



Extend and boost existing ATO programs

Party: Australian Labor Party

Summary of proposal:

The proposal consists of 2 components related to funding for tax compliance programs.

Component 1 would boost funding for the Australian Taxation Office (ATO) Tax Avoidance Taskforce by an extra \$200 million per year from 1 July 2022 and extend its operations on an ongoing basis (the taskforce is currently funded until 30 June 2025).

Component 2 would provide ongoing funding to extend the ATO's shadow economy compliance programs (which are currently funded until 30 June 2023).

Costing overview

The proposal would be expected to increase the fiscal balance by around \$5.15 billion and the underlying cash balance by around \$3.08 billion over the 2022-23 Budget forward estimates period. On a fiscal balance basis, this is comprised of an increase in tax revenue of around \$6.97 billion, partially offset by an increase in ATO departmental expenses of around \$1.37 billion and an increase in GST payments of around \$0.44 billion.

The differences in the financial impact of the proposal on the fiscal and underlying cash balances reflect delays between the accrual and subsequent payment of tax liabilities raised through the ATO's compliance programs.

The proposal would have an impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications (including separate PDI tables) over the period to 2032-33 is provided at Attachment A.

The financial implications of this proposal are highly uncertain. The revenue estimates have been produced based upon ratios and assumptions included in recent costing models, but the actual amount raised will depend on individual program outcomes. It would be extremely difficult to assess whether the increased funding provided to the ATO under this proposal would actually raise the estimated revenue, as it is extremely difficult for the ATO to assess how much of the growth in compliance revenue arises from increased funding and how much would have arisen in its absence.¹

Estimates are also particularly uncertain in cases where departmental funding has been significantly increased, such as for Component 1 of this proposal.

¹ See Australian National Audit Office, 2019, [Tax Avoidance Taskforce – Meeting Budget Commitments](#).

Table 1: Financial implications (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	480.0	1,110.3	1,336.9	2,227.5	5,154.7
Underlying cash balance	90.0	584.3	1,017.9	1,390.5	3,082.7

(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.

Key assumptions

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

- Both components were assumed by the PBO to be ongoing into the medium term.

Component 1

- Additional tax revenue collected as a result of additional departmental funding would be consistent with the revenue model for the 2022-23 Budget measure *Tax Avoidance Taskforce*:
 - Total tax revenue raised (affecting the fiscal balance) would be around a 4.5x multiple of any increase in departmental expenditure.
 - Tax revenue would accrue 75% in year 1, 20% in year 2 and 5% in year 3 with respect to the funding year.
 - Tax receipts (affecting the underlying cash balance) would accrue 44% in year 1, 25% in year 2 and 19% in year 3 with respect to the funding year. Total receipts would be around 88% of total revenue, reflecting the fact that a proportion of the revenue liabilities raised will not be paid.
- The cost of extending the Taskforce would be based on the cost of extending the program in 2022-23 and 2023-24, and would be indexed to the consumer price index (CPI) over the medium term.
- Total tax revenue raised from the Taskforce would account for the nominal growth in tax revenues over the medium-term period.

Component 2

- Additional tax revenue collected from extending the shadow economy compliance programs would be consistent with the revenue model for the 2021-22 Mid-Year Economic Fiscal Outlook (MYEFO) measure *Australian Taxation Office continuation of compliance programs and independent resourcing review*.
- Departmental funding for shadow economy compliance programs would be indexed to the relevant wage price index over the forward estimates period, and to CPI over the medium term.
- Total tax receipts would be about 91% of total tax revenue, reflecting the fact that a proportion of the revenue liabilities raised will not be paid.
- The growth in revenue gained from compliance activities would account for both increases in worker productivity and nominal growth in tax revenues over time, but this growth would be partly offset by the development of new tax evasion methods.

Methodology

Component 1

The financial impacts of Component 1 were modelled based on the above key assumptions.

Component 2

The financial impacts of Component 2 were estimated using the revenue model for the 2021-22 MYEFO measure *Australian Taxation Office – continuation of compliance programs and independent resourcing review*.

As any Goods and Services Tax (GST) revenue collected through shadow economy compliance activities would be provided to states and territories, the financial implications of GST collected is included as both revenue and an expense.

Financial implications for both components were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.²

Data sources

The Department of Finance and the Treasury provided economic parameters as at the 2022-23 Budget.

The Treasury provided the revenue models for the 2021-22 MYEFO measure *Australian Taxation Office – continuation of compliance programs and independent resourcing review*, and the 2022-23 Budget measure *Tax Integrity – extension of the Australian Taxation Office (ATO) Tax Avoidance Taskforce on multinationals, large corporates and high wealth individuals*.

Australian Government, 2018, *2018-19 Budget*.

Australian Government, 2021, *2021-22 MYEFO*.

Australian Government, 2022, *2022-23 Budget*.

Australian National Audit Office, 2019, [Tax Avoidance Taskforce – Meeting Budget Commitments](#), accessed 7 April 2022.

² https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

Attachment A – Extend and boost existing ATO programs – financial implications

Table A1: Extend and boost existing ATO programs – Fiscal balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Revenue													
<i>Component 1 - Tax Revenue</i>	680.0	860.0	900.0	2,020.0	2,120.0	2,250.0	2,370.0	2,530.0	2,700.0	2,880.0	3,060.0	4,460.0	22,370.0
<i>Component 2 - Tax Revenue</i>	-	620.0	870.0	1,020.0	1,070.0	1,140.0	1,200.0	1,280.0	1,370.0	1,460.0	1,550.0	2,510.0	11,580.0
Total – revenue	680.0	1,480.0	1,770.0	3,040.0	3,190.0	3,390.0	3,570.0	3,810.0	4,070.0	4,340.0	4,610.0	6,970.0	33,950.0
Expenses													
Administered													
<i>Component 2 - GST Payments</i>	-	-90.0	-152.0	-200.0	-211.0	-223.0	-235.0	-251.0	-268.0	-286.0	-303.0	-442.0	-2,219.0
Departmental													
<i>Component 1 - ATO Departmental Funding</i>	-200.0	-200.0	-200.0	-530.0	-538.0	-546.0	-554.0	-563.0	-572.0	-582.0	-591.0	-1,130.0	-5,076.0
<i>Component 2 - ATO Departmental Funding</i>	-	-79.7	-81.1	-82.5	-84.4	-86.4	-88.5	-90.8	-93.1	-95.4	-97.8	-243.3	-879.7
Total – departmental	-200.0	-279.7	-281.1	-612.5	-622.4	-632.4	-642.5	-653.8	-665.1	-677.4	-688.8	-1,373.3	-5,955.7
Total – expenses	-200.0	-369.7	-433.1	-812.5	-833.4	-855.4	-877.5	-904.8	-933.1	-963.4	-991.8	-1,815.3	-8,174.7
Total (excluding PDI)	480.0	1,110.3	1,336.9	2,227.5	2,356.6	2,534.6	2,692.5	2,905.2	3,136.9	3,376.6	3,618.2	5,154.7	25,775.3

(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: Extend and boost existing ATO programs – Underlying cash balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Receipts													
<i>Component 1 - Tax Receipts</i>	290.0	540.0	740.0	1,270.0	1,600.0	1,890.0	2,000.0	2,120.0	2,260.0	2,410.0	2,570.0	2,840.0	17,690.0
<i>Component 2 - Tax Receipts</i>	-	414.0	711.0	933.0	980.0	1,040.0	1,100.0	1,170.0	1,250.0	1,330.0	1,410.0	2,058.0	10,338.0
Total – receipts	290.0	954.0	1,451.0	2,203.0	2,580.0	2,930.0	3,100.0	3,290.0	3,510.0	3,740.0	3,980.0	4,898.0	28,028.0
Payments													
Administered													
<i>Component 2 - GST Payments</i>	-	-90.0	-152.0	-200.0	-211.0	-223.0	-235.0	-251.0	-268.0	-286.0	-303.0	-442.0	-2,219.0
Departmental													
<i>Component 1 - ATO Departmental Funding</i>	-200.0	-200.0	-200.0	-530.0	-538.0	-546.0	-554.0	-563.0	-572.0	-582.0	-591.0	-1,130.0	-5,076.0
<i>Component 2 - ATO Departmental Funding</i>	-	-79.7	-81.1	-82.5	-84.4	-86.4	-88.5	-90.8	-93.1	-95.4	-97.8	-243.3	-879.7
Total – departmental	-200.0	-279.7	-281.1	-612.5	-622.4	-632.4	-642.5	-653.8	-665.1	-677.4	-688.8	-1,373.3	-5,955.7
Total – payments	-200.0	-369.7	-433.1	-812.5	-833.4	-855.4	-877.5	-904.8	-933.1	-963.4	-991.8	-1,815.3	-8,174.7
Total (excluding PDI)	90.0	584.3	1,017.9	1,390.5	1,746.6	2,074.6	2,222.5	2,385.2	2,576.9	2,776.6	2,988.2	3,082.7	19,853.3

(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: Extend and boost existing ATO programs – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Fiscal balance	1.0	9.0	27.0	55.0	94.0	145.0	209.0	283.0	371.0	473.0	593.0	92.0	2,260.0
Underlying cash balance	1.0	8.0	25.0	52.0	89.0	139.0	201.0	274.0	360.0	461.0	579.0	86.0	2,189.0

- (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 glossary³.
- (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 – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)