



29 November, 2013

File:

Economics Legislation and References Committees
Department of the Senate
Parliament House,
Canberra ACT 2600, PO Box 6100

ECONOMICS LEGISLATION AND REFERENCES COMMITTEE: TREASURY QUESTIONS ON NOTICE

Treasury's response to the questions on notice for the Economics Legislation Committee's Wednesday 27 November 2013 hearing on the Minerals Resource Rent tax and Other Measures Bill 2013 are as follows.

from page 33:

Senator Dastyari: I will propose a hypothetical. If this bill is not passed before January—the last date to pass the bill is mid-December—the schoolkids bonus will be paid at the start of next year. Is that correct?

Mr Naikar: Yes.

Senator Dastyari: If it is not repealed before then, it is paid by next year.

Mr Naikar: If it is not repealed before the pay date, which is 1 January—

Senator Dastyari: There were PBO costings done. We have all seen them. You have obviously encountered this issue already. This idea that this was going to be repealed is not a new thing. This did not come out of nowhere. For a year and a bit there was discussion around it. What does that do to the budget bottom line if they have costed in these savings that they are not going to be able to achieve? It gets paid in full at one point in time, doesn't it?

Chair: It makes it much harder for us to get back to surplus; absolutely.

Mr Naikar: The schoolkids bonus gets paid in two instalments. In reference to your question as to the impact on the budget bottom line I would have to take that on notice.

Senator Dastyari: Are you able to get the figures for us?

Mr Naikar: I should be able to.

Department of Social Services Response

Eligibility for the Schoolkids Bonus is determined on 1 January (for a January payment) and 30 June (for a July payment) each year. As the estimated savings from abolishing this measure assumes the last eligible test day for this payment is 30 June 2013, should the legislation not pass Parliament and receive Royal Assent prior to 31 December 2013, package savings would be reduced by \$727.9 million in underlying cash terms.

from page 34:

Chair: My rough calculations suggest it could be heading up towards \$1 billion over the forward estimates. Am I in the right ballpark? Would that be reasonable?

Mr Heferen: We would have to work through the numbers—

Chair: In terms of scale, though, I am not completely out.

Mr O'Toole: Are you talking about the entire package?

Chair: The entire package, yes.

Mr O'Toole: It sounds in the ballpark but we will take that on notice.

Treasury Response:

The financial impact over the forward estimates of these measures is listed on page 7 of the Legislation Explanatory Memorandum as \$13,616 million. The reduction in the Public Debt Interest resulting from this \$13,616 million savings is estimated to be around \$787 million over the forward estimates period. There is a further Public Debt Interest saving estimated to be around \$15 million over the forward estimates period from the reduction in the Small Business Instant Asset Write-off from \$6,500 to \$5,000 which is a Carbon Tax Associated spending measure. Public debt interest (PDI) impacts are estimates provided for illustrative purposes only. PDI impacts of individual measures cannot be disaggregated from total PDI, because the Government raises funds for the aggregated financing requirement rather than specific measures or programs. Estimates of PDI will vary depending on the prevailing market interest rates across the yield curve for issuance of Commonwealth Government Securities.

IMPACT ON PUBLIC DEBT INTEREST (PDI) OF THE SAVINGS MEASURES IN THE MINERALS RESOURCE RENT TAX AND OTHER MEASURES BILL 2013

MRRT Associated Spending Measure	Date of Effect	Cash Savings over Forward Estimates \$m	PDI * Savings over Forward Estimates \$m
Re-phasing the Superannuation Guarantee Increase by delaying the increase from the current 9.25% by 2 years starting on 1 July 2014	1/07/2014	1,580	64
Abolishing the Low Income Superannuation Guarantee	1/07/2013	2,699	151
Reduction in the Small Business Instant Asset Write-off from \$5,000 to \$1,000	1/01/2014	2,300	116
Discontinuing the Small Business Instant Asset Write-off for motor vehicles	1/01/2014	450	24
Discontinuing Company Loss Carry Back	1/07/2013	950	56
Abolishing the Mining Tax Supplementary Allowance payment (or the Income Support Bonus)	1/01/2014	1,105	75
Abolishing the School Kids Bonus	1/01/2014	4,522	300
Discontinuing the inclusion of Geothermal Exploration within the wider tax definition of Exploration	1/07/2014	10	0
Total		13,616	787**

Carbon Tax Associated Spending Measure			
Reduction in the Small Business Instant Asset Write-off from \$6,500 to \$5,000	1/01/2014	300	15

Source: Treasury estimates.

* Public debt interest (PDI) impacts are estimates provided for illustrative purposes only. PDI impacts of individual measures cannot be disaggregated from total PDI, because the Government raises funds for the aggregated financing requirement rather than specific measures or programs. Estimates of PDI will vary depending on the prevailing market

interest rates across the yield curve for issuance of Commonwealth Government Securities.

** Figure rounded up

from page 36:

Ms Gabbitas: Treasury has done some analysis and some cameos looking at the aggregate impact of the rephrase of the super guarantee and the low-income super contribution. As an example, a 25-year-old on an income of \$30,000 could retire with about \$15,000 less in real terms based on a consumer price index deflation. Similarly, a 45-year-old on the same income could retire with about \$7,600 less.

Senator Dastyari: Are you reading from a table? Could it be presented to the committee?

Mr Heferen: We will take that on notice.

Senator Pratt: I agree, that would be useful.

Mr Heferen: Obviously we want to assist the committee in any way we can and oftentimes issues that we raise might be in the context of advice we have provided to the government, so in that case we have to go through that process.

Senator Dastyari: No, I understand that.

Chair: For the benefit of witnesses, I hope to have a report for circulation to committee members by Friday. So, when taking things on notice, it would be appreciated if we could address that fairly quickly to ensure that that evidence is considered as part of the report process.

Senator Pratt: In that context, if information could be provided in each category of income that is affected by this change to retirement savings, that would be terrific.

Mr Heferen: We will provide that and we will provide the qualifiers when we provide the advice, but it kind of goes without saying that these things are highly contingent upon the assumptions when we are looking at overall retirement savings—

Senator Pratt: You will have to make those assumptions clear in the advice provided.

Mr Heferen: We will.

Treasury Response:

The information requested forms the basis of policy advice to Government and is therefore not available for release.

from pp. 36-37:

Senator Pratt: Has Treasury done any work on the long-run impact of those changes on revenue—for example, pension outlays, superannuation or tax earnings?

Mr Heferen: Again, I will take that on notice.

Senator Pratt: So you do not know if Treasury has done any work on that or not?

Ms Gabbitas: I do not think we have, but we will confirm that.

Treasury Response:

The information requested forms the basis of policy advice to Government and is therefore not available for release.

from p. 40:

Senator Pratt: This one can probably be taken on notice. I am interested in the underlying cash balance impact by spending revenue in the current financial year and scrapping the associated expenditure and revenue items in this legislation.

Mr Heferen: We will take that on notice.

Treasury Response:

In the year 1013-14, if the Bill is passed by 1 January 2014, there will be savings of \$21.7 million in MRRT administration expenses and \$150.7 million and \$549.5 million respectively for abolishing the Income Support Bonus and the Schoolkids Bonus. These figures can be found on page 7 of the Legislation Explanatory Memorandum.

Yours sincerely

James O'Toole
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