

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

23 – 24 February 2011

Question: AET 142

Topic: Flood Tax

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Senator Corman asked:

Senator CORMANN—Just going back to the flood tax, were you instructed by government to provide advice on a flood levy or was that something that was put forward by Treasury?

Dr Henry—I do not know the answer to that question.

Senator CORMANN—Is there somebody coming forward? Perhaps they can assist us?

Mr Wilcock—I have to confess that I was not in the country at the time that the Queensland floods took place and therefore I do not have any personal knowledge of the exact sequence of events. We would have to take that on notice.

Senator CORMANN—Is there somebody in Treasury who knows when the proposition to increase the income tax for the purpose of the flood levy was first raised?

Dr Henry—I doubt that there is in this room.

Mr Wilcock—We would need to take that on notice.

Senator CORMANN—I just assumed that Treasury would have been quite central to that discussion—or is that a wrong assumption?

Mr Wilcock—As I said, I think we would need to take on notice the issue specifically. It is generally the case that the government recognised that it would have some funding requirements arising from the floods in Queensland.

Senator CORMANN—Mr Wilcock, you were out of the country. Dr Henry is not really clear about it. Was Treasury involved at all in the decision to fund part of the reconstruction package through a flood tax?

Dr Henry—I think I can answer that question. I know we were involved, of course, because we were certainly advising government on it. So I can confirm that we were involved.

Senator CORMANN—When did you first provide advice?

Dr Henry—That I do not know.

Senator CORMANN—You do not know whether it was initiated by Treasury or whether it was initiated by the government?

Dr Henry—No. Of course that is sometimes a rather difficult thing to find out after the event.

Senator CORMANN—It gets lost in the backwards and forwards of—

Dr Henry—No, it is not really that. It is that, in my experience over a long period of time now, in advising governments quite often various options are kicked around, perhaps, in discussion and it is often very difficult to recall after the event whether the first person to raise a particular option was sitting on one side of the table or on the other side of the table. That is all. That is all I am saying.

Senator CORMANN—Has Treasury conducted any modelling of the impact of the flood tax on the economy?

Dr Henry—The impact of the flood tax, the flood levy, on the economy? I am not aware of any such work having been undertaken. I will take that on notice too. I do not want to mislead you, but I doubt it.

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Answer:

1 The Government provided Treasury with a number of guidelines in developing a levy. These guidelines proposed a progressive approach and it had to exempt certain categories of people.

2 Treasury officials became aware of the Governments intention to address the need to deal with the cost of flood rebuilding on 13 January 2011.

3 There has been no formal modelling of the impacts of the flood levy on the economy. Treasury estimates of the potential impact on consumer spending, and the impact of public spending on reconstruction activity, will be factored into the 2011-12 Budget forecasts.