

Proposed questions on notice regarding TLAB 1 2005 , schedule 4.

- 1. Please provide the following parameters in the relation to the costing of the mature tax offset:**
 - **The number of persons eligible to receive the offset (and the number expected to receive the offset) for each of the years of the forward estimates;**
 - **The expected growth in those eligible for the offset over the next 35 years;**
 - **The expected cost of the offset in current dollars in 2010, 2015,2020, 2025,2030, 2035.**

The number eligible is estimated at 1.08m in 2004-05, and 1.13m in the three subsequent years.

The measure has not been the subject of a long term cost projection.

- 2. Please explain in detail the deficiencies in process and methodology associated with how Treasury underestimated the original costing of the measure.**

There was no deficiency in process. The microsimulation model used to undertake the original costing was benchmarked to the expected growth in employment. The model did not change the age structure of the employed cohorts over the forward estimates period.

- 3. Does this costing error indicate potential weaknesses in the Charter of Budget Honesty Process.**

No.

- 4. Have further changes to the costing been included in the Budget.**

The earnings definition change is reported as a measure in the Budget.

- 5. Why did Treasury not model the impact of the measure on labour force participation?**

Treasury does not have the modelling capability to do so. In any case, such estimates involve costing second round effects. This is not done under standard costing processes.

- 6. Has this offset been put through the Intergenerational Model used by Treasury.**

No.

7. What are the own price and income elasticities of labour supply for different age and sex cohorts of those eligible for the tax offset.

These have not been estimated.

8. Will the offset help to reduce the fiscal impact of the ageing of the population

This has not been modelled. To the extent that employment is maintained and encouraged there will, other things being equal, be a lower decrease in revenue.

9. Can Treasury produce evidence that the net dynamic gains to the economy are greater in magnitude than the budgetary cost of the measure?

This has not been modelled.

What is the file name/or information record number that relates to all Treasury assessments of the economic and cost impact of this measure

RIM folders Cost2004\P078 and Cost2005\P021