

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the Australian Government's response to the COVID-19 pandemic

2020 - 2021

Division: Macroeconomic Conditions Division
Topic: Start date for Commonwealth support modelling
Reference: Committee Hansard page 9 –17 September 2020, IQ20-000255

Question:

Senator McKIM: Have you modelled for the government the effect on consumption of bringing forward the timing of the next round of income tax cuts?

Mr Yeaman: We have modelled and provided analysis and briefing and advice to the government on the economic impacts of a whole series of measures, including around payments, around the tax system and around business incentives as well.

Senator McKIM: And that includes modelling the effect on consumption of bringing forward the timing of future tax cuts?

Mr Yeaman: As to both the timing and the broad economic impact of those measures, certainly we have looked at all of that as part of providing advice to government.

Senator McKIM: What dates have you used for that modelling? In other words, what commencement dates for future tax cuts have you used as the basis for that modelling?

Mr Yeaman: We've looked at a range of modelling options across a series of measures. That all forms part of our detailed advice to government as part of the budget process in the normal way. I'm not in a position to be able to talk to the specific scenarios that have been tested in that space.

Senator McKIM: Well let me ask it this way: what is the earliest date that you have used as the basis for that modelling and the subsequent advice to government?

Mr Yeaman: I'd have to take it on notice. As you would expect us to do, we have provided a whole series of advice to government, over a period of time, around the different options that are possible in this space, covering the full suite of measures and various timing options. I would need to take that on notice and see what I can provide to you.

Answer:

The Government announced the measure: JobMaker Plan – bringing forward the Personal Income Tax Plan and retaining the low and middle income tax offset in the 2020-21 Budget, which brought forward the second stage of its Personal Income Tax Plan by two years from 1 July 2022 to 1 July 2020 while retaining the low and middle income tax offset (LMITO) for 2020-21. This measure is estimated to increase GDP by \$3.5 billion in 2020-21 and \$9 billion in 2021-22 while creating an additional 50,000 jobs by the end of 2021-22.

Further details about the measure and its impacts are available on pages 15-16 of Budget Statement 1 and 18-19 of Budget Paper 2.