

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 30 May – 1 June 2006

Question: bet 90

Topic: Tax cut scenario for a family

Hansard Page: E31

Senator SHERRY asked:

What you are saying is that, where there are two earners, both earners in a family as a consequence of the budget receive an increase in their income? They will receive a tax cut, effectively?

Mr Tune—As you said, these numbers are combined household incomes, so you would have to look at the numbers. If you want me to look at a specific example, then that is a different thing. I am trying to think of something that causes something that would lead to an increase in tax for either partner, but quite honestly I cannot think of anything in the budget.

Senator SHERRY—Could you disaggregate those figures in the budget—I assume it is Mr Heferen's role—into the impact in terms of the two-income family?

Mr Tune—We can take that on notice.

Senator SHERRY—I am not expecting that sooner—if you have those figures available. You obviously do not believe there is any adverse impact in terms of tax. You have not been able to identify one, but I would like you to disaggregate because you may find out there is. I do not know, but according to Professor Apps there is a group of people earning between \$30,000 and \$40,000, second income earners, who actually have a tax increase as a consequence.

Mr Tune—Even if that were true—and I am not saying it is true—I think the relevant point is around the change in the family's total disposable income.

Senator SHERRY—As you have shown me, but I think the second earner would like to know whether their tax is going to go up or down, as well as know what the impact on the family unit is. If there is an increase in taxation for the second earner in the income band that I have raised of \$30,000 to \$40,000, what is the impact on workforce participation of those individuals?

Senator Minchin—This is utterly hypothetical, based on some press report that you are reading about some professor, the facts of which are not conceded from my perspective, and I think the officials cannot conceive how it could be right. I remember reading that article and thinking that her argument was about relative benefit. She seemed to be arguing that the relative benefits of the package favoured single income families in these income brackets, as opposed to dual income families, but not that they or anyone would be in absolute terms worse off. It was a relativity argument. We are not going to entertain hypothetical questions based on a postulation from an article that we do not have before us that someone or other might be paying more tax, which we reject.

Senator SHERRY—I have asked for information, and you are going to take it on notice. I think it is reasonable when you are dealing with family income in cameos to show the projected outcome for the two individuals. Where there are two individuals within a cameo outcome, I think that is reasonable.

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 30 May – 1 June 2006

Senator Minchin—We have taken on notice your request for that breakdown and we will do that.

Answer:

- Under the 2006-07 Budget, both the primary and secondary earner would pay less tax and receive more Family Tax Benefit in all of Professor Apps scenarios (see the “Additional disposable income” line in the table below).

Rules		Secondary income*					
		\$0	\$10,000	\$20,000	\$30,000	\$35,000	\$40,000
Primary earner tax#	2005-06	\$8,460	\$8,460	\$8,460	\$8,460	\$8,460	\$8,460
	2006-07	\$7,740	\$7,950	\$7,950	\$7,950	\$7,950	\$7,950
Secondary earner tax#	2005-06	\$0	\$365	\$2,165	\$5,310	\$6,885	\$8,460
	2006-07	\$0	\$0	\$1,800	\$4,400	\$6,175	\$7,950
Family tax benefit	2005-06	\$15,283	\$12,130	\$8,130	\$5,816	\$5,486	\$5,486
	2006-07	\$16,677	\$13,524	\$9,524	\$7,209	\$6,209	\$5,741
Net benefits received (or tax paid)	2005-06	\$6,823	\$3,305	-\$2,495	-\$7,954	-\$9,859	-\$11,434
	2006-07	\$8,937	\$5,574	-\$226	-\$5,141	-\$7,916	-\$10,159
Family disposable income	2005-06	\$46,823	\$53,305	\$57,505	\$62,046	\$65,141	\$68,566
	2006-07	\$48,937	\$55,574	\$59,774	\$64,859	\$67,084	\$69,841
Additional disposable income from the changes		\$2,113	\$2,269	\$2,269	\$2,814	\$1,943	\$1,276

All figures adjusted to net out the effects of indexation

* Primary earner income is \$40,000 for all scenarios.

Tax includes income tax and the Medicare Levy.