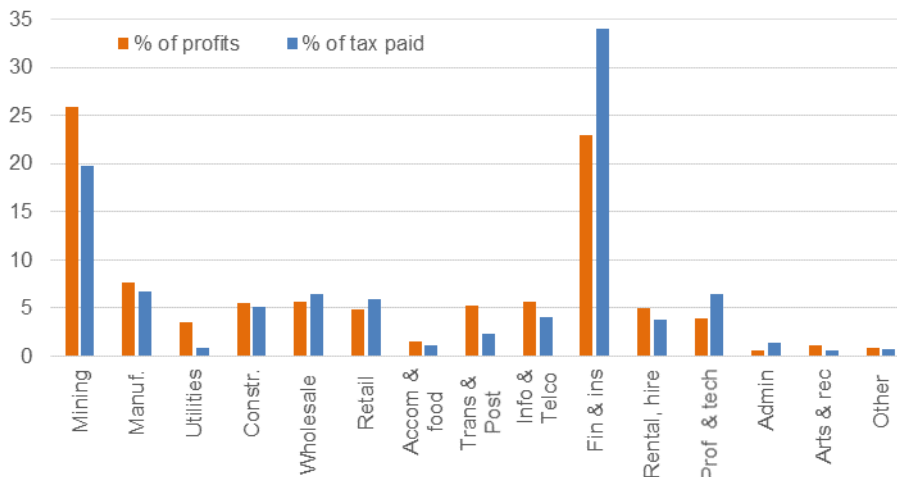


Source: Bloomberg

Another consideration in assessing the burden of tax is to look at tax paid relative to economic income. In 2010, Treasury² found that the finance and insurance industry was the only industry to pay a more than proportionate amount of tax relative to its contribution towards economic income³.

The latest data show that the finance and insurance industry continued to pay a more than proportionate amount of tax in 2013-14. In that year the finance and insurance industry accounted for around 23 per cent of corporate profits⁴, but paid a significantly larger proportion of 34.0 per cent of corporate tax⁵.

Figure 7: Industry shares of profit and corporate tax collections (2013-14)



Sources: ABS, ATO

² Greagg, Parham and Stojanovski; Disparities in Average Rates of Company Tax across Industries, Economic Roundup Issue 2, 2010, Australian Treasury

³ The Treasury study explained these differences are likely a consequence of the industry's characteristics as well as industry-specific taxation measures. They noted that finance and insurance industry's high tax relative to profit contribution may be due to "the absence of industry-specific tax breaks, or little opportunities for large depreciation deductions."

⁴ Profits are measured as Company Gross Operating Profits in the ABS's 5676.0 Business Indicators.

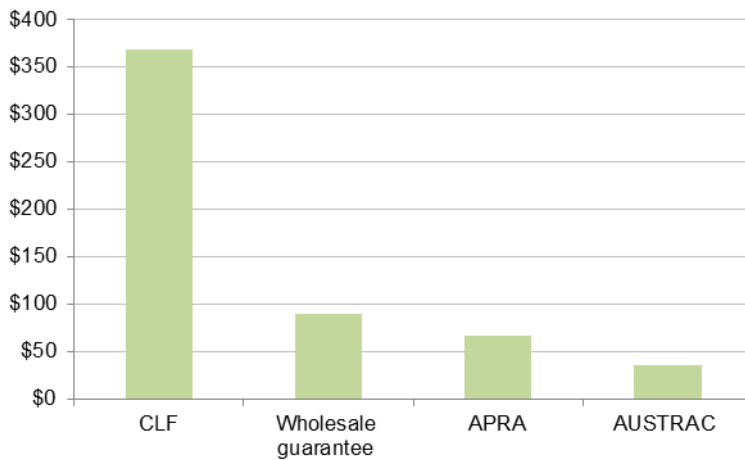
⁵ Corporate Tax Payments is the Net Tax item sourced from the ATO's annual Taxation Statistics publication for 2013-14.

5. Other levies paid by banks

Banks pay levies to government agencies such as the Reserve Bank of Australia for the Committed Liquidity Facility, the Australian Prudential Regulation Authority and AUSTRAC. Banks also pay a levy to the Australian Government for the use of the Government’s guarantee for wholesale funding – this facility was introduced during the global financial crisis but is now closed.

In 2015, a total of \$559 million in levies was paid by banks to government agencies.

Figure 8: Levies paid by banks (\$m) (2015)



Source: ABA