

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 30 May – 1 June 2006

Question: bet 68

Topic: Low-income tax offset and PAYG

Hansard Page: E27

Senator SHERRY asked:

Has an examination been made of the behavioural impact of the low-income tax offset being paid through the PAYG withholding system?

Mr Ray—I think that is again going close to the same sorts of questions of whether we have analysed a particular alternative option. I might be able to help you in the sense that, within MITTS-B, the effect of the way that is modelled is reasonably similar to if it were in the withholding system.

Senator SHERRY—What do you mean by reasonably similar?

Mr Ray—I would need to check whether it would be absolutely the same, that is all. As you know, if it is done in the withholding system there would be the issue of debts and those sorts of things. I am not sure that MITTS-B encompasses all that detail.

Answer:

The Melbourne Institute Tax and Transfer Simulator (MITTS) is a point-in-time model and calculates personal income tax liabilities on the basis of annualised weekly income information, making no distinction between PAYG withholding or ‘on assessment’ timing issues.