

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 29, 30 & 31 May 2007

Question: bet 28

Topic: Department of Defence— Revenue for 2008-09 & 2009-10

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Senator SHERRY asked:

When does the government announce that troops are going to be withdrawn from Iraq, by the commencement of the 2008-09 financial year? Therefore, why is there not a forgone revenue figure for that year and beyond?

Senator Minchin—With some reservations, and I think I will have to check this, but my recollection is that it is associated with the fact that, in reality, the decisions on deployments are made on a rolling basis, on a six-monthly or yearly basis. While there is the forward estimate in terms of the commitment, the actual deployments of who goes and for how long are made discretely. At intervals of six months or a year there is the rolling program of deployments. I think that is probably what this is about, but we can confirm that for you.

Senator SHERRY—As I say, I thought that your government's commitment was ongoing, without a foreseeable end.

Senator Minchin—Certainly the commitment is ongoing. You know what our position is. We are there while we are needed and while the Iraqi government wants us and that is why the overall funding for the Department of Defence, as an expense item, is over those three years. But this relates to military personnel on the ground as a revenue forgone item because of the special tax arrangements for those forces. That is determined discretely and specifically, depending on particular needs and deployment decisions.

Senator SHERRY—I understand why the revenue is forgone from the forces on the ground. I am not suggesting otherwise. It just struck me as odd, indeed inconsistent, that given that there is Department of Defence expenditure through 2008-09 and 2009-10, presumably there would have to be some persons on the ground.

Senator Minchin—Certain assumptions, yes.

Senator SHERRY—On that basis, why does the revenue forgone not carry through to 2008-09 and 2009-10?

Senator Minchin—As I say, I suspect it relates to the formal decisions made by NSC about deployments, but we will have to confirm that for you. We are getting that checked now. We will get back as soon as we can.

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Senator SHERRY—Because, as I say, I was not aware of an announcement that 2007-08 was the end of the commitment.

Senator Minchin—No, you are quite right. But it is true that discrete specific decisions are made by NSC about specific deployments. We will check.

Senator SHERRY—As I say, my concern would be that we have a cost being claimed by the Department of Defence. I mean we have to watch the Department of Defence, as you well know.

Senator Minchin—Quite right.

Senator SHERRY—We have a cost going forward over those three years and a loss to revenue for only one year. It just strikes me as being a bit inconsistent, whatever the pull-out date is ever going to be.

Senator Minchin—On the face of it, you point to an inconsistency which I will seek to clarify.

Answer:

Funding in the measure *Iraq—continued funding for stabilisation and reconstruction activities* covers the costs associated with continuing deployments in Iraq in 2007-08 only. Ancillary costs associated with the deployments in 2007-08 extend a number of years.

The expenditure profile of the measure shows the majority of the funds for the operation expended in the 2007-08 year, being the period for which funding for the deployments is approved.

The taxation arrangements that relate to income derived by Australian Defence Force members while deployed in Iraq generate revenue impacts that have correspondingly been estimated for the 2007-08 year, in which the deployment is funded. There are no revenue impacts associated with the remediation costs in subsequent years. Revenue impacts associated with a continuation of the deployments beyond 2007-08 will be reflected in future budget papers as appropriate.