

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

20 – 21 October 2010

Question: SBT 59

Topic: Election Policies

Senator Bushby asked:

What election policies/promises has the Government asked the Department to take the lead role in implementing?

In respect of each these, have you been requested to start work on implementation? When was the start of official communication on this?

Has the Department started writing legislation to implement any of these policies and if so which ones?

How much consultation has the Department done on the legislative changes?

Has the Department commenced or completed costings on these policies?

Can the department table the costings on these policies?

If the policies have not yet been costed, when does the Dept expect to finish these costings?

How many staff or FTE are employed in costing, drafting and implementing election policies?

Senate Standing Committee on Economics

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Treasury Portfolio

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20 – 21 October 2010

Answer:

The Treasury is taking the lead role in implementing 10 Government election commitment policies, as specified below. Each of the sub-questions is dealt with under the information about each Government policy below. Costings of these Government policies can be found in the table at Attachment A. Policies affecting tax revenue were costed by the Treasury. Policies affecting government outlays, expenses and non-tax revenue were costed by the Department of Finance and Deregulation. Information about costings completed as a part of the election process can be found at <http://electioncostings.gov.au/>

Delivering for Seniors – greater protection on reverse mortgages

The *Delivering for Seniors – greater protection on reverse mortgages* Government policy is being implemented as part of Phase 2 of the National Credit Reforms. The National Credit Reforms give effect to the decision of the Council of Australian Governments (COAG) in August 2008 to transfer responsibility for credit to the Commonwealth Government. In July 2010, the Government released a Green Paper for public comment on all of the Phase Two topics, including equity release. Following the election the Department has resumed work on Phase 2 of the National Credit Reforms.

Consultation with stakeholders commenced in February 2010, through the Equity Release Consultation Working Group, which includes representatives from the main providers of these products, brokers, financial planners, and representatives from consumer, seniors and legal groups.

It is not anticipated that these reforms will have a budget impact. This policy will assist consumers to make better choices in relation to the use of their primary asset, their residence, in retirement.

At least three Treasury staff will be involved in relation to the drafting and implementation of the Government policy, although not on a full time basis.

Education Tax Refund – extension to school uniforms

The Treasury has commenced work on implementing the *Education Tax Refund – extension to school uniforms* Government policy. This policy was included in the 2010-11 Mid-Year Economic and Fiscal Outlook (MYEFO).

Legislation to implement the Government policy was introduced into the Parliament in the *Tax Laws Amendment (2010 Measures No. 5) Bill 2010* on 25 November 2010. Consultation has been undertaken with the Department of Education, Employment and Workplace Relations and the Australian Taxation Office.

This Government policy was published in the Economic Statement 2010, which was released in July 2010. This reform has a fiscal balance expense of \$340 million over the forward estimates.

Up to five Treasury staff have been involved in relation to the drafting of legislation for introduction into Parliament, although not on a full time basis.

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

20 – 21 October 2010

Establishing a Tax System Advisory Board

The Treasury has commenced work on implementing the *Establishing a Tax System Advisory Board* Government policy. The Treasury provided advice to the Government in October 2010 about the possible process for consulting on the Board's design, which was a part of official communication on implementing this Government policy.

On 21 January 2011 the Assistant Treasurer released a discussion paper outlining different ways of establishing the Board and invited submissions from the public. The Assistant Treasurer also announced that the Government had formed a Consultation Panel (consisting of David Parker, Jennie Granger, Richard Warburton and Jillian Segal) to consider these submissions and provide advice to the Government by 30 June 2011 about the best way of proceeding with this policy.

Consequently, legislative drafting to implement the Government policy has not commenced.

The Government's election announcement envisaged that the costs of the Board would be met from existing Australian Taxation Office resources and, as such, the expected impact on the fiscal balance is nil. Costings will be completed when work on this policy is progressed.

At least two Treasury staff will be involved in implementing this Government policy, although not on a full time basis.

Fairer, Simpler Banking

The *Fairer, Simpler Banking* Government policy was being implemented as part of Phase 2 of the National Credit Reforms. The National Credit Reforms give effect to the decision of COAG in August 2008 to transfer responsibility for credit to the Commonwealth Government. In July 2010, the Government released a Green Paper for public comment on all of the Phase Two topics, including credit cards. Following the election the Department has resumed work on Phase 2 of the National Credit Reforms.

On 12 December 2010, the Deputy Prime Minister announced that these reforms will now be progressed as part of the Competitive and Sustainable Banking System Package. This demonstrates the priority of the Government in delivering better outcomes for consumers using credit. Under this package, these credit card reforms will be fast tracked so as to provide benefits to consumers as quickly as possible.

Consultation with stakeholders commenced in November 2010, through the Credit Card Reform Implementation Subgroup, which comprises of representatives from banks; major credit card issuers; credit card associations; and consumer groups.

This Government policy was included in the 2010-11 MYEFO. It is not anticipated that the reforms will have a budget impact. Benefits to consumers will come from lower fees and interest charges.

At least four Treasury staff will be involved in relation to the drafting and implementation of the Government policy, although not on a full time basis.

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

20 – 21 October 2010

Fairer, Simpler Superannuation

The Treasury has commenced work on implementing Fairer, Simpler Superannuation. This Government policy included the introduction of a low cost and simple superannuation product that will replace existing default funds and allowing the use of tax file numbers as the primary account identifier.

On 16 December 2010, the Assistant Treasurer and Minister for Financial Services and Superannuation's announced that these measures would be progressed as part of Stronger Super.

On 1 February 2011, the Assistant Treasurer announced consultation arrangements for Stronger Super. Consultation on the implementation of MySuper and TFN's has commenced with industry, employer, employee and consumer groups.

Legislative drafting to implement this Government policy has not commenced.

MySuper was costed as a part of the election process. For TFN's, the measure has an on-going unquantifiable revenue impact, but is likely to have a minimal cost to revenue.

At least six Treasury staff will be involved in implementing this Government policy, although not on a full time basis.

New Standards for Collectables and Personal Use Assets Held by Self-Managed Superannuation Funds

The Treasury assisted in developing draft legislation, which was announced by the Government on 1 February 2011, for implementing *New Standards for Collectables and Personal Use Assets Held by Self-Managed Superannuation Funds*.

Associated draft regulations that set out the rules that will apply to Self-Managed Superannuation Fund investments in collectables and personal use assets will be released for public comment following consultation with relevant stakeholders on their design.

The Government policy was costed as a part of the election process.

Approximately one third of the time of one Treasury staff member will be involved in relation to the drafting and implementation of this Government policy.

Protecting Workers' Entitlements Package - Securing Super

The Treasury has commenced work on implementing the *Protecting Workers' Entitlement Package – securing super* Government policy. The Assistant Treasurer issued a press release supporting the measures on 24 November 2010.

Legislative drafting to implement the Government policy has not commenced.

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

20 – 21 October 2010

The Government will shortly commence consultations with the superannuation industry, employer representatives and unions about the implementation of these measures.

The Government policy was costed as a part of the election process. It is not anticipated that the securing super will have a budget impact.

Approximately one third of the time of one Treasury staff member will be involved in relation to the drafting and implementation of this Government policy.

Protecting Workers' Entitlement Package – strengthening corporate and taxation law

The Treasury has commenced work on implementing the *Protecting Workers' Entitlement Package – strengthening corporate and taxation law* Government policy. The former Minister for Financial Services, Superannuation and Corporate Law initially indicated support for this reform in June 2010.

Legislative drafting to implement the Government policy has not commenced, however we anticipate that the measure may be incorporated into the Corporations Amendment (Insolvency) Bill due for introduction in the Autumn 2011 sittings.

Prior public consultation on the policy was undertaken through an options paper entitled *Options to address fraudulent phoenix activity*, which included this reform. Consultation on the options paper ran from 14 November 2009 to 15 January 2010.

The Government policy was costed as a part of the election process. It is not anticipated that the corporate law aspects will have a budget impact.

Approximately one third of the time of one Treasury staff will be involved in relation to the drafting and implementation of this Government policy.

The following Government policy deals with tax aspects of this proposal.

Tax Compliance – addressing fraudulent phoenix activity

The Treasury has commenced work on implementing the *Tax Compliance – addressing fraudulent phoenix activity* Government policy, including developing drafting instructions.

Prior public consultation on the policy was undertaken through an options paper entitled *Options to address fraudulent phoenix activity*. Consultation on the options paper ran from 14 November 2009 to 15 January 2010.

The Government policy was costed as a part of the election process.

At least two Treasury staff will be involved in relation to the drafting and implementation of the Government policy, although not on a full time basis.

Tax Breaks for Green Buildings

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ANSWERS TO QUESTIONS ON NOTICE

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20 – 21 October 2010

The Treasury has commenced work on implementing the *Tax Breaks for Green Buildings* Government policy. This policy was included in the 2010-11 MYEFO.

Legislative drafting to implement the Government policy has not commenced. The Treasury is currently working with the Department of Climate Change and Energy Efficiency on design details to facilitate the commencement of drafting and consultation in the near future.

The Government policy was costed as a part of the election process.

Approximately four Treasury staff are involved in relation to the drafting and implementation of the Government policy, although not on a full time basis.