



AUSTRALIAN BANKERS'  
ASSOCIATION INC.

Strong banks – strong Australia

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

## Economic Report

June 2017





Strong banks – strong Australia

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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 the biggest individual corporate taxpayers.

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 2016.

Almost \$11.5 billion was paid to the Federal Government in corporate income tax; \$1.1 billion in GST; \$441 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 (\$m)**

Reporting year:	2012	2013	2014	2015	2016
Income Tax (Federal) (a)	\$9,338	\$9,052	\$10,985	\$11,847	\$11,486
Policyholder Tax (Benefit)/Expense (b)	\$583	\$417	\$428	\$335	\$441
Net Unrecoverable GST	\$1,052	\$1,060	\$1,112	\$1,041	\$1,075
Fringe Benefits Tax (Federal)	\$104	\$102	\$100	\$104	\$105
Payroll Tax (State)	\$766	\$768	\$832	\$853	\$918
Land tax (State)	\$22	\$21	\$22	\$19	\$13
Local Council rates	\$8	\$6	\$8	\$7	\$8
Other	\$100	\$121	\$143	\$145	\$144
<b>Total</b>	<b>\$11,974</b>	<b>\$11,548</b>	<b>\$13,630</b>	<b>\$14,351</b>	<b>\$14,189</b>

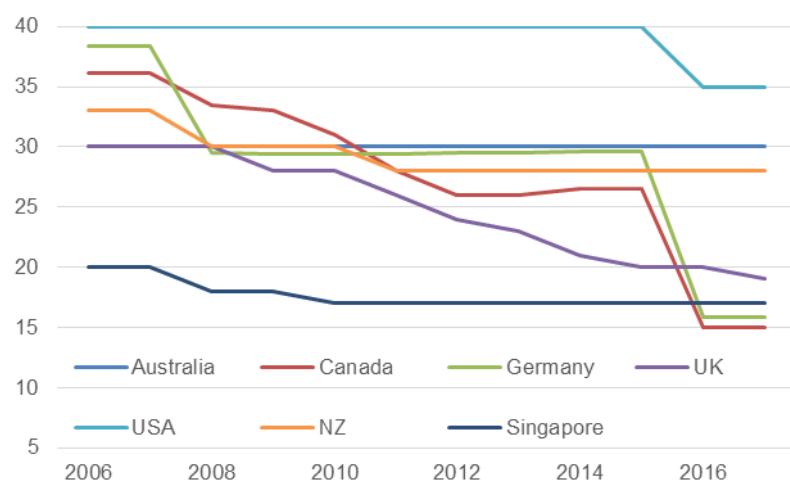
Source: ABA

(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 income tax rate for large corporates 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 has not changed.

**Figure 2: Banks' corporate tax rate for selected countries**



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 2016, a total of \$22.4 billion in tax was paid by companies listed on the ASX 200. The seven companies classified as banks<sup>1</sup> paid \$12.4 billion or 55 per cent of all tax paid by the ASX 200. This is much higher than any other industry.

**Figure 3: Income tax paid by the ASX 200 industries (2016)**

Industry	Number of companies	Tax expense (\$m)	Tax expense %
Banks	7	\$12,400.0	55.3%
Capital Markets	9	\$1,370.6	6.1%
Food & Staples Retailing	3	\$1,218.9	5.4%
Insurance	5	\$1,184.8	5.3%
Metals & Mining <sup>2</sup>	23	\$851.6	3.8%
Health Care Providers & Services	10	\$527.8	2.4%
Hotels, Restaurants & Leisure	12	\$506.6	2.3%
Commercial Services & Supplies	4	\$454.6	2.0%
Construction Materials	6	\$441.7	2.0%
Biotechnology	2	\$437.2	2.0%
Airlines	1	\$395.0	1.8%
Diversified Financial Services	2	\$361.8	1.6%
Diversified Telecommunication Services	5	\$327.8	1.5%
Health Care Equipment & Supplies	5	\$304.7	1.4%
Containers & Packaging	3	\$287.8	1.3%
Chemicals	4	\$279.9	1.2%
Beverages	2	\$251.0	1.1%
Construction & Engineering	2	\$249.3	1.1%
All others	95	\$554.3	2.8%
Total	200	\$22,405.5	100.0%

Source: Thomson Reuters

<sup>1</sup> 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. Additionally, the result for banks in this table is different to that in Table 1 given that Table 1 provides data for a greater number of banks.

<sup>2</sup> Although some mining companies paid significant amounts of tax, others incurred losses. The aggregate result across the 23 metals and mining industry companies was \$851.6 million in tax paid.

Banks pay a lot of tax as an industry, and the industry also includes some of Australia's biggest individual corporate taxpayers. In 2016, Australia's four major banks were the top four tax-paying companies.

Only five companies paid over \$1 billion in income tax in 2016.

**Figure 4: Tax expense of the top 25 ASX 200 companies (2016)**

Company name	GICS industry name	Tax expense (\$m)
Commonwealth Bank of Australia	Banks	\$3,606.0
Westpac Banking Corp	Banks	\$3,184.0
National Australia Bank Ltd	Banks	\$2,553.0
Australia and New Zealand Banking Group	Banks	\$2,299.0
Rio Tinto Ltd	Metals & Mining	\$1,364.9
Macquarie Group Ltd	Capital Markets	\$927.0
Wesfarmers Ltd	Food & Staples Retailing	\$631.0
Woolworths Ltd	Food & Staples Retailing	\$519.5
Fortescue Metals Group Ltd	Metals & Mining	\$495.3
Suncorp Group Ltd	Insurance	\$462.0
CSL Ltd	Biotechnology	\$420.8
<b>CYBG PLC</b>	<b>Banks</b>	<b>\$408.5</b>
Qantas Airways Ltd	Airlines	\$395.0
QBE Insurance Group Ltd	Insurance	\$357.4
Woodside Petroleum Ltd	Oil, Gas & Consumable Fuels	\$334.0
Brambles Ltd	Commercial Services & Supplies	\$327.1
AMP Ltd	Diversified Financial Services	\$280.0
CIMIC Group Ltd	Construction & Engineering	\$220.6
Insurance Australia Group Ltd	Insurance	\$218.0
Caltex Australia Ltd	Oil, Gas & Consumable Fuels	\$217.0
Oil Search Ltd	Oil, Gas & Consumable Fuels	\$202.9
Orica Ltd	Chemicals	\$198.4
Ramsay Health Care Ltd	Health Care Providers & Services	\$197.7
<b>Bendigo and Adelaide Bank Ltd</b>	<b>Banks</b>	<b>\$191.3</b>
Amcor Ltd	Containers & Packaging	\$181.6
ASX Ltd	Capital Markets	\$179.9

Source: Thomson Reuters

## 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.

In 2016, a total of \$510 million in levies was paid by banks to government agencies.

**Figure 5: Levies paid by banks (\$m) (2016)**

