

**Senate Economics Legislation Committee**  
ANSWERS TO QUESTIONS ON NOTICE

**Treasury Portfolio**

Budget Estimates

2016 - 2017

**Department/Agency:** Treasury

**Question:** BET305

**Topic:** Tobacco Tax

**Reference:** Hansard Page No. 15-16 - 6 May 2016

**Senator:** Penny Wong

**Question:**

Senator WONG: I will come to the tobacco tax, where the government also chose to release 10-year costings. I am actually not asking about 10-year costings. I have accepted Mr Fraser's evidence that he is not permitted by the Treasurer to release anything further on this one. I have accepted that. I actually was asking a qualitative question. I am not asking for a number; I am simply asking the obvious question because it is a hit to the bottom line over the four years. Would it be right to assume that that measure on page 36, the 'better targeting the deductible liabilities measure', would be a net cost to the budget over the decade?

Mr Brake: Clearly, it has a cost over the forward estimates. As the measure description says, basically, the previous government announced a measure to deal with these deductible liabilities. What the government is doing is modifying that measure to largely have the same policy intent, but the mechanism for achieving that is a little different. As the measure description says:

Over time (and after accounting for the deferred start date), the revenue gain from the two approaches will be broadly the same and hence the cost over the forward estimates period from the modification largely reflects a timing difference only.

Senator Cormann: To add to that answer I am going to refer members of the committee to Budget Paper No. 1 page 3-11. You will see there that there is a graph here which shows that the projected return to surplus is the same as it was before Christmas in our half-yearly budget update: 2020-21. The cost of all of the measures in this budget, where relevant, is of course reflected in our medium-term projections. What this graph shows is that over the medium term all the way to 2026-27 we are projected to remain in surplus based on the policy decisions and our current assessment of relevant economic parameters and other parameters. I understand the line of questioning that Senator Wong is seeking to pursue, but the plan the Treasurer delivered on Tuesday for jobs and growth, as you can see here, is actually affordable, funded and sustainable within our budget over the medium term.

Senator WONG: Mr Brake, is it a net cost or not over the decade? If I understood your answer, there is a timing issue hit to the bottom line over the first whatever number of years, and then essentially parity with the preceding position. Is that a broad summation? To my way of thinking, that is still a net cost over the decade.

Mr Brake: Senator, because of the nature of this measure and the fact that there are these timing issues, in terms of assessing the cost over the 10 years versus over the four years I would like to take that on notice.

**Answer:**

*The Ten Year Enterprise Tax Plan — better targeting the deductible liabilities measure* has a net cost over the forward estimates period. The net cost over the forward estimates period of

this measure partly reflects the delay to the start date and this component is not expected to be recovered over time.