Australian Government

AUSTRAC

Revised industry contribution levy model

Industry consultation paper

November 2026

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About the consultation

Australia's anti-money laundering and counter-terrorism financing (AML/CTF) reforms have significantly expanded the number and diversity of businesses regulated by AUSTRAC. The larger regulatory environment provides an opportunity to replace the current complex levy formula with a model that is simpler, more transparent and better aligned with capacity to pay.

We're seeking feedback on the practical operation, calibration and impacts of a revised Industry Contribution Levy (ICL). Submissions will inform final advice to government on future funding arrangements and the detailed levy settings proposed from the 2027–28 financial year.

This paper explains:

- why the current levy model is being revised
- the design and rationale for the proposed earnings-based model
- which entities would pay and the proposed exemptions
- the indicative earnings bands and rates
- how an entity could estimate its potential levy
- the expected impacts, transition arrangements and review process
- specific matters on which AUSTRAC is seeking evidence and feedback.

What is out of scope

This consultation does not determine AUSTRAC's work program; the overall level of funding provided to us or the final amount recovered through the levy. These matters are determined through government and Budget processes. The purpose of the levy is to support AUSTRAC's regulatory, intelligence and enabling functions; it is not to increase the government's broader taxation base.

2026–27 industry contribution levy

The next round of levy invoices will be issued in 2027 for the 2026–27 financial year. While the current levy model and settings continue to apply to tranche 1, tranche 2 entities won't pay this year's (FY2026-27) levy.

AUSTRAC won't be changing the 2026–27 levy process. The underlying structure and principles of the industry contribution model remain unchanged from the model used for 2014–15 and subsequent years. This includes the 2025–26 financial year, when we undertook a full consultation process.

Anyone with concerns or questions about the 2026–27 levy can contact us by email at Industry_levy@austrac.gov.au

The revised levy model will apply from the 2027–28 financial year.

How to make a submission

Submissions may respond to some or all questions in this paper and can raise other relevant implementation issues. Where possible, provide evidence, examples or data to support your views, including the likely effect on your business, sector or customers.

Remember to include:

- the name of your organisation, or your name if submitting as an individual
- contact details, including an email address and telephone number where available
- whether any part of the submission is confidential and the reason/s for that request.

Email: Industry_levy@austrac.gov.au

Closing date: COB Friday 18 December 2026

Privacy and Freedom of Information

AUSTRAC may publish submissions, including the names of people or organisations making submissions. Clearly identify any information you consider confidential and explain why. Requests for access will be considered under the *Freedom of Information Act 1982.* Marking material confidential does not guarantee it can be withheld under the Act.

Goods and services tax

The industry contribution levy excludes goods and services tax (GST).

Consultation and implementation timetable

Table 1. Consultation and implementation timetable

Stage	Activity	Indicative timing
Public consultation	Consultation opens to invite submissions from regulated entities, industry bodies and other stakeholders.	23 November-18 December 2026
Model refinement	Assess submissions, validate assumptions and refine settings and transition arrangements.	December 2026-January 2027
Government consideration	Consider the future funding model and total recoverable amount through the 2027–28 Budget process.	February-May 2027
Proposed commencement	Implement agreed arrangements, subject to legislative, policy, systems and administrative readiness.	From 1 July 2027
Initial levy cycle	Entities to update enrolment data	July to Sep 2027
	Levy census date	30 Sep 2027
	Ministerial determination and explanatory statement signed	April 2028
	Invoices issued	March 2028

Why the levy model is changing

AUSTRAC and the industry contribution levy

The industry contribution levy (ICL) is an annual fee paid by certain reporting entities. This money supports AUSTRAC's regulatory, intelligence and enabling functions.

The levy is governed by the *Australian Transaction Reports and Analysis Centre Industry Contribution Act 2011* and the *Australian Transaction Reports and Analysis Centre Industry Contribution (Collection) Act 2011*. Each year, the minister responsible makes a legislative instrument that specifies the amount, or the method for determining the amount, payable by leviable entities.

A leviable entity is a reporting entity required to be enrolled with AUSTRAC. A full definition of leviable entity can be found in the *Australian Transaction Reports and Analysis Centre Industry Contribution (Collection) Act 2011*

The existing model

The current levy combines both earnings and transaction-reporting components based on reports submitted under subsections 43(2) or 45(2) of the AML/CTF Act. These components are calibrated annually to maintain an approximately equal revenue split. The earnings component applies above a $100 million leviable earnings threshold. The transaction-reporting component uses report volume and value, with different treatment above and below a transaction-value threshold. For the 2025–26 financial year, the earnings component is capped at $6 million, and the transaction-reporting component capped at approximately $9.345 million, resulting in a maximum combined levy of approximately $15.345 million. These caps are annually adjusted and not fixed amounts under the current model.

The current model has supported AUSTRAC for several years. However, feedback from previous consultation rounds found it was considered overly complex as it requires multiple thresholds, factors, caps and annual adjustments. As a result, it can be difficult for business to forecast levy amounts and for AUSTRAC to explain and administer.

Transaction volume and value can also be a poor proxy for profitability or capacity to pay. In addition, feedback indicated that transaction reporting may unfairly impact industries inconsistently, depending on the nature of each business, and is considered inequitable.

The current model's use of 'caps' has also been raised as unfair with the potential to subsidise larger entities that may trigger the caps, whereas small entities don't realise this benefit.

A larger and more diverse regulated population

Australia's AML/CTF 2026 reforms expanded AUSTRAC's regulatory coverage. This includes additional virtual asset services from 31 March and newly regulated professional and business sectors from 1 July. This expansion broadened AUSTRAC's regulated population to include businesses with more varied operating models, sizes and earnings profiles. A large number are expected to be small businesses.

The limitations of the current model discussed above would also apply, and be amplified, when applied to this larger and more diverse population. This provides the basis for reviewing how industry contributions are distributed.

In reviewing the model, AUSTRAC considered enrolment and registration information, feedback from previous consultation, operational experience, current enrolment data and a targeted voluntary industry survey. The survey response rate was below 4% which somewhat limits the precision of entity-level and sector-level impact estimates, particularly for newly regulated sectors. The proposed model therefore uses a simple, auditable measure and includes a formal review after implementation.

Alternate models considered

AUSTRAC has undertaken analysis of a range of levy model options, including domestic and international funding approaches. The options used different combinations of earnings, turnover and transaction activity to assess capacity to pay, regulatory footprint and revenue stability.

The various model designs were assessed against the principles of equity, capacity to pay, revenue sustainability, administrative simplicity, transition risk and impacts on small business.

Models eliminated as they didn't achieve the desired principles or weren't feasible were:

- *Retain existing model* – would have the lowest transition risk, however the threshold and caps constrain scalability and perpetuate cross-subsidisation and other criticisms previously discussed. The earnings element has been retained however as it's considered the preferred measure of capacity to pay. In addition, thresholds, bands and rates have been redesigned. Transaction report values and volumes haven't been incorporated, preserving a simpler model based on one primary input from regulated entities and addressing criticisms.

- *Economic capacity and business scale models* – these options introduced turnover as an additional or replacement economic measure, and considered the balance between the various components (turnover, earnings and transactions). Analysis demonstrated that turnover would not materially improve equity or broaden the base. A stronger turnover focus may also overstate capacity to pay for high-turnover, low-margin businesses and weaken the relationship between liability and profitability. Finally, combining earnings, turnover and activity add data and administrative complexity and place additional reporting requirements on entities who would need to provide more information.

- *Industry sector weighting* – analysis indicated the potential for unintended consequences for industries that have fewer members than others and as such such was found unsuitable.

- *Risk-based allocation* – Risk measures are subjective and change with environmental conditions, limiting their stability as a basis for the levy. International counterparts consulted also reported similar difficulties implementing an agreed risk based methodology. Sector-level cost and risk allocation also requires judgement, which has potential to create boundary and cross-subsidisation disputes, and may materially affect sectors before regulatory effort is sufficiently quantified. Capacity to pay was therefore prioritised, with earnings considered the most appropriate measure.

- *Cost recovery model/regulatory effort* – A cost recovery approach was considered but is not preferred because AUSTRAC's regulatory, intelligence and enabling activities cannot be readily or consistently attributed to individual sectors or entities. Regulatory effort is dynamic and changes in response to emerging risks, supervisory findings, intelligence priorities and developments in the operating environment. This would require significant judgement in allocating costs and could result in unpredictable or volatile levy outcomes from year to year. International consultation also identified challenges in establishing a sufficiently consistent and agreed methodology for measuring and attributing regulatory effort. Earnings were therefore considered a more objective, transparent and administratively practical basis for distributing levy contributions, while reflecting businesses' relative capacity to contribute.

Variations of these options were considered, including flat-rate components, banding, minimum and maximum thresholds, caps and fixed fees. The options were modelled using available data, including responses to the voluntary industry survey and existing enrolment information. However, the modelling was constrained by the relatively low survey response rate and the fact that some of the data required to assess particular options is not currently collected through the enrolment process.

Design objectives

The proposed model balances:

- capacity to pay
- a broader and more sustainable levy base
- simplicity, predictability and transparency
- protection for smaller entities from additional burden.

Proposed new levy model

AUSTRAC proposes an evolution of the existing levy rather than a complete redesign. The model would retain earnings as a familiar measure but make it the single primary input for determining the amount paid by leviable entities. The table below outlines the key features of the proposed model.

Table 2. Proposed new levy model features

Proposed new feature	How it would operate	Purpose
One primary input	Levy based on earnings. Transaction reporting volume and value would no longer be used.	Simplifies calculation and focuses on capacity to pay.
$5 million threshold	Entities with group earnings of $5 million or less would have a nil levy.	Protects smaller and lower-profit entities.
Fixed entry band	Entities with earnings over $5 million and up to $10 million would pay an indicative fixed amount of $2,500.	Provides a low and predictable entry point.
Graduated earning bands	Higher earnings bands would attract increasing percentage rates.	Broadens contributions in line with financial capacity.

Proposed new feature	How it would operate	Purpose
Registered charity exemption	Entities registered as charities with the Australian Charities and Not-for-profits Commission would be exempt.	Recognises the broader public benefit provided by registered charities and seeks to align with other tax concessions across government.
No maximum cap	The current maximum earnings and overall levy caps would be removed.	Reduces distortion and non-transparent cross-subsidisation created by caps.
3-year review	An independent review would be conducted after 3 years of operation.	Tests outcomes using better data and implementation experience.

Annual rates will be calibrated to the total amount approved for recovery and relevant earnings data. Rates in this paper are indicative and show the proposed scale and distribution of levy. They are not final invoices or legal determinations.

Why we recommend earnings

Earnings measure profitability rather than total sales value or transactions. A business can have high turnover but narrow margins. Using turnover alone could overstate capacity to pay. Earnings provide a clearer and more consistent measure of financial capacity across varied business models. Earnings are a readily available and consistently used data source across the entire cohort, large and small, and as such imposes the least burden on regulated entities when complying with their levy reporting responsibilities.

Choosing to rely on earnings rather than transaction reporting also recognises the differing nature of the larger cohort and removes a burden that could be placed unevenly across industries.

What we mean by earnings

For levy purposes, earnings are a measure of profitability, not turnover or revenue. Depending on the entity type, earnings would be calculated as:

- profit before tax, depreciation and amortisation (PBTDA) for an authorised deposit-taking institution, a registered financial corporation, or an entity related to a leviable entity of that kind
- earnings before net financing costs, tax, depreciation and amortisation (EBITDA) for other entities.

The calculation would use the entity's most recently completed financial year at census date and as applicable under the final legal rules. Entities should use information from finalised financial statements or equivalent records and retain supporting information.

How to calculate earnings

Start with the profit measure in your financial statements, then apply the adjustments required for your entity type. Earnings are not the same as revenue, turnover, cash receipts or the value of transactions reported to AUSTRAC. Detailed guidance and calculation worksheets would be published before the first levy round.

Transaction reports would no longer be included in levy calculations

Under the proposed model, the number and value of transaction reports lodged with AUSTRAC would no longer be inputs to the levy calculation. Reporting obligations under the AML/CTF framework would not change as a result. Entities must continue to submit all required reports accurately and on time.

Removing transaction reporting inputs simplifies the model and avoids linking levy to reporting behaviour. Report volume and value do not necessarily reflect profit, capacity to pay, money laundering risk or AUSTRAC's regulatory effort for an individual entity.

Maximum caps would be removed

The current earnings cap, transaction reporting cap and overall maximum levy would not continue. Caps limit contributions from the largest entities and redistribute the remaining recoverable amount across other levy payers. Removing them broadens contributions based on capacity to pay and reduces this source of cross-subsidisation.

The model would still involve some cross-subsidisation because earnings do not precisely measure AUSTRAC's regulatory effort or financial crime risk for each entity. The proposal prioritises a transparent capacity-to-pay measure over a more complex allocation based on risk, sector or supervisory activity.

Questions for submitters

1. What operational benefits or risks arise from removing transaction reporting inputs from the levy calculation?
2. What transition issues arise from removing maximum caps, particularly for entities whose liabilities may increase materially?

Taxation measure, not a cost recovery charge

The ICL is classified as general taxation and is not administered as a cost recovery charge under the Australian Government Charging Framework. The revised model would retain that treatment. It would not allocate AUSTRAC's costs to individual activities, sectors or entities, and it would not adopt the public good or sector risk allocation approach used in some overseas cost recovery models.

A full cost recovery approach would require detailed attribution of regulatory, intelligence and enabling costs, could create greater annual volatility and may not reflect capacity to pay. The proposed taxation-based approach instead uses earnings to distribute the approved recoverable amount across entities with capacity to contribute.

Questions for submitters

3. What information would improve transparency about the annual rate setting process while retaining the taxation-based model?
4. What practical information, guidance or tools should AUSTRAC provide to help entities understand, plan and implement for the revised levy?
5. Are there implementation issues, risks or unintended consequences that AUSTRAC should consider when moving from the current model to an earnings-only model?

Who would pay the levy

Under the proposed model, a reporting entity would be legally required to pay a levy where it is a leviable entity for the relevant year, does not qualify for an exemption and has earnings above $5 million. The model would apply across all regulated sectors rather than assigning different rates by profession or industry.

Proposed nil levy and exemptions

Table 3. Proposed exemptions and nil levy

Category	Proposed treatment	Notes
Earnings of $5 million or less	Nil levy	The threshold applies to earnings, not turnover or revenue.
Registered charities	Exempt	The entity would need to be registered as a charity with the ACNC at the relevant census date. The census date will be declared in the annual Ministerial Determination.
Entities exempted from relevant AML/CTF obligations	Continue to be excluded where provided by law	An exempt entity is one who, for a financial year, means a leviable entity who, by operation of the AML/CTF Rules made under section 229 of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*, or by instrument made under section 248 of that Act, was, on the census day for that year, exempt from Part 7 of that Act.
Exemptions previously provided by annual IC levy Ministerial Determinations	Proposed to continue as exemptions	This category includes: • Remittance affiliates that do not provide a designated service • Market generators, within the meaning of the National Electricity rules • Federal government body corporates
State and territory-owned entities	Not automatically exempt	They would be subject to the same threshold and exemption rules unless a specific exclusion applies.

Newly regulated entities

Tranche 2 entities included in the AML/CTF reforms would not be subject to the 2026–27 financial year levy. They would enter the revised levy arrangements from the 2027–28 financial year if they satisfy the legal definition of a leviable entity, do not qualify for an exemption and have earnings above the threshold of $5 million.

Designated services as part of a broader business

The proposed model would use the entity's or relevant group's total levy earnings. It would not apportion earnings according to the proportion of revenue or profit attributable to designated services. AUSTRAC recognises that, for some entities, designated services may form only a small part of their broader business activities.

Apportionment would require a consistent and auditable method for separating designated-service earnings. At present, data available to AUSTRAC does not support a reliable method for apportionment. Apportionment may also add reporting burden and create inconsistent outcomes. AUSTRAC seeks evidence on the materiality of this issue and any practical, verifiable alternatives.

Questions for submitters

6. Is the $5 million earnings threshold likely to protect entities with limited financial capacity appropriately? Provide evidence where possible.
7. Are there entity categories, in addition to registered charities and existing legal exclusions (see table above), for which a distinct treatment is strongly justified? Explain the policy basis and how it could be defined and verified.
8. For businesses where designated services are a small part of overall operations, what evidence is available on the likely impact of using total earnings? Is there a practical and auditable alternative that would not create disproportionate reporting burden?

Related entities and earnings

Group reporting/business structures

The existing levy framework aggregates earnings of leviable entities within the same ultimate holding companies (as declared in the enrolment form) and then allocates the resulting levy across relevant group members. This is not proposed to change and is intended to ensure that corporate structures do not fragment earnings across entities and avoid the threshold or a higher band. If an entity is a member of a group we ask that each entity reports the same combined group total, and then the total calculated levy is divided

equally across the number of entities within the group, or as otherwise requested by the lead entity.

It is proposed that lead entities that do not provide designated services themselves will be set as an exempted entity type. This would mean the earnings of the lead entity would not need to be included when calculating the total earnings of the holding company group.

AUSTRAC has considered how the newly introduced concept of 'reporting groups' could be incorporated into the future levy model. Currently there is insufficient data available on the type, scale and nature of reporting groups that will be established as part of the reforms with which to base a proposed change. It is also unclear if there would be unintended consequences by moving away from the ultimate holding company concept. It is intended that the independent review consider if and how reporting groups be incorporated into the levy model.

Indicative earnings bands and rates

The table below illustrates the proposed model. The percentage shown for an earnings band is applied to the total levy earnings. This produces a simple banded calculation, but it also creates step changes at some band boundaries.

Table 4. Proposed indicative earnings bands and levy settings

Levy earnings	Indicative amount or rate	Minimum indicative levy	Maximum indicative Levy
$5 million or less	Nil	$0	$0
Over $5 million to $10 million	$2,500	$2,500	$2,500
Over $10 million to $50 million	0.1100%	$11,000	$55,000
Over $50 million to $100 million	0.1200%	$60,000	$120,000
Over $100 million to $500 million	0.1300%	$130,000	$650,000
Over $500 million to $5 billion	0.1450%	$725,000	$7.25 million
Over $5 billion	0.1700%	$8.5 million	No cap

The minimum and maximum figures illustrate the amount produced at each band boundary using the indicative rates.

Important

The minimum and maximum rates in Table 4 are indicative and not final. The final total recoverable amount, thresholds, earnings bands, rates and any transition settings remain subject to consultation, modelling, legal authority and government consideration.

Questions for submitters

9. Do the proposed band boundaries support a simple and predictable model? If not, what adjustment would improve implementation without undermining the core earnings-based design?
10. What impacts could arise from step changes at band boundaries, and how material are those impacts likely to be?

How to estimate your levy

The following steps are intended to be a guide and do not replace the final legislation, ministerial determination or AUSTRAC guidance.

- Confirm that the entity is correctly enrolled with AUSTRAC and would be a leviable entity for the relevant year.
- Check whether a legal exclusion, registered charity exemption or other exemption applies.
- Calculate the applicable PBTDA or EBITDA using the relevant completed financial year and retain supporting records.
- If the entity is part of a relevant group, combine the earnings required under the final group rules.
- Identify the applicable earnings band.
- If earnings are $5 million or less, the indicative levy payable is nil. If earnings are over $5 million and up to $10 million, apply the fixed amount. For higher earnings bands, multiply total earnings by the applicable percentage rate.
- For a group, allocate the calculated group levy among leviable members, either equally or as requested by the group.

Formula for percentage earnings bands

Indicative levy payable = earnings x indicative rate for the applicable band. Example: $80,000,000 x 0.0012 = $96,000.

Examples

These examples illustrate the application of the proposed levy model and use the indicative rates in Table 4. They assume that no exclusion applies unless stated otherwise.

Example 1 – entity below the threshold

ABC Accounting is enrolled with AUSTRAC. Its turnover is $6 million and its earnings are $300,000 for the relevant completed financial year. The threshold is based on earnings, not turnover. Because earnings are $5 million or less, the levy is nil.

Indicative levy payable

$0

Example 2 – fixed entry band

ABC Property Services has turnover of $87 million and earnings of $7.5 million. It is not exempt. Its earnings are over $5 million and up to $10 million, so the indicative fixed amount applies.

Indicative levy payable

$2,500

Example 3 – percentage rate

ABC Payments has turnover of $1.3 billion with earnings of $80 million. These earnings fall in the over $50 million to $100 million earnings band. The indicative rate is 0.1200%.

Calculation	Amount
$80,000,000 x 0.0012	$96,000

Indicative levy payable

$96,000

Example 4 – larger entity with no cap

National Services Group has earnings of $6.2 billion. This falls in the over $5 billion band. The indicative rate is 0.1700%. The proposed model has no maximum cap.

Calculation	Amount
$6,200,000,000 x 0.0017	$10,540,000

Indicative levy payable

$10.54 million

Example 5 – registered charity

Community Support Australia is enrolled with AUSTRAC, has earnings of $25 million and is registered as a charity with the ACNC at the relevant time. The proposed registered charity exemption applies.

Indicative levy payable

$0

Example 6 – group calculation

Three enrolled entities are within the same relevant group and have earnings of $56 million, $4 million and $50 million respectively. Their combined earnings are $110 million. This falls in the over $100 million to $500 million band, with an indicative rate of 0.1300%.

Calculation	Amount
Combined earnings	$110,000,000
$110,000,000 x 0.0013	$143,000
Equal allocation across three leviable members.	$47,666.67 each

Total recoverable amount and annual rate setting

The total recoverable amount is the amount the government decides is to be recovered through the levy for a financial year. It is calculated by using AUSTRAC's approved funding, relevant exclusions, depreciation and amortisation, adjustments for other funding sources, and any permitted treatment of prior-year under- or over-recovery.

The final total recoverable amount for the revised model will be considered through government and Budget processes. Once the recoverable amount is approved by the government and relevant entity earnings data are available, the rates will be calibrated so the model is expected to recover the approved amount.

The indicative rates in Table 4 allow entities to understand the proposed order of magnitude and distribution of levy. They also support feedback on affordability, boundary effects and transition. Final rates will be set through the relevant government budget process and may differ from the indicative rates.

Annual transparency

AUSTRAC proposes to publish the recoverable amount, material assumptions, final annual rates and an explanation of significant changes as part of the annual levy process.

Questions for submitters

11. What information should AUSTRAC publish each year to help entities understand changes in rates and liabilities?
12. What transition approach would best manage material changes in levy while preserving the sustainability and integrity of the model?

Anticipated industry impact

The proposed model changes both the population that contributes and the distribution of levy, with the intention of excluding small businesses from paying the levy through the proposed earnings threshold and reducing their levy-related regulatory burden. The exact impact on an entity cannot be confirmed until the total recoverable amount, final rates, earnings data etc are settled.

Table 5. Likely impacts by industry cohort

Cohort	Likely effect
Entities with earnings of $5 million or less	No levy under the proposed threshold.
Registered charities	Proposed to be exempt.
Entities with earnings over $5 million that do not currently pay	May become levy payers for the first time, including some existing and newly regulated entities.
Current levy payers with high transaction volumes but lower earnings	May pay less because transaction reports would no longer drive levy calculations.
Entities with high earnings	May pay more because rates increase with earnings and there would be no maximum cap.
Groups	Outcome will depend on the earnings profiles of the groups.

Protection for small businesses

The $5 million threshold is based on earnings rather than turnover. It protects not only many small businesses but also some larger turnover businesses operating on narrow margins. Together with the proposed registered charity exemption, current modelling estimates that around 87% of enrolled entities would not be required to pay a levy or would be exempt. This estimate is indicative and may change as data quality improves and final settings are determined.

Predictability and administrative burden

Using one financial measure should make the levy easier to understand and forecast. Entities would need to maintain accurate enrolment information and calculate the relevant earnings measure. However, they would no longer need to estimate how transaction volumes, transaction values and annual factors interact. Newly regulated entities will be provided with guidance and tools to distinguish PBTDA or EBITDA from turnover and accounting profit measures.

Limitations of current impact modelling

Impact estimates are based on the best information currently available to AUSTRAC, including enrolment and registration information, existing levy data, public information and a voluntary survey. Some information is self-reported, incomplete or not yet validated. Consequently, AUSTRAC cannot provide precise sector-by-sector or entity-level forecasts at this stage.

Consultation responses that include anonymised financial ranges, case studies or sector data will help test the earnings bands, rates, boundary effects and transition arrangements.

Questions for submitters

13. What is the likely financial and administrative impact of the proposed model on your entity or sector?
14. Could the proposed levy affect prices, service availability, market entry or the continued provision of designated services? Provide evidence and explain the likely scale.
15. Are there specific impacts on regional, remote, low-margin or newly regulated businesses that the final calibration should consider?

Transition, implementation and review

Proposed commencement

The revised arrangements are proposed to apply from 1 July 2027, subject to government consideration and legislative, policy, systems and administrative readiness.

Before implementation, AUSTRAC would publish guidance on earnings, group treatment, exemptions, updating enrolment information, record keeping and the review or correction of levy information. AUSTRAC would also communicate the final settings and key dates to enrolled entities and industry associations.

Managing early implementation

Actual collections may differ from projections, especially in the early years when information about the expanded population is still maturing. AUSTRAC will monitor collections, data quality, administrative burden and distributional impacts. Any management of under- or over-recovery would be subject to the final levy settings and would seek to avoid disproportionate single-year adjustments where possible.

Independent review after 3 years

An independent review would be commissioned after the revised model has operated for three years. From a commencement date of 1 July 2027, the review would examine operation of the revised model across the 2027–28, 2028–29 and 2029–30 levy years, with findings expected to inform settings from 2030–31 where practicable.

The review would consider:

- whether the model remains equitable, sustainable, predictable and administratively efficient
- the operation of the threshold, exemptions, earnings bands, rates and group rules
- distributional impacts across existing and newly regulated entities
- the relationship between contributions, capacity to pay, regulatory effort and risk
- data quality, compliance burden and opportunities to improve the model
- whether a different long-term funding approach be considered.

Questions for submitters

16. What outcomes and evidence should the independent review assess?

Issues considered and frequently asked questions

Why is the model based on earnings rather than turnover?

Earnings more directly reflect profitability and capacity to pay. Turnover can be high even where margins are low. The proposed definition uses PBTDA or EBITDA, depending on entity type.

Why does the model not allocate costs according to risk or AUSTRAC's regulatory effort?

Reliable and consistent entity-level measures of risk and regulatory effort are not yet available across the expanded population and would be subjective by nature. A risk- or activity-based model would require complex cost attribution and could create greater volatility. The proposed model uses capacity to pay as the primary principle and for a transparent transition approach.

Why is the levy a taxation measure rather than cost recovery?

The ICL is classified as general taxation. The proposed model retains this approach. A cost recovery model would require costs to be attributed to activities, beneficiaries or sectors, including decisions about functions that cannot readily be attributed.

Can an entire profession or sector be exempt?

The proposed model applies common earnings settings across sectors. It does not propose profession-wide exemptions. A sector would only be excluded if the final legislation or determination expressly provides for that outcome (i.e. proposed that registered charity sector be exempt).

Can an individual entity apply for an exemption?

Existing exemption and review mechanisms continue to depend on the governing legislation. The proposed registered charity exemption and earnings threshold would apply automatically where the eligibility criteria are met.

Are all not-for-profits exempt?

No. The settled proposal is an exemption for registered charities, not a blanket exemption for all not-for-profit organisations. A non-charitable not-for-profit could still have nil levy if earnings are $5 million or less.

Are state- or territory-owned entities exempt?

Not automatically. They would be subject to the same threshold and exemption rules unless a specific legal exclusion applies.

What if an entity reported turnover instead of earnings?

The entity should correct its enrolment information using AUSTRAC's published process and retain supporting records. AUSTRAC will publish instructions for corrections before implementation. If an invoice has been issued, the entity should also use the applicable review or reassessment process.

Why are transaction reports being removed from the formula?

Transaction volume and value can be poor proxies for profitability, risk and regulatory effort. Removing them simplifies the model and avoids creating a perceived financial disincentive associated with reporting.

Why are maximum caps being removed?

Caps limit contributions from the largest earners and shift the remaining recoverable amount to other levy payers. Removing caps supports a broader base and a stronger capacity-to-pay approach.

Will AUSTRAC cap year-on-year increases?

A general cap on annual increases is not part of the settled core model. AUSTRAC is seeking evidence on transition impacts and may recommend calibrated transition settings if they can be implemented without undermining recovery, equity or simplicity.

Will earnings be limited to profits from designated services?

The proposal uses total levy earnings. AUSTRAC does not currently have a consistent, auditable method to isolate designated-service earnings across sectors. Consultation evidence will inform whether any practical treatment is available.

How does this compare with levies imposed by other regulators?

Regulators operate under different legislation, functions and funding frameworks. Direct comparisons may not be like-for-like. The proposed AUSTRAC model has been designed for AUSTRAC's combined regulatory financial intelligence and enabling functions and expanded regulated population.

Could the Australian Government fund more of AUSTRAC directly?

The overall mix of appropriation and levy funding is a matter for government and the Budget process. This paper focuses on how the approved levy amount would be distributed.

When will the final rates be known?

Final rates can only be set after government has decided the recoverable amount and the relevant data have been assessed. AUSTRAC will communicate final settings through the annual consultation process.

What happens after the first 3 years?

An independent review will assess the model using implementation experience, improved data and industry feedback. Recommendations would inform future settings and any longer-term funding reform.

Consolidated questions for submitters

1. What practical information, guidance or tools should AUSTRAC provide to help entities understand, plan and implement for the revised levy?
2. Are there implementation issues, risks or unintended consequences that AUSTRAC should consider when moving from the current model to an earnings-only model?
3. What information would improve transparency about the annual rate-setting process while retaining the taxation-based model?
4. Is the $5 million earnings threshold likely to protect entities with limited financial capacity appropriately? Provide evidence where possible.
5. Are there entity categories, in addition to registered charities and existing legal exclusions, for which a distinct treatment is strongly justified? Explain the policy basis and how it could be defined and verified.
6. For businesses where designated services are a small part of overall operations, what evidence is available on the likely impact of using total earnings? Is there a practical and auditable alternative that would not create disproportionate reporting burden?
7. Do the proposed band boundaries support a simple and predictable model? If not, what adjustment or information would improve implementation without undermining the core earnings-based taxation design?
8. What impacts could arise from step changes at band boundaries, and how material are those impacts likely to be?
9. What information should AUSTRAC publish each year to help entities understand changes in rates and liabilities?
10. What transition approach would best manage material changes in levy while preserving the sustainability and integrity of the model?
11. What operational benefits or risks arise from removing transaction-reporting inputs from the levy calculation?
12. What transition issues arise from removing maximum caps, particularly for entities whose liabilities may increase materially?
13. What is the likely financial and administrative impact of the proposed model on your entity or sector?

14. Could the proposed levy affect prices, service availability, market entry or the continued provision of designated services? Provide evidence and explain the likely scale.
15. Are there specific impacts on regional, remote, low-margin or newly regulated businesses that the final calibration should consider?
16. What outcomes and evidence should the independent review assess?

You do not need to respond to all questions. You may comment on any other aspect of the proposed arrangements, including alternative implementation approaches that retain the settled core design.