Law Council
OF AUSTRALIA

26 March 2026

Australian Transaction Reports and Analysis Centre
PO Box K534
HAYMARKET NSW 1240

By email: Industry_levy@austrac.gov.au

Dear Sir/Madam,

Industry contribution levy 2025–26

1. The Financial Services Committee of the Business Law Section of the Law Council of Australia (the **Committee**) and the Law Council's Anti-Money Laundering and Counter Terrorism Financing Working Group (**AML/CTF Working Group**) welcome the opportunity to provide this submission to the Australian Transaction and Reports Analysis Centre (**AUSTRAC**) in response to the stakeholder consultation paper regarding the AUSTRAC Industry Contribution Levy 2025–26, which was published on 23 February 2026 (**Consultation Paper**).

2. We note that the Consultation Paper focuses on the recoverable amount of proposed individual levy factors for the 2025–26 financial year, and that Tranche 2 entities (i.e., entities that provide the new types of designated services introduced by the *Anti-Money Laundering and Counter-Terrorism Financing Amendment Act 2024* (Cth)), are not subject to the 2025–26 industry contribution.

3. This letter provides the Committee's views on the Consultation Paper, and then considers some issues that arise in the future application of the Industry Contribution Levy to Tranche 2 entities.

4. For ease of reference, in this letter we refer to:

   - the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) and the *Anti-Money Laundering and Counter-Terrorism Financing Amendment Act 2024* (Cth) as an integrated whole (**AML/CTF Act**);
   - *Anti-Money Laundering and Counter-Terrorism Financing (Class Exemptions and Other Matters) Rules 2007* (Cth) as the **Exemption Rules**; and
   - the *Australian Transaction Reports and Analysis Centre Industry Contribution Act 2011* (Cth) as the **Industry Contribution Act**.

Executive summary

2025–26 Levy Calculation Methodology

5. In relation to the 2025/2026 levy, AUSTRAC should:

    - amend the definition of earnings to earnings derived from the provision of designated services; or
    - reconsider, with industry input, a methodology for the calculation of contributions to the levy.

6. The Committee would like to discuss alternatives to the currently proposed levy, and respectfully requests that AUSTRAC engage with stakeholders at an early stage about the methodology for calculation of the 2026/2027 levy.

Tranche 2 entities

7. While the 2025–26 industry contribution levy will not apply to Tranche 2 entities, unless the Industry Contribution Act is amended or an exemption is made under the AML/CTF Rules, it seems that Tranche 2 entities will automatically become leviable entities for the financial year 2027/2028. We do not think this has been made clear to Tranche 2 entities.

8. AUSTRAC should:

    - make Tranche 2 entities aware that they will automatically become '*leviable entities*' unless an exemption is included in the Exemption Rules, or the Industry Contribution Act is amended; and
    - engage in genuine consultation as soon as possible with Tranche 2 entities on the critically important matter of the scope of application of the levy in future financial years.

9. The Law Council is firmly opposed to the legal profession being subject to the industry contribution levy in future years.

2025/2026 Industry contribution levy

2025–26 Levy Calculation Methodology

10. On 28 May 2024, the Committee made a submission in response to the stakeholder consultation paper issued in connection with calculation of the 2023–24 industry contribution levy payable by leviable entities under the Industry Contribution Act. In that submission, the Committee highlighted the inequitable outcome which flows from the application of the current methodology. The base levy is calculated on the overall earnings of the reporting entity without regard for the proportion of those earnings that are derived from the provision of designated services.
    The Committee's submission was that the methodology should be amended to narrow the definition of earnings in the Draft Determination to only cover earnings derived from the provision of designated services (**Prior Proposal**).

Proposals

11. The Committee appreciates that earlier opportunities to adopt the Prior Proposal have not been taken up. However, the Committee considers that, notwithstanding the imminent implementation of the AML/CTF Act reforms, the need to ensure the burden of the industry contribution levy is distributed equitably is as strong or stronger than ever, and it restates its Prior Proposal to amend the definition of earnings to limit it to earnings derived from the provision of designated services.

12. The Committee understands that AUSTRAC must balance the equitable and proportionate allocation of the burden of the levy with the practical and cost effective mechanics of calculation and ensuring its compliance, both from a reporting entity perspective (that is, making it easy to deliver the relevant information to AUSTRAC) and from a regulatory perspective (that is, how can AUSTRAC most simply administer the levy). In the respectful view of the Committee, the Prior Proposal does not affect this balance.

13. The Committee notes the indicative time frames for development and consultation of the future levy model and supports the devotion of resources to this work at a time when AUSTRAC's resources will no doubt be required to also focus on the anticipated Financial Action Task Force mutual evaluation and the implementation of the reforms themselves.

Recommendation

14. The Committee considers that AUSTRAC should:

    - amend the definition of earnings to earnings derived from the provision of designated services; or
    - reconsider, with industry input, the methodology for the calculation of contributions to the levy.

15. To that end, the Committee welcomes the opportunity to discuss alternatives to the currently proposed levy.

16. Relatedly, we would be grateful for the opportunity to engage with AUSTRAC at an early stage about the methodology for calculation of the 2026/2027 levy and future levies. Members of the Committee have a deep knowledge of the profile of Tranche 1 and 2 entities and their expertise should be considered by AUSTRAC in developing proposals for public consultation.

Tranche 2 entities

17. We recognise that the 2025–26 industry contribution levy will not apply to the legal profession, or to other Tranche 2 professions and industries. However, it appears that the legal profession (and other Tranche 2 entities) will automatically become a '*leviable entity'* under the Industry Contribution Act for the financial year ending 30 June 2027 (and beyond) unless that Act is amended, or an exemption is made under the Exemption Rules.

18. The Law Council does not consider that this has been made sufficiently clear to Tranche 2 entities, and we submit that AUSTRAC needs to:

    - make these entities aware that they will automatically become '*leviable entities*' unless an exemption is included in the Exemption Rules, or the Industry Contribution Act is amended; and
    - engage in genuine consultation with Tranche 2 entities on the critically important matter of the scope of application of the levy in future financial years.

19. We urge AUSTRAC to commence this engagement as soon as possible to provide a fair opportunity for considered input by affected stakeholders.

20. While this submission does not offer detailed comments on any future extension of the levy to Tranche 2 entities in this submission, the Law Council takes this opportunity to express its firm opposition to the legal profession being subject to the industry contribution levy in future years.

Relevant considerations

21. The present view of the Law Council is that AUSTRAC should be funded from consolidated revenue. In any case, it is clear that AUSTRAC's levy model ought to be revisited because of the significant changes made by the amendments to the AML/CTF Act.

22. Notably, upon the commencement of the amended AML/CTF Act on 1 July 2026, AUSTRAC anticipates the number of reporting entities to increase more than five-fold from approximately 19,000 to over 100,000. Tranche 2 will fundamentally reshape not only the numerical size of the regulated population, but also its profile and character. Notably, many of the Tranche 2 industries and professions are primarily constituted by small and micro practices/businesses and sole practices/business. For example, over 90 percent of the private legal profession comprises sole practitioners and micro practices.[1] Such entities tend to operate on extremely slim margins and have few resources to dedicate to compliance, and fewer resources still to dedicate toward paying a levy for the benefit of being subject to a costly regulatory regime.

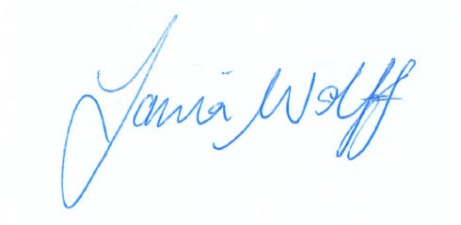
23. In addition, it is likely that the volume of reports submitted under sections 43 and 45 of the AML/CTF Act will change in unpredictable ways upon the commencement of the amended Act. While few Tranche 2 reporting entities are likely to engage in activities necessitating lodgement of threshold transaction reports or international funds transfer instructions, the effect of the transition to the International Value Transfer Services regime is expected to increase the absolute number of these reports submitted.

24. For these reasons, it is clearly unsustainable to continue relying on the current funding methodology, and a significant change of approach may be warranted. We look forward to engaging with AUSTRAC on this important issue throughout the coming months.

[1] Urbis, *2024 Annual Profile of Solicitors in New South Wales* (Report, 17 April 2025) 30 [12.4].

Please contact the Anti-Money Laundering Lead of the Committee, Andrew Ham [redacted] and Sinéad O'Brien Butler, Senior Policy Lawyer at [redacted], should you wish discuss this submission.

Yours sincerely



Tania Wolff
President