

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates, 2 June – 4 June 2009

**Question: bet 44**

**Topic: Carbon Pollution Reduction Scheme – Taxation Status**

**Hansard Page: E111-112**

**Senator Abetz asked:**

**Senator ABETZ**—I turn to the CPRS. Who can tell me whether the CPRS is a tax or not a tax?

**Ms Mrakovcic**—For the purposes of preparing the budget statements it was treated as a tax. However, I would note that the precise classification arrangements around the CPRS are still under discussion in international forums. There has been a preliminary view reached that it is likely to be a tax revenue, but as I understand it that matter is still being actively discussed internationally.

**Senator ABETZ**—As I understand it, the international discussion on this is quite settled, under the 2008 SNA, the UN's system of national accounts, the international statistical standard on which the Australian Bureau of Statistics GFS framework is based. 'Under the 2008 SNA, payments for permits under cap-and-trade schemes are recorded as taxes and permits constitute assets that are valued at their market price.' So that is settled, isn't it, in the international fora?

**Mr Parker**—That is settled in the national accounts, the UN SNA.

**Senator ABETZ**—But I heard Ms Mrakovcic say that in the international forums there was still discussion. I thought internationally, courtesy of the UN system of national accounts, that had in fact been settled.

**Ms Mrakovcic**—The best thing for me to do is to take that on notice. I certainly know there was advice under the 2008 SNA. I am not certain of the status of that advice, whether it is in fact a final determination.

**Senator ABETZ**—In your very own budget document, paper No. 1, on page 534, at the very bottom of the page we are told 'under the 2008 SNA payments for permits'—exactly what I read out is a direct lift out of the budget document. Now I am being told that that is not settled. When are we going to settle this within Australia for domestic purposes?

**Ms Mrakovcic**—I will take the question on notice. I do not mean in any way to mislead you. I simply note that the wording is:

However, some guidance has been issued under the UN System of National Accounts ...

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

The best thing that I can do is actually clarify the nature of that guidance and then follow through in terms of the best advice we can give you in relation to the Australian treatment.

**Senator ABETZ**—Thank you for that.

#### **Answer:**

The Australian Government is required to produce financial statements that are based on Australian Accounting Standards (AAS) and the Australian Bureau of Statistics' (ABS) Government Finance Statistics (GFS) system. No formal guidance in relation to emissions permits has yet been issued under AAS or ABS GFS. (In the case of GFS, no formal guidance has yet been issued under the International Monetary Fund GFS either.)

However, guidance has been issued under the 2008 UN System of National Accounts (SNA 2008), the international statistical standard on which GFS is based. SNA 2008 has been approved by the Bureau of the UN Statistical Commission but a final version has not been released at this time.

Section 17.354 of the 2008 SNA states:

'Governments are increasingly turning to the issuing of emission permits as a means of controlling total emissions. These permits do not involve the use of a natural asset (there is no value placed on the atmosphere so it cannot be considered to be an economic asset) and are therefore classified as taxes even though the permitted "activity" is one of creating an externality. It is inherent in the concept that the permits will be tradeable and that there will be an active market in them. The permits therefore constitute assets and should be valued at the market price for which they can be sold.'

For the purposes of preparing the 2009-10 Budget, consistent with the SNA 2008 guidance, the revenue and receipts estimated to be generated from emissions permits were treated as taxes.

It should be noted that AAS and GFS only apply to the classification of revenue from emissions permits in relation to the Government's financial statements. The classification in other circumstances, such as under the Constitution, will be determined by the relevant rules and guidelines applicable to those circumstances.