Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
BUDGET ESTIMATES 2013-2014

Prime Minister and Cabinet Portfolio

Department/Agency: Australian National Audit Office
Outcome/Program: Performance Audit Services
Topic: Audit of Treasury's Tax Expenditures / Treasury Tax Reporting Procedures
Senator: Ryan
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Question:

1. What are the tax measures that have been subject to [revenue gain] estimates in Tax Expenditures Statement 2011 and any particular reasons that have been provided to the ANAO as to why it has not been applied.

Answer:

Q1. The following table lists the tax expenditure items from high to low included in TES 2011. Table 4.1 (page 70) of the 2013 ANAO report also outlines all items that have been estimated through the revenue gain method from TES 2008 to TES 2011.

Reference Code	Tax Expenditure Title	Estimate Reliability	Revenue Foregone 2011-12 ($m)	Revenue Gain 2011-12 ($m)
C5	Superannuation-concessional taxation of employer contributions	Medium	14850	10900
C6	Superannuation-concessional taxation of entity earnings	Low	14000	12150
H29	GST — Food uncooked, not prepared, not for consumption on premises of sale and some beverages	Medium	5900	5800
H19	GST — Health; medical and health services	Medium	3050	3000
H16	GST — Education	Medium	2900	2600
H2	GST — Financial Supplies; input taxed treatment	Medium	2450	2450
A43	Exemption of Family Tax Benefit, Parts A and B, including expense equivalent	Medium	2060	2060
B16	Exemption from interest withholding tax on certain securities	Low	1440	1390

F11	Higher rate of excise levied on cigarettes not exceeding 0.8 grams of tobacco	Medium	-1760	-1360
F24	Customs duty	Medium — High	-2460	-2460

Paragraph 4.25 of the 2013 ANAO report notes that the two largest tax expenditures for the 2011–12 financial year were not prepared on a revenue gain basis, being 'Capital Gains Tax Main Residence Exemption-Discount Component' and 'Capital Gains Tax Main Residence Exemption.' In this context, the Treasury notes in the TES 2011 that:

> Estimates for the revenue gain from the Capital Gains Tax (CGT) concessions for housing and the CGT discount for individuals and trusts have not been quantified because these estimates are either very small and uncertain (housing) or because of the significant uncertainty regarding the magnitude of response effects to a change (CGT discount).[1]

The Treasury provided additional information to the ANAO on this matter in January 2013, noting that the volume of the underlying tax concession and the vast uncertainty about the behavioural response to these concessions means that the potential upper and lower bounds of any such revenue gain estimate may be billions (and possibly even $5–10 billion per annum) of dollars per year apart (paragraph 4.26 of the 2013 ANAO report).

[1] Department of the Treasury, *Tax Expenditures Statement 2011*, pp. 207–208.