

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 30 May – 1 June 2006

Question: bet 31

Topic: Revenue Cost of Tax-Deductibility Provisions

Hansard Page: Written

Senator SHERRY asked:

- (1) The *Electoral and Referendum Amendment (Electoral Integrity and Other Measures) Bill 2005* lists the costs of increasing the tax- deductibility of political donations from \$100 to \$1,500 and extending it to corporations. It shows that the costs over 4 years will be:

07/08	08/09	09/10	10/11
\$4.9 mil	\$6.5 mil	\$5.4 mil	\$5.7 mil

Do the estimated costs vary from year to year due to the electoral cycle?

- (2) How were the figures calculated?
- (3) In response to a question on notice during the Finance and Public Administration Committee's inquiry into the *Electoral and Referendum Amendment (Electoral Integrity and Other Measures) Bill 2005* the Department of Finance stated that the method used by Treasury to calculate these figures was not publicly available. Why Not?
- (4) Do you stand by the figures? In that case, how do you explain that in 1999 a Bill titled the *Taxation Laws Amendment (Political Donations) Bill 1999*, which sought to implement exactly the same changes as the current Bill in relation to the tax-deductibility of political donations, estimated the cost of over the first 3 years to be:

99/00	00/01	01/02
\$ 18 mil	\$ 12 mil	\$ 15 mil

This equates to an approximately 10 Million dollar a year difference in the estimated costs?

- (5) Given these massive discrepancies in the costing of these identical provisions as they relate to the tax-deductibility of political donations, will you now publicly release how you calculated these costs?

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 30 May – 1 June 2006

Answer:

- (1) Yes, the revenue estimates include the assumptions that donations will fluctuate from year to year, tending to be higher in election years.
- (2) Using 2003-04 Australian Electoral Commission (AEC) microdata for donations to political parties and independents.
- (3) Because the costing has not been published.
- (4) Treasury stands by the figures. The difference in the revenue estimates is largely due to the reductions in tax rates for individual and corporate taxpayers and the fact that the earlier costing relied heavily on aggregate AEC data for 1992-93 and 1993-94.
- (5) Refer to (2) and (4).