

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 1 to 4 June 2004

Question: Bud 39

Topic: Income Withholding Tax Components

Hansard Page: E145

Senator Conroy asked:

That just meant that there was a very low surplus going into the last few years. That is a coincidence, is it not, Senator Murray? In terms of the income withholding tax, what proportions of the upward revisions are due to earnings and employment?

...

Senator CONROY—Is it possible to provide it?

Mr Tilley—I can take that on notice, if you like, and check. But what I can explain is the estimates we have that have been published.

Senator CONROY—One of the jobs I do is ask what makes up the figures. So is it possible for us to get the components of that figure, as I have described, on earnings and employment? Going back to this issue of forecasting, if 10 per cent of the additional revenue predicted does not eventuate for 2004-05, the predicted fiscal surplus of \$698 million would almost be completely wiped out. That is just maths more than anything else. I just want an indicator. We have had a massive revaluation and it would only take 10 per cent and we would almost be in deficit. That would be for 10 per cent not to eventuate of the substantial whack of money.

...

Mr Tilley—I can explain the estimates that are published. I do not have a quantification of those different ones. I am happy to take it on notice. That is all I can do.

Senator CONROY—But someone in Treasury must have it.

Mr Tilley—Whether we do it precisely in that way I am not sure.

Senator CONROY—You might be able to advise us tomorrow.

Mr Tilley—All I can do is take the question on notice, I am afraid.

Answer:

ITW includes all taxes withheld from payments made under the Pay-As-You-Go (PAYG) withholding system and amounts withheld because no tax file number or Australian business number was quoted. It also includes applicable Medicare levy revenue. The bulk of ITW revenue arises from taxes withheld from wage and salary income but also includes all other withholding taxes levied on natural resource payments, dividends, interest and royalties paid to non-residents and payments to aboriginal groups for the use of land for mineral exploration and mining. These taxes are not separately identified from other PAYG revenues.

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Typically ITW grows at the same rate as employment on an annual basis, and at around 1 ½ times annual growth in average earnings (see sensitivity analysis in Appendix C, Statement 2, Budget paper 1), however, policy changes also have an impact. Revisions to ITW between the 2003-04 MYEFO and the 2004-05 Budget are tabled below.

Cash tax receipts estimates and variations for ITW (MYEFO to Budget)

2004-05		2005-06		2006-07		2007-08	
MYEFO	Budget	MYEFO	Budget	MYEFO	Budget	MYEFO	Budget
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
93970	94400	100580	99500	107450	106400	n.p.*	113610

* not published

The \$430 million revision for 2004-05 reflected a more buoyant outlook for the labour market partly offset by the Government's decision to further reduce income tax. For 2004-05, wages growth was revised up from 3½ per cent at the 2004-05 MYEFO (as measured by average earnings on a national accounts basis) to 3¾ per cent at the 2004-05 Budget (as measured by the Wage Cost Index). The outlook for employment in the Budget also remained solid, with forecast growth in 2004-05 consistent with the previous MYEFO estimate of 1¼ per cent.

The outlook for employment and wages over the forward years (2005-06 and 2006-07) is unchanged since MYEFO. The downward revision to the estimates of ITW over the forward years, therefore, primarily reflects the effect of the Government's decision to provide personal income tax cuts. Subsequent revisions are published in the 2004-05 MYEFO, release on 21 December 2004. See Table F3: Australian Government receipts (cash basis), page 107.