Parliamentary
Budget Office

Policy costing

Introduce tax deductibility for media subscriptions, purchases and donations	
Party:	Australian Greens

Summary of proposal:

This proposal involves two components relating to tax deductibility of spending on, and donations to, news media organisations in Australia that adhere to appropriate standards of practice for public interest journalism.

Component 1: Introduce deductible gift recipient status for organisations that meet the following criteria.

- A minimum of 75 per cent of total spending over the previous 12 months on production and dissemination of news, public-interest journalism or other fact-based editorial content.
- A minimum of 75 per cent of total revenue derived from sales, subscriptions, advertising revenue or other individual or philanthropic donations.
- A turnover exceeding $1 million in the previous financial year.
- Primary business and dominant purpose is the production and distribution of news and editorial content that is in the public interest. This test would exclude organisations producing content whose purpose is promotional, or for public relations or advocacy.

Component 2: Make subscriptions, donations and purchases of news media tax deductible to individuals.

Both components would be implemented from 1 July 2019.

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by $635 million over the 2019-20 Budget forward estimates period. This impact reflects a decrease in revenue of $627 million and an increase in departmental expenses of $8 million for the Australian Taxation Office. The increase in departmental expenses would arise as a result of additional administration and compliance costs for an increased number of large organisations with deductible gift recipient status, and an increased number of individuals claiming tax deductions.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

The costing is subject to significant uncertainty surrounding the number of personal subscribers and donors to eligible organisations, the amounts they would spend under the proposal, and the likely growth in revenue of news media organisations. While current donations to news media organisations are likely to be small, there is a possibility that news media organisations would restructure their business models around donations, rather than subscriptions and purchases, under

Component 1 of the proposal. Subscriptions of news media are likely to be much larger than donations under current policy, but many of these may already be tax deductible, and may not be affected by Component 2 of the proposal.

There may also be overlap between what is characterised as a donation or a subscription, which would result in significant uncertainty around the split between components.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	-2	-201	-211	-211	**-635**
Underlying cash balance	-2	-201	-211	-211	**-635**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Key assumptions

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

Donations to eligible news media organisations

- Most major Australian newspapers and online news publishers would meet the eligibility criteria for deductible gift recipient status. This is based on the IBISWorld definition of newspaper publishing.
  - Other news media outlets, such as television and radio, are unlikely to meet the spending criterion.
- Under Component 1 of the proposal, there would be one donor for every ten individual subscribers. The average donation would be equal to the average subscription.
- 50 per cent of all donations would have been received by other organisations with deductible gift recipient status in the absence of this proposal.
- The average marginal tax rate on donations is 35 per cent.

Subscriptions and purchases

- 30 per cent of revenue for newspaper publishers comes from subscriptions.
  - This is broadly consistent with annual reports from major news organisations.
  - Other news media outlets, such as television and radio, primarily receive revenue from advertising. Subscriptions to such outlets are assumed to have an immaterial impact on the revenue impact under this proposal.
- 50 per cent of all subscriptions would become tax deductible under the proposal. The remainder are corporate or individual subscriptions for which a tax deduction has already been claimed (for instance, because it is a work-related expense).
- Total newspaper subscriptions from individuals would increase by 10 per cent as a result of the proposal.

- There would be no growth in the number of subscribers over time. Revenue from subscriptions would grow in line with the consumer price index.
  - This reflects that total revenue from newspaper publishing has declined over the last five years.
- 10 per cent of revenue for newspaper publishers comes from purchases by individuals, and 20 per cent of these would be claimed as a tax deduction under the proposal.
  - The average available deduction for purchases is likely to be small. As such, the majority of purchases are unlikely to be claimed as a deduction.
- The average marginal tax rate on subscriptions and purchases is 35 per cent.

Methodology

- Total revenue relating to newspaper publishing in Australia was informed by the IBISWorld Industry report, Newspaper Publishing.
- The assumed proportion of revenue relating to subscriptions and purchases was informed by annual reports from news media organisations.
- The financial implications of each component have been estimated jointly. As such, the financial implications of implementing components in isolation would differ. In addition, both components extend deductibility for donations. This impact is reported under Component 1.
- Administrative costs have been informed by the costs of similar programs.
- The modelling has taken the timing of tax collections into account.
- Estimates of the revenue impact of Component 1 have been rounded to the nearest $1 million. Estimates of the revenue impact of Component 2 have been rounded to the nearest $10 million. Departmental expenses have been rounded to the nearest $1 million.

Data sources

Newscorp, 2018. *2018 Annual Report.*

Fairfax Media, 2018. *Fairfax Media Annual Report 2018*.

IBISWorld, March 2019. *Newspaper publishing – Australia market research report* [Online] Available at: https://www.ibisworld.com.au/industry-trends/market-research-reports/information-media-telecommunications/except-internet-music-publishing/newspaper-publishing.html [Accessed: 24.05.2019]

Meade, 31 July 2018. *Guardian Australia reports its first profit in 2018 annual results*. The Guardian.

Attachment A – Introduce tax deductibility for media subscriptions, purchases and donations – financial implications

Table A1: Introduce tax deductibility for media subscriptions, purchases and donations – Fiscal and underlying cash balance ($m)[(a)(b)(c)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Revenue					
Component 1: Extend deductible gift recipient status	*-*	*-9*	*-9*	*-9*	***-27***
Component 2: Tax deductibility of purchases and subscriptions	*-*	*-190*	*-200*	*-200*	***-600***
Total – revenue	**-**	**-199**	**-209**	**-209**	**-627**
Expenses					
Component 1: Extend deductible gift recipient status	*-1*	*-1*	*-1*	*-1*	***-4***
Component 2: Tax deductibility of purchases and subscriptions	*-1*	*-1*	*-1*	*-1*	***-4***
Total – expenses	**-2**	**-2**	**-2**	**-2**	**-8**
Total	**-2**	**-201**	**-211**	**-211**	**-635**

(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.

(b) Figures may not sum to totals due to rounding.

(c) The financial implications of each component have been estimated jointly. As such, the financial implications of implementing components in isolation would differ. In addition, both components extend deductibility for donations. This impact is reported under Component 1.

\- Indicates nil.