



| High frequency trading | |
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| Party: | Australian Greens |
| Summary of proposal: The proposal would introduce a low-rate financial transactions tax (FTT) of: <ul style="list-style-type: none">• 0.1% tax rate for transactions involving equity securities and debt securities.• 0.012% tax rate for transactions involving derivatives. The proposal would apply on an ongoing basis from 1 July 2025. | |

Costing overview

The proposal would be expected to increase the fiscal balance by around \$22.8 billion and the underlying cash balance by around \$22.3 billion over the 2025-26 Budget forward estimates period (see Table 1). This impact represents an increase in tax revenue, partly offset by an increase in related deductible expenses for associated income, and departmental expenses associated with implementing and administering the FTT.

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: High frequency trading – Financial implications (\$m)^{(a)(b)}

| | 2025-26 | 2026-27 | 2027-28 | 2028-29 | Total to 2028-29 |
|-------------------------|---------|---------|---------|---------|------------------|
| Fiscal balance | 6,289.6 | 5,302.8 | 5,512.6 | 5,692.3 | 22,797.3 |
| Underlying cash balance | 5,759.6 | 5,382.8 | 5,492.6 | 5,672.3 | 22,307.3 |

(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.

Uncertainty

The Parliamentary Budget Office (PBO) notes the financial implications of the proposal are highly uncertain and considered to be of very low reliability, as they are dependent on a number of assumptions, particularly around the behavioural response to the proposal.

Financial markets are inherently volatile, with trading volumes and the value of securities able to fluctuate widely due to a wide range of factors. This makes forward projections of securities markets very uncertain even under the best conditions, and such projections would be made even more uncertain if impacted by a major taxation policy such as the proposed FTT.

Behavioural response

Based on the international experience, the behavioural response to the introduction of an FTT is likely to be very significant.

A reduction in the turnover value of derivatives and securities would be expected as a result of increased costs (the FTT) on associated transactions as the margins on this high trading activity would be significantly reduced. Theoretical models generally predict that higher transaction costs, including those imposed by transaction taxes, are associated with lower asset prices, as investors will require a higher return to compensate for these additional costs. Trading volume is expected to decrease as investors' funds are reallocated to asset classes that are exempt from the FTT and to alternative investments in untaxed overseas markets.¹

The magnitude of the impact depends on the extent to which the FTT would cause transactions currently occurring in Australia to shift to other jurisdictions with lower costs, and changes in behaviour that reduce the number of financial market transactions (e.g. altering trading strategies, or shifting to untaxed financial products).

Where there is international competition for financial transactions currently occurring in Australia, this activity is expected to shift to other jurisdictions, with this elasticity (i.e. the extent of a response for a given level of tax) likely increasing with the size of the FTT, as the competitiveness of Australian financial markets reduces. Where there is no equivalent competition for financial transactions that currently occur in Australia, financial institutions are assumed to pass the cost of the FTT on to their customers, who are then, in turn, assumed to adjust their behaviour in response.

A behavioural response to the proposed FTT would affect the revenue raised, not just through changes in the turnover of affected securities and derivatives, but also through changes in taxable gains and deductions resulting from transactions that no longer take place compared to those that would under current conditions.

Macroeconomic effects

This proposal could have broader macroeconomic effects, potentially leading to negative impacts on financial markets and/or the general economy. Consistent with the *Charter of Budget Honesty Guidelines*, the broader macroeconomic implications have not been included in this costing.

- The impact of the proposed FTT would vary across different types of trading activities, with high-frequency trading and other short-term speculative activities likely to be more affected than long-term investment activities. For more adversely affected trading activities, it is possible that a significant response – whether through relocation to other jurisdictions or evasion – could lead to a shift in the composition of trading activities in financial markets that decreases the revenue raised by the FTT, as well as reducing market liquidity and increasing bid-ask spreads, making trading more expensive and less efficient.
- Significant reductions in trading activities on securities exchanges such as the ASX could result in a significant reduction in revenue for these entities, as the collection of brokerage and similar transaction fees is a key source of revenue. This could increase the transaction costs for remaining users of the exchanges and potentially impact on the financial performance of the exchanges.
- Interest rate and foreign exchange derivatives are frequently used by businesses for hedging interest rate or foreign exchange risk exposures resulting from regular business operations. Under

¹ Matheson, T (2011)

the proposed FTT, it is possible that increased costs and reduced liquidity in these derivatives markets could make it harder for businesses to cost-effectively hedge these exposures.

- The proposed FTT could raise the cost of capital for companies by making it more expensive to issue and trade securities. This could result in lower asset prices and higher financing costs for businesses, potentially reducing investment and economic growth. Additionally, companies might become more dependent on debt financing due to the higher costs associated with equity financing.

Key assumptions

The estimates provided in this response have been made under the following assumptions:

- Under both current conditions and the proposed policy, the growth of secondary wholesale market turnover for equity securities, government debt securities, and derivatives would be in line with historical trends.
- Both over the counter (OTC) and exchange-traded securities and derivatives would be subject to the proposed FTT.
- Under the proposed policy, due to relocation of transactions and evasion, equity and government debt turnover would decrease by 10% relative to current conditions, and derivatives turnover would decrease by 55% relative to current conditions.² These are assumed to occur effectively instantly, rather than gradually over time.
- Under the proposed policy, changes in turnover due to the transaction cost elasticity of affected transactions – excluding transactions affected by relocation or evasion – would result in remaining equity and government debt turnover decreasing by 14%, and remaining derivatives turnover decreasing by 43%.²
- The net result of the above two factors is a net reduction of 23% in equities and government bonds turnover, and a 74% reduction in derivatives turnover.
- For transactions taking place on exchanges, the collection of this tax would be undertaken and managed by the securities exchanges.
- For OTC transactions taking place outside of exchanges, enhanced reporting requirements for relevant parties would allow for the collection of the proposed FTT for these transactions.
- FTT tax liabilities would be raised and paid on a monthly basis.
- Additional transaction costs associated with the proposed FTT would be considered tax-deductible when associated with assessable income.
 - This means that the FTT would reduce company and individual tax collections to the extent that the affected transactions relate to earning assessable income.
- 80% of FTT liabilities will be imposed on businesses able to treat them as tax-deductible.
- 80% of the deductible costs resulting from the proposed FTT will be offset against assessable income.
- The average company tax rate for affected entities is 30%.

² These assumptions are based on modelling and analysis of similar financial transactions taxes for foreign jurisdictions.

- Departmental expenses associated with implementing and administering the FTT would be around 0.1% of the revenue collected.
 - In the first year, these expenses would be 50% higher due to the initial implementation costs.

Methodology

Projections of secondary wholesale market turnover of eligible equity securities, debt securities, and derivatives were based on publicly available data. As outlined above, these estimates are highly uncertain due to the inherent volatility of financial markets, and uncertainties around the magnitude of the behavioural responses to the proposal.

These projections were then reduced in line with the assumed behavioural response – as outlined in *Key assumptions* – to determine the expected market turnover against which the proposed FTT would be levied.

The expected revenue from the proposed FTT was calculated by applying the specified tax rates for equity and debt security transactions and for derivatives transactions, offset by the expected reduction in income tax receipts due to the assumed deductibility of the proposed FTT.

The departmental cost estimate for administering the FTT is based on the costs associated with administering the *Stamp Duty Reserve Tax* by the Department of HM Revenue & Customs in the United Kingdom.

Financial implications were rounded consistent with the PBO's rounding rules.³

Data sources

The PBO has collated multiple years of data from the following regularly published reports:

- [Semi-annual Reports on Foreign Exchange Turnover](#) from October 2010 to October 2024 as published by the Australian Foreign Exchange Committee (AFXC).
- [Options and Futures monthly statistics](#) from June 2016 to June 2024 as published by the Australian Securities Exchange (ASX).
- [Quarterly equity market data](#) from September 2016 to June 2024 as published by the Australian Securities and Investments Commission (ASIC).

Australian Financial Review (2022) [Retail investors lose sway as pandemic hype wanes](#), AFR website, accessed 16 May 2025.

Australian Financial Review (2024) [Retail traders are retreating from the ASX](#), AFR website, accessed 16 May 2025.

Australian Office of Financial Management (AOFM) (2024), [Secondary Market Turnover of Treasury Bonds](#) [dataset], AOFM, Australian Government.

Australian Office of Financial Management (2024), [Secondary Market Turnover of Treasury Indexed Bonds](#) [dataset], AOFM, Australian Government.

Australian Securities Exchange (ASX) (2025) [ASX Trade calendar](#), ASX website, accessed 16 May 2025.

³ <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

Bond, S, Hawkins, M, and Klemm, A (2004) [*Stamp duty on shares and its effect on share prices, WP04/11*](#), Institute for Fiscal Studies.

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

European Commission (2011) [*Impact Assessment accompanying the document Proposal for a Council Directive on a common system of financial transaction tax and amending Directive 2008/7/EC*](#), European Commission.

Matheson, T (2011) [*Taxing financial transactions: Issues and evidence*](#) IMF Working Paper No. 2011/054, International Monetary Fund.

Reserve Bank of Australia (2011) [*The Australian Credit Default Swap Market | Bulletin – December 2011*](#), RBA website.

Reserve Bank of Australia (2020) [*Secondary Market Liquidity in Bonds and Asset-backed Securities | Bulletin – December 2020*](#), RBA website.

Reserve Bank of Australia (2022) [*2022 Triennial Central Bank Survey Results for Foreign Exchange and Derivative Markets – Australia*](#), RBA website.

Reserve Bank of Australia (2023) [*Developments in Foreign Exchange and Over-the-counter Derivatives Markets | Bulletin – March 2023*](#), RBA website.

Reserve Bank of Australia (2024) [*Recent Developments in the Semi-government Bond Market | Bulletin – January 2024*](#), RBA website.

Reserve Bank of Australia (2025) [*Exchange Rates – Monthly – January 2010 to latest complete month of current year*](#) [dataset], accessed 16 May 2025.

Reserve Bank of Australia (2025) [*Exchange Rates – Monthly – July 1969 to December 2009*](#) [dataset], accessed 6 February 2025.

Reserve Bank of Australia (2025) [*The Australian Economy and Financial Markets Chart Pack*](#), RBA website.

Attachment A – High frequency trading – Financial implications

Table A1: High frequency trading – Fiscal balance (\$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 | | | | | | | | | | | | | |
| Tax revenue | | | | | | | | | | | | | |
| <i>FTT - Equity and debt securities</i> | 3,680.0 | 3,830.0 | 4,000.0 | 4,160.0 | 4,330.0 | 4,490.0 | 4,660.0 | 4,820.0 | 4,990.0 | 5,150.0 | 5,320.0 | 15,670.0 | 49,430.0 |
| <i>FTT - Derivatives</i> | 2,620.0 | 2,690.0 | 2,770.0 | 2,840.0 | 2,920.0 | 2,990.0 | 3,070.0 | 3,140.0 | 3,220.0 | 3,290.0 | 3,370.0 | 10,920.0 | 32,920.0 |
| <i>Company income tax revenue</i> | - | -1,210.0 | -1,250.0 | -1,300.0 | -1,340.0 | -1,390.0 | -1,440.0 | -1,480.0 | -1,530.0 | -1,580.0 | -1,620.0 | -3,760.0 | -14,140.0 |
| Total – revenue | 6,300.0 | 5,310.0 | 5,520.0 | 5,700.0 | 5,910.0 | 6,090.0 | 6,290.0 | 6,480.0 | 6,680.0 | 6,860.0 | 7,070.0 | 22,830.0 | 68,210.0 |
| Expenses | | | | | | | | | | | | | |
| Departmental | | | | | | | | | | | | | |
| <i>Departmental expenses</i> | -10.4 | -7.2 | -7.4 | -7.7 | -8.0 | -8.2 | -8.5 | -8.8 | -9.0 | -9.3 | -9.6 | -32.7 | -94.1 |
| Total – expenses | -10.4 | -7.2 | -7.4 | -7.7 | -8.0 | -8.2 | -8.5 | -8.8 | -9.0 | -9.3 | -9.6 | -32.7 | -94.1 |
| Total (excluding PDI) | 6,289.6 | 5,302.8 | 5,512.6 | 5,692.3 | 5,902.0 | 6,081.8 | 6,281.5 | 6,471.2 | 6,671.0 | 6,850.7 | 7,060.4 | 22,797.3 | 68,115.9 |

(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.

- Indicates nil.

Table A2: High frequency trading – Underlying cash balance (\$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 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------------|---------------------|
| Receipts | | | | | | | | | | | | | |
| Tax receipts | | | | | | | | | | | | | |
| <i>FTT - Equity and debt securities</i> | 3,370.0 | 3,820.0 | 3,990.0 | 4,150.0 | 4,320.0 | 4,480.0 | 4,650.0 | 4,810.0 | 4,980.0 | 5,140.0 | 5,310.0 | 15,330.0 | 49,020.0 |
| <i>FTT - Derivatives</i> | 2,400.0 | 2,680.0 | 2,760.0 | 2,830.0 | 2,910.0 | 2,980.0 | 3,060.0 | 3,130.0 | 3,210.0 | 3,280.0 | 3,360.0 | 10,670.0 | 32,600.0 |
| <i>Company income tax revenue</i> | - | -1,110.0 | -1,250.0 | -1,300.0 | -1,340.0 | -1,390.0 | -1,430.0 | -1,480.0 | -1,520.0 | -1,570.0 | -1,620.0 | -3,660.0 | -14,010.0 |
| Total – receipts | 5,770.0 | 5,390.0 | 5,500.0 | 5,680.0 | 5,890.0 | 6,070.0 | 6,280.0 | 6,460.0 | 6,670.0 | 6,850.0 | 7,050.0 | 22,340.0 | 67,610.0 |
| Payments | | | | | | | | | | | | | |
| Departmental | | | | | | | | | | | | | |
| <i>Departmental expenses</i> | -10.4 | -7.2 | -7.4 | -7.7 | -8.0 | -8.2 | -8.5 | -8.8 | -9.0 | -9.3 | -9.6 | -32.7 | -94.1 |
| Total – payments | -10.4 | -7.2 | -7.4 | -7.7 | -8.0 | -8.2 | -8.5 | -8.8 | -9.0 | -9.3 | -9.6 | -32.7 | -94.1 |
| Total (excluding PDI) | 5,759.6 | 5,382.8 | 5,492.6 | 5,672.3 | 5,882.0 | 6,061.8 | 6,271.5 | 6,451.2 | 6,661.0 | 6,840.7 | 7,040.4 | 22,307.3 | 67,515.9 |

(a) 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.

- Indicates nil.

Table A3: High frequency trading – 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 |
|---------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------------------|---------------------|
| <i>Fiscal balance</i> | 130.0 | 380.0 | 640.0 | 910.0 | 1,210.0 | 1,530.0 | 1,870.0 | 2,250.0 | 2,640.0 | 3,070.0 | 3,530.0 | 2,060.0 | 18,160.0 |
| <i>Underlying cash balance</i> | 100.0 | 320.0 | 570.0 | 840.0 | 1,140.0 | 1,450.0 | 1,790.0 | 2,150.0 | 2,540.0 | 2,960.0 | 3,420.0 | 1,830.0 | 17,280.0 |

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the tables 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.⁴
- (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.

⁴ [Online budget glossary – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)