



Parliament of Australia
Parliamentary Budget Office

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Parliamentary Budget Officer

Mr Stephen Boyd
Committee Secretary
House of Representatives Standing Committee on Economics
PO Box 6021
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CANBERRA ACT 2600

Dear Mr Boyd

In response to your letter of 31 May 2017, attached is an update of Table 5 from the Parliamentary Budget Office's *Submission to the Standing Committee on Economics inquiry into tax deductibility* provided on 21 January 2016.

The information has been updated for the 2013–14 and 2014–15 income years.

As required by section 64U(d) of the *Parliamentary Service Act 1999*, we will publish your request and this response on the Parliamentary Budget Office's website.

If you have any queries about this response, please do not hesitate to contact David Tellis on (02) 6277 9542.

Yours sincerely

Phil Bowen

7 June 2017

Attachment A – Update of Table 5 from the Parliamentary Budget Office’s *Submission to the Standing Committee on Economics inquiry into tax deductibility*

The following tables provide an update of Table 5 from the Parliamentary Budget Office’s (PBO) *Submission to the Standing Committee on Economics inquiry into tax deductibility* for the 2013–14 and 2014–15 income years. The 2013–14 income year data is more comprehensive than 2014–15 as it captures a greater proportion of late lodgements.

This information includes the relevant interest expenses reported by domestic and multinational companies operating in Australia.

Table 5: Company interest deductions by company size (turnover), 2013–14^{(a)(b)}

Company turnover	Number of companies	Total interest expenses (\$m)	Percentage of total interest expenses claimed (%)	Total expenses (\$m)	Interest as a percentage of total expenses (%)
<\$2 million (micro)	682,823	3,759	9.0	179,797	2.1
<\$10 million (small)	53,794	2,636	6.3	210,496	1.3
<\$100 million (medium)	13,883	4,807	11.5	341,771	1.4
<\$250 million (large)	1,027	3,889	9.3	155,855	2.5
>\$250 million (very large)	880	26,824	64.0	1,157,649	2.3
Total (excluding the finance and insurance industry)	752,407	41,914	100.0	2,045,567	2.0

Source: PBO analysis based on data from the ATO.

- (a) There are some minor differences in this data to that published in Taxation Statistics 2013–14 as this submission uses more recent data (taking into account additional late tax returns).
- (b) The nature of the finance and insurance industry means that companies operating in this sector are highly leveraged. In 2013–14, companies in the finance and insurance sector claimed \$105 billion in interest expenses. The figures presented in this section exclude the finance and insurance sectors as including them would significantly skew the data.

Table 5: Company interest deductions by company size (turnover), 2014–15^{(a)(b)}

Company turnover	Number of companies	Total interest expenses (\$m)	Percentage of total interest expenses claimed (%)	Total expenses (\$m)	Interest as a percentage of total expenses (%)
<\$2 million (micro)	676,431	3,494	8.2	189,284	1.8
<\$10 million (small)	56,405	2,624	6.2	221,834	1.2
<\$100 million (medium)	15,026	5,234	12.3	381,843	1.4
<\$250 million (large)	1,174	3,755	8.8	180,719	2.1
>\$250 million (very large)	955	27,383	64.4	1,207,601	2.3
Total (excluding the finance and insurance industry)	749,991	42,490	100.0	2,181,281	1.9

Source: PBO analysis based on data from the ATO.

- (a) There are some minor differences in this data to that published in Taxation Statistics 2014–15 as this submission uses more recent data (taking into account additional late tax returns).
- (b) The nature of the finance and insurance industry means that companies operating in this sector are highly leveraged. In 2014–15, companies in the finance and insurance sector claimed \$98 billion in interest expenses. The figures presented in this section exclude the finance and insurance sectors as including them would significantly skew the data.