

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 54

Topic: Petroleum Resource Rent Tax - Modelling

Hansard Page: E59 (02/06/2010)

Senator JOYCE asked:

Senator JOYCE—What was the growth dividend we got from that?

Mr Ray—That measure was not large enough—

Senator JOYCE—To measure.

Mr Ray—to measure.

Senator Sherry—We can certainly take it on notice. In fact, I think it is a very good idea, Senator Joyce—

Senator JOYCE—Doesn't it seem a little bit fortuitous—

Senator Sherry—Just let me finish my answer.

Senator JOYCE—I have not asked you a question, so what is the answer?

Senator Sherry—You did.

Senator JOYCE—I have not asked you any questions, but I am glad I am about to get an answer to a question I never asked. I am fascinated as to what it will be.

Senator Sherry—Senator, Mr Ray has indicated that there was no modelling, no analysis done of that. I am sure there are other areas, such as when the PRRT was introduced more broadly across the economy and when the tax on the gold sector was introduced that Treasury would have done some analysis. I am sure they were right. When we look back historically at the ridiculous and extraordinary claims made against those tax changes, if we do have any modelling analysis of those two measures, for example—I will take it on notice; we will get Treasury to scour their records—I am sure that their analysis turned out to be correct.

Answer: Assessing the accuracy of certain estimates can be difficult to gauge as the counter-factual is unobserved. In the past, Treasury has included a growth dividend in its estimates of significant changes to the tax system.

Treasury has examined records going back to the *A New Tax System* in 1998. The estimated growth dividends for Commonwealth revenues from reform packages were:

- **The New Business Tax System** (1999-2000 MYEFO) - \$50 million in 2000-01; \$100 million in 2001-02; and \$200 million in 2002-03.
- **A New Tax System** - \$350 million in 2000-01; \$550 million in 2001-02; and \$700 million in 2002-03.