Parliamentary
Budget Office

ECR-2025-3387

Cap CEO remuneration	
Party:	Australian Greens
Summary of proposal: The proposal would put a cap on CEO remuneration by preventing companies from deducting executive remuneration for tax purposes when the CEO remuneration is greater than 15 times annualised average weekly ordinary time earnings. The proposal would start on 1 July 2025 and be ongoing.	

Costing overview

The proposal would be expected to increase the fiscal and underlying cash balances by around $457.5 million over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects an increase in tax revenue.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

Table 1: Cap CEO remuneration – Financial implications ($m)[(a)(b)]

	2025-26	2026-27	2027-28	2028-29	**Total to 2028-29**
Fiscal balance	98.2	114.1	119.5	125.7	**457.5**
Underlying cash balance	98.2	114.1	119.5	125.7	**457.5**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) PDI impacts are not included in the totals.

The financial impacts of this proposal are highly sensitive assumptions as to levels of executive remuneration, company profits, company tax arrangements, and how companies affected by the proposal would respond.

This costing does not include the impact of the policy on share options. The inclusion of share options would increase the revenue generated by this proposal, however, the Parliamentary Budget Office (PBO) is unable to provide a quantum of this impact due to data availability.

Uncertainty

The number of companies who would be affected by this proposal is uncertain as the data used for the basis of this analysis relies on individuals self-reporting their employment classification. Data accuracy and reliability is limited by the accuracy of the self-reporting.

There is a chance that companies may choose to restructure their executive remuneration packages to minimise the effects of this proposal on company profits. The PBO assumes that any such effort would preserve the total quantum of executive compensation, though may change its composition. This effect has not been quantified.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- The affected population of CEOs is projected to grow in line with the working age population.
- Executive salaries are assumed to grow in line with forecast growth in male average weekly ordinary time earnings.
- Companies would pay out 75% of their after-tax profits as franked dividends. As a result, a proportion of the increase in tax paid would be effectively passed on to shareholders in the form of reduced dividends.
  - Shareholders would be Australian resident taxpayers who can claim a tax offset for a franking credit attached to a dividend.
  - Shareholders would be individuals, superannuation funds and other companies with an average marginal tax rate of around 30%. This is based on the weighted average marginal tax rate of dividend recipients in the Australian Taxation Office's (ATO's) 2020-21 Taxation Statistics. This assumption incorporates the impact of the Stage 3 tax cuts which came into effect on 1 July 2024 and the *Personal Income Tax – new tax cuts for every Australian taxpayer* Budget 2025-26 measure which will come into effect from 1 July 2026. [1]
- Companies in scope of this policy would all be paying company tax at the 30% company tax rate.
- Companies are assumed to exit and enter the affected population at similar rates.

Methodology

The financial implications were estimated using the 2022-23 individual payment summary data, personal income tax data and company tax data provided by the Australian Taxation Office. Individuals who reported an occupation code of '111111 - Chief Executives and Managing Directors' and earned over the specified threshold in the sample year were linked to their employer to determine their tax status. Where the employer was identified as taxable, the individual was included in the affected population.

- In 2022-23, there were 2,196 individuals with reported employee remuneration over the threshold, with 1,034 employers. Of these, 208 individuals who reported their role as 'Chief Executive or Managing Director' were employed by the 147 employers who paid tax over the period (Table 2).

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[1] *Personal Income Tax – new tax cuts for every Australian taxpayer measure*: The Government will deliver new tax cuts to every Australian taxpayer from 1 July 2026: From 1 July 2026, the 16% rate will be reduced to 15%. From 1 July 2027, the 15% rate will be reduced further to 14 per cent. Budget 2025-26 Budget Paper No. 2 page 5.

Table 2: Cap CEO remuneration – In-scope population in 2022-23

	Number of in-scope employers	Number of in-scope employees
Earning over the policy threshold	1034	2196
and employer pays tax	302	572
and reported role as 'Chief Executive or Managing Director'	147	208

An average salary was then calculated for the affected population. Both estimates were projected to grow in line with the relevant economic parameter as per the *Key assumptions*.

The deduction forgone under the policy is the average salary amount above the policy threshold, multiplied by the affected population. The financial impact is calculated as the deduction forgone multiplied by the company tax rate.

The increase in income tax revenue payable by shareholders was calculated by multiplying the decrease in the companies' after-tax profits with the assumed proportion that would be distributed as franked dividends. The decrease in shareholder dividend income was multiplied by the assumed average marginal tax rate of shareholders, adjusted to account for the change in imputation credits (also known as franking credits).

Financial implications were rounded consistent with the PBO's rounding rules.[2]

Data sources

The Australian Taxation Office provided data on individual payment summaries, personal income tax and company tax for the 2022-23 income year.

Australian Taxation Office, (ATO), Taxation Statistics 2021-22, [Taxation Statistics 2021-22 - Dataset - data.gov.au](), accessed 21 May 2025.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025,* Commonwealth of Australia.

[2] https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules

Attachment A – Cap CEO remuneration – Financial implications

Table A1: Cap CEO remuneration – Fiscal and underlying cash balances ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Revenue													
Administered tax													
Company Tax	*98.0*	*111.0*	*116.0*	*122.0*	*128.0*	*134.0*	*140.0*	*147.0*	*154.0*	*161.0*	*168.0*	***447.0***	***1,479.0***
Personal Income Tax	*0.2*	*3.1*	*3.5*	*3.7*	*3.9*	*4.1*	*4.3*	*4.5*	*4.7*	*4.9*	*5.1*	***10.5***	***42.0***
Total (excluding PDI)	**98.2**	**114.1**	**119.5**	**125.7**	**131.9**	**138.1**	**144.3**	**151.5**	**158.7**	**165.9**	**173.1**	**457.5**	**1,521.0**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

Table A2: Cap CEO remuneration – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances ($m)[(a)(b)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Fiscal balance	*2.2*	*7.0*	*12.4*	*18.4*	*25.0*	*32.1*	*39.9*	*48.3*	*57.5*	*67.5*	*78.4*	***40.0***	***388.7***
Underlying cash balance	*1.6*	*5.8*	*11.1*	*16.9*	*23.3*	*30.3*	*37.9*	*46.2*	*55.2*	*65.0*	*75.7*	***35.4***	***369.0***

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary[3].

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

[3] Online budget glossary – Parliamentary Budget Office (pbo.gov.au)