



## Policy costing

Including labour hire in the taxable payments reporting system	
Party:	Australian Labor Party
Summary of proposal: This proposal would extend the taxable payments reporting system to the following industries identified by Australian and New Zealand Standard Industrial Classification (ANZSIC) codes: <ul style="list-style-type: none"><li>• Employment placement and recruitment services (ANZSIC 72110)</li><li>• Labour supply services (ANZSIC 72112).</li></ul> This proposal would have effect from 1 July 2019.	

## Costing overview

### Policy background

Under the taxable payments reporting system, some businesses need to report information to the Australian Taxation Office (ATO) about the payments they make to contractors for services. The information the ATO collects through taxable payments reporting aims to address non-lodgement of tax returns, omitted income in tax returns, and non-compliance with goods and services tax obligations.

### General

This proposal would be expected to increase the fiscal and underlying cash balances by \$8 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis, this impact reflects an increase in revenue of \$21 million, an increase in administered expenses of \$4 million and an increase in departmental expenses of \$9 million.

The proposal would be expected to increase departmental expenses for the ATO over the 2019-20 Budget forward estimates period by \$9 million in order to implement the proposed extension of the taxable payments reporting system.

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 fiscal balance and underlying cash balance impacts differ due to a timing difference between when tax liabilities are recognised and when they are paid.

The estimates in this costing are sensitive to the high degree of uncertainty as to the proportion of contractors in the labour hire industry that provide intra-industry services and what the behavioural response by contractors to the proposal would be.

**Table 1: Financial implications (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	<b>Total to 2022–23</b>
Fiscal balance	-1	3	4	2	<b>8</b>
Underlying cash balance	-1	2	5	2	<b>8</b>

(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.

- Around 40 per cent of contractors would not comply with the taxable payments reporting system.
- The average proportion of contractors that provide intra-industry services is around 10 per cent and will remain at around that level over the period to 2029-30.
- Revenue raised from the proposal would phase in over three years due to delays in reporting and businesses adjusting tax instalments.
- Revenue from the proposal would grow at around 2 per cent per year.

## Methodology

This costing was based on the model used for the 2018-19 Budget measure *Black Economy Package – further expansion of taxable payments reporting* provided by the Treasury. The amount of additional income that would likely become taxable as a result of the proposed extension of the taxable payments reporting system was estimated using aggregated data on affected contractors and the assumptions listed above.

Departmental expense estimates were based on advice from the ATO.

Estimates have been rounded to the nearest \$1 million.

## Data sources

Commonwealth of Australia, 2017. *Black Economy Taskforce Final Report*, Canberra: Commonwealth of Australia.

The ATO provided aggregate data on contractors in the affected industries and advice on the departmental costs of implementing the proposal.

The Treasury provided modelling for the 2018-19 Budget measure *Black Economy Package – further expansion of taxable payments reporting*.

## Attachment A – Including labour hire in the taxable payments reporting system – financial implications

**Table A1: Including labour hire in the taxable payments reporting system – Fiscal balance (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
<b>Revenue</b>					
<i>Income tax</i>	1	5	6	5	17
<i>Goods and services tax</i>	1	1	1	1	4
<b>Total – revenue</b>	<b>2</b>	<b>6</b>	<b>7</b>	<b>6</b>	<b>21</b>
<b>Expenses</b>					
<i>Goods and services tax</i>	-1	-1	-1	-1	-4
<i>Departmental funding – ATO</i>	-2	-2	-2	-3	-9
<b>Total – expenses</b>	<b>-3</b>	<b>-3</b>	<b>-3</b>	<b>-4</b>	<b>-13</b>
<b>Total</b>	<b>-1</b>	<b>3</b>	<b>4</b>	<b>2</b>	<b>8</b>

(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.

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

**Table A2: Including labour hire in the taxable payments reporting system – Underlying cash balance (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
<b>Receipts</b>					
<i>Income tax</i>	1	4	7	5	17
<i>Goods and services tax</i>	1	1	1	1	4
<b>Total – receipts</b>	<b>2</b>	<b>5</b>	<b>8</b>	<b>6</b>	<b>21</b>
<b>Payments</b>					
<i>Goods and services tax</i>	-1	-1	-1	-1	-4
<i>Departmental funding – ATO</i>	-2	-2	-2	-3	-9
<b>Total – payments</b>	<b>-3</b>	<b>-3</b>	<b>-3</b>	<b>-4</b>	<b>-13</b>
<b>Total</b>	<b>-1</b>	<b>2</b>	<b>5</b>	<b>2</b>	<b>8</b>

(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.

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