

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 230

Topic: Income Tax

Hansard Page: Written

Senator SIEWERT asked:

1. What is the estimated distributional impact of the proposed 50% discount for interest income, in terms of the average annual gain in disposable income among taxpayers grouped by income decile (10%)? At what taxable income levels do the deciles cut in, and how many individuals are estimated to gain within each decile?
2. What is the estimated distributional impact of the proposed standard work related deduction, in terms of the average annual gain in disposable income among taxpayers grouped by income decile (10%)? At what taxable income levels do the deciles cut in, and how many individuals are estimated to gain within each decile?
3. What is the estimated distributional impact (in the same terms as above) of:
 - a) the proposed 15% rebate for employer superannuation contributions to low income earners,
 - b) the proposed increase in the cap on concession contributions for certain fund members over 50 years of age, and
 - c) the Budget measures reducing low income superannuation co-contribution entitlements, both separately and all together?
4. What would be the annual revenue saving and distributional impact (on same terms as above) of the Henry Review's proposal to reduce the personal income tax discount for capital gains from 50% to 40%?

Answer:

1. Distributional analysis by income decile was not undertaken in the course of costing the proposed 50 per cent discount for interest income. However, Treasury estimates that just under one-third of the beneficiaries will have taxable incomes below \$37,000 in 2012-13 and that just over one-quarter of the beneficiaries will have taxable incomes of \$80,000 or more in 2012-13.
2. Distributional analysis by income decile was not undertaken in the course of costing the standard deduction proposal. However, about 4.6 million taxpayers are estimated to financially benefit from the \$500 standard deduction in 2012-13. Of those that benefit in 2012-13, it is expected that around 66 per cent would have a taxable income of less than \$50,000. Further, around 6.4 million taxpayers are estimated to financially benefit from the \$1,000 standard deduction

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

in 2013-14. Of those that benefit in 2013-14, it is expected that around 61 per cent would have a taxable income of less than \$50,000.

3. (a) Distributional analysis by income decile was not undertaken in the course of costing the proposed low income rebate for superannuation contributions. The income test for this rebate means that only people with adjusted taxable incomes of \$37,000 or less are eligible to receive any benefit.

Treasury estimates that in 2012-13, around 3.5 million people will be eligible for the rebate, with around 2.1 million females represented in this group. Once the low income rebate commences, workers earning less than \$37,000 will be able to benefit from the full value of contributions into the fund. In contrast, only around 20 per cent of eligible low income earners benefit from the existing co-contribution scheme.

- (b) Distributional analysis by income decile was not undertaken in the course of costing the proposed changes to the concessional contributions caps.

Under this measure, individuals aged 50 and over with total superannuation balances less than \$500,000 will be eligible to access double the concessional contributions cap of \$25,000 (indexed) that was scheduled to apply from 1 July 2012.

The measure is expected to benefit around 275,000 people in 2012-13, including almost 100,000 women

- (c) This analysis is not available.

4. The Henry Review did not provide revenue and distributional impacts on its proposal to reduce the personal income tax discount for capital gains from 50 per cent to 40 per cent.