

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates – 25–26 February 2009

**Question: aet 63**

**Topic: Henry Tax Review - GST**

**Hansard Page: E104 (25 February 2009)**

**Senator BUSHBY asked:**

**Senator BUSHBY**—Will there be a fall in GST revenue overall?

**Ms Mrakovic**—It basically is associated with weaker—

**Senator Conroy**—It was the last point I listed.

**Ms Mrakovic**—It is basically associated with weaker consumption.

**Senator BUSHBY**—That is right because obviously if people are not spending as much money then there is not as much money being spent for tax—

**Ms Mrakovic**—A weaker economic outlook and weaker consumption translates into—

**Mr White**—On page 44 of the UEFO we actually say that it is going down by about \$1 billion in 2008-09 and \$2 billion in 2009-10.

**Senator BUSHBY**—What is that in percentage terms roughly?

**Mr White**—GST is currently a bit over \$40 billion so it may be about—

**Senator BUSHBY**—It is substantial, but not huge if you divide \$1 billion across all the states in terms of what they are getting. They will hurt but it is not going to make them fall over at this point. Whilst UEFO and the budget before that predicted an increase in unemployment, what will be the decrease in average income tax revenue for every 100,000 people unemployed as a result of the—

**Senator Conroy**—We will take that on notice and see if those figures are available.

**Senator BUSHBY**—It is a reasonably common statistic.

**Ms Mrakovic**—We have to take that on notice.

**Senator BUSHBY**—You cannot tell me what the tax revenue is for every 100,000 people? That is something you work off, isn't it?

**Ms Mrakovic**—We would have to take it on notice.

**Senator BUSHBY**—What are the implications for capital gains tax receipts next year from the decline in asset values?

**Ms Mrakovic**—Again I think we do point out in the document that we expect capital gains also to be reduced.

**Senator BUSHBY**—Substantially?

**Senator ABETZ**—By how much or is that in the other category?

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**Ms Mrakocic**—We do not actually provide the detail on capital gains for that breakdown.

**Senator BUSHBY**—Do you have that available somewhere in Treasury?

**Ms Mrakocic**—We would have to take that on notice.

**Senator ABETZ**—Whereabouts is that? As I understand it in the UEFO—and I do not have it in front of me but from recollection—you told us what you were anticipating, company tax and a few others, and then you aggregated everything else in a lump, ‘Other: \$2 billion’. Is that right?

**Ms Mrakocic**—Basically, capital gains is spread across a number of those revenue heads, company tax and individuals—

**Senator ABETZ**—Company tax and individual tax and superannuation as well?

**Senator Conroy**—Dividend imputation—

**Senator ABETZ**—If you could try to disaggregate that that would be helpful.

**Senator Conroy**—We will see if we can; I am not sure. Dividend imputation feeds into the other aggregates.

**Question: aet 64**

**Topic: Disaggregated Categories**

**Hansard Page: E104-105 (25 February 2009)**

**Senator ABETZ asked:**

**Senator ABETZ**—With the other taxes that you are anticipating will decrease—and I think we agreed there was a category of ‘Other’—how much was that again?

**McCullough**—I think I said about \$2 billion.

**Senator ABETZ**—What was included in that?

**Senator Conroy**—I do not actually have a further breakdown. I am happy to take it on notice.

**Senator ABETZ**—To have an aggregate described as ‘Other’ I would assume that there would be a lot of little categories in ‘Other’ with a number placed next to them—

**Senator Conroy**—I just do not have—

**Senator ABETZ**—I am just asking on notice if you can disaggregate the categories and the amounts because in UEFO, believe it or not, I was searching to see what the revised view would be on income from the luxury car tax—I am getting a few smiles; that is nice. Even without the KFC or the GFC, I have a very funny feeling that my bush economics and predictions as to what would happen have in fact happened—

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**Senator Conroy**—As I said, I am happy to see if there is a—

**Senator ABETZ**—What I would like to know is—

**Senator Conroy**—I am happy to see if there is a further breakdown. I have actually answered a question in a similar vein in the Senate. I am happy to see if there is any further information that the Treasury wants to make available.

**Senator ABETZ**—I think you are misleading this committee. You did not answer. You talked about it but you did not answer, really. If you could let me know what the luxury car tax reductions—

**Senator Conroy**—I will see if there is any information.

**Senator ABETZ**—If I could be provided with information about whether the receipts for luxury car tax—

**Senator Conroy**—I will take that on notice to see if there is anything more available that the Treasurer wishes to make available.

**Senator ABETZ**—Also, in gathering that information would you then be informed as to what vehicles and vehicle numbers are being sold in various categories or not?

**Senator Conroy**—I will happily take that on notice and see if there is any further information that the Treasurer can provide you.

**Senator ABETZ**—There are 25 categories of foreign cars with all luxury car tax removed from them— which is of great assistance to the Australian car manufacturers, might I add; a huge assistance. They were very pleased about that. I would like to know how many of those vehicles have been sold and how their sales have increased as a result of the changed taxation.

**Senator Conroy**—I am happy to take it on notice.

**Senator ABETZ**—Thank you. Senator Coonan has been of great assistance. On page 44 of UEFO we were told:

*Reduced forecasts of consumption have also led to reductions of more than \$250 million per year in aggregate estimates of all other indirect taxes (excise and customs duties, luxury car tax, and wine equalisation tax).*

Of course, it will be interesting to see what happens with the alcopops tax as well in that regard.

**Senator Conroy**—We have taken it on notice.

**Senator ABETZ**—Can I ask you to take on notice also the forward estimates of luxury car tax revenue?

**Senator Conroy**—Certainly. We can add that to your question to see if there is any further information available.

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#### Answer:

##### *Revenue per capita*

Based on revenue estimates in the *Updated Economic and Fiscal Outlook February 2009* (UEFO), average income taxation revenue per person was around \$9,230 (\$923 million per 100,000 people) in 2009-10. This is lower than at the *Mid-Year Economic and Fiscal Outlook 2008-09* (MYEFO) when the average income taxation revenue forecast per person was around \$10,140 (\$1,014 million per 100,000 people) in 2009-10. The lower average income tax per person at UEFO reflects downward revisions to forecasts of wage, business and investment incomes compared with MYEFO.

These numbers are based on an estimated population of 21.9 million in 2009-10.

##### *Variations in capital gains tax receipts*

Estimated capital gains tax receipts (which form part of individuals, companies and superannuation funds income taxes) have been revised down between MYEFO and UEFO by \$21 billion over the four years to 2011-12.

##### *'Other' taxes, including luxury car tax*

On 2 February 2009, the Treasury discussed new estimates of aggregate tax receipts, which were revised down following downward revisions to most economic parameters, including wages, profits and consumption. Almost all revenue heads were revised down accordingly, including personal and company income tax, and indirect taxes such as excise, GST and luxury car tax. In particular, the Treasurer referred to parameter and other variations between MYEFO and UEFO of "another \$2 billion on assorted taxes...over the forward estimates". Table 1 provides disaggregated information on these variations.

**Table 1: Parameter revisions to 'other' taxation receipts estimates – MYEFO to UEFO (\$b, total revisions over the four years 2008-09 to 2011-12)**

	<b>Total (\$b)</b>
<i>Variations by revenue head in 'Other':</i>	
Fringe benefits tax	-0.4
Luxury car tax	-0.5
Excise duty	-1.1
Customs duty	0.0
Other taxes	-0.2
<b>Total tax variations</b>	<b>-2.1</b>

Treasury uses industry information on car sales to derive forecasts for the luxury car tax. Treasury does not have additional information to that produced by the car industry on various categories of luxury vehicles sold.