

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**Treasury Portfolio**

Supplementary Budget Estimates 1 - 2 November 2006

**Question:** sbt 50  
**Topic:** FBT in the Final Budget Outcome  
**Hansard Page:** E93, 94 & 96

**Senator SHERRY asked:**

**Mr Ray**—Could I clarify an answer I gave earlier?

**CHAIR**—Yes, of course.

**Mr Ray**—Senator Sherry asked me about FBT in the final budget outcome. Were you talking about the difference between the final budget outcome and the 05-06 budget estimate or the difference between the 05- 06 budget outcome and the 06-07 estimate of it?

**Senator SHERRY**—It was that 05-06 exceeded the budget time estimate by \$424 million.

**Mr Ray**—The \$424 million helps me. I was confused. I thought you were comparing the 05-06 outcome with the 05-06 budget estimate, which is \$400 and something million, which is basically because of the classification issue we discussed. The difference between the 06-07 estimate and the final budget outcome for 05-06 is \$424 million. Those are on the same base; they have the same classification. What was driving that is that we received fewer receipts than we were expecting and there was stronger growth in FBT receivables than we were expecting.

**Senator SHERRY**—Why did you receive fewer receipts than you were expecting?

**Mr Ray**—There were fewer fringe benefits tax receipts than we had expected.

**Senator SHERRY**—But why? It is a fair variation. There must have been some analysis of why that happened. Maybe you can ponder on that over the break.

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**Mr Ray**—Mr Chairman, I took a question from Senator Sherry on notice before the break and I would like to provide an answer, if I could.

**ACTING CHAIR**—Please do.

**Mr Ray**—The question I took related to who sought the opinion in relation to the inspector-general's powers, and I am advised that it was the inspector-general who sought the opinion. Under the legal services direction, standard procedures are that the portfolio agency is involved. In this case, the inspector-general sought that opinion in consultation with us, the Treasury and the tax office, so all three of us were involved. The other matter that you asked me to look at over the dinner break, Senator, was the reason for the difference between the 2006-07 estimate for 2005-06 FBT and the outcome, which difference is \$420 million in revenue. I said before the break that there was an underestimation of receipts of over \$200 million and there were higher than expected receivables. This is a matter that we have been looking at for some time, and in the dinner break we still did not add anything further to our knowledge on that, so we would need to take it on notice because at this stage we do not have a clear answer as to what drove it.

**Senator SHERRY**—Thank you.

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**Answer:**

Total accrual revenue from Fringe Benefits Tax (FBT) was \$4084 million in 2005-06. This was \$424 million higher than estimated at the 2006-07 Budget.

In cash terms, the FBT outcome was \$4049 million in 2005-06, \$219 million higher than estimated at the 2006-07 Budget.

The differences between the Budget estimates and outcomes were partly driven by higher than expected employment and wages outcomes. However, while FBT is related to labour market variables, taxpayer behaviour can introduce significant volatility into outcomes. The FBT revenue head often includes large and volatile amounts of revenue recognised but not yet received (these amounts are proportionately larger than for the other income tax revenue heads). These amounts are inherently difficult to forecast. This was the case in 2005-06.