

Part IV: Revenue

Compared with the 2000-01 Budget, the MYEFO estimates of total revenue are higher in all years. The revised outlook for total revenue primarily reflects stronger forecast growth in the economy and the effect of a stronger than anticipated revenue outcome in 1999-2000. Table 10 provides estimates of Commonwealth general government tax, non-tax and total revenue from 2000-01 to 2003-04¹.

Table 10: Estimates of Commonwealth general government revenue

	2000-01		2001-02	
	Budget	MYEFO	Budget	MYEFO
Total tax (\$b)	143.8	147.3	148.1	150.2
<i>Real growth on previous year (%)</i>	-8.6	-6.3	1.9	0.9
Per cent of GDP	21.2	21.7	20.8	21.1
Non-tax (\$b)	9.7	10.3	10.5	10.8
<i>Real growth on previous year (%)</i>	-32.9	-28.9	7.1	4.4
Per cent of GDP	1.4	1.5	1.5	1.5
Total revenue (\$b)	153.5	157.6	158.6	161.1
<i>Real growth on previous year (%)</i>	-10.7	-8.2	2.2	1.1
Per cent of GDP	22.6	23.2	22.3	22.6
	2002-03		2003-04	
	Budget	MYEFO	Budget	MYEFO
Total tax (\$b)	156.8	158.0	168.1	169.8
<i>Real growth on previous year (%)</i>	3.3	2.7	4.6	4.8
Per cent of GDP	20.8	20.9	21.0	21.2
Non-tax (\$b)	11.5	11.4	12.4	12.0
<i>Real growth on previous year (%)</i>	6.7	2.9	4.9	2.0
Per cent of GDP	1.5	1.5	1.5	1.5
Total revenue (\$b)	168.3	169.5	180.5	181.7
<i>Real growth on previous year (%)</i>	3.6	2.7	4.7	4.6
Per cent of GDP	22.3	22.5	22.6	22.7

Table 11 provides a reconciliation of the MYEFO revenue estimates with those published at the 2000-01 Budget. The revised estimates incorporate policy decisions taken since the Budget, an updated assessment of the economic outlook and revenue outcomes up to end-October 2000.

¹ Unless otherwise stated, all estimates in this Part are on a Government Finance Statistics (GFS) consistent basis.

Table 11: Reconciliation of Commonwealth general government revenue estimates

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
Revenue at 2000-01 Budget	153475	158570	168272	180464
Changes from 2000-01 Budget to MYEFO				
Effect of policy decisions	88	-66	-294	-276
Effect of economic parameter and other variations	4066	2579	1512	1540
Total variations	4154	2513	1217	1264
Revenue at 2000-01 MYEFO	157630	161083	169490	181728

The most important influence on the stronger revenue outlook is the expectation that the economy is more buoyant than anticipated at Budget. Upward revisions to forecast nominal GDP growth and employment growth in 2000-01 have boosted revenue in all years, but the effect is concentrated in 2000-01.

The base effect from a stronger than expected revenue outcome in 1999-2000 has also boosted the revenue estimates. This effect is predominantly felt in 2000-01, although a positive effect does persist through the forward years.

Policy decisions taken since the 2000-01 Budget are estimated to increase revenue slightly in 2000-01, with revenue reductions in the forward years. The most significant measures announced since the 2000-01 Budget include:

- a greater reduction in excise on 1 July 2000 to ensure petrol and diesel prices need not rise as a result of the introduction of the GST (with an estimated cost to revenue of around \$100 million per annum);
- the removal of capital gains tax changes for life insurers and superannuation funds (with an estimated cost to revenue of around \$30 million in 2000-01, rising to \$90 million in 2003-04); and
- additional revenue from the States and Territories for the administration of the GST (with a revenue gain of \$183 million to the Commonwealth in 2000-01); this amount is fully offset by an equivalent increase in Commonwealth expenses incurred by the Australian Taxation Office.

All revenue policy decisions announced since the 2000-01 Budget are listed in Table 15 and described in detail in Appendix A.

Table 12 presents a breakdown of Commonwealth general government revenue estimates into individual revenue heads for the 2000-01 MYEFO and compares these with those published at the 2000-01 Budget.

Table 12: Revised 2000-01 general government revenue estimates

	2000-01			
	Budget Estimate	MYEFO Estimate	Change on Budget (\$m)	Change on Budget (%)
Taxation revenue				
Income Tax				
Individuals -				
Gross PAYG withholding	68109	68631	522	0.8
Gross other individuals	12024	12783	759	6.3
Medicare levy	4580	4590	10	0.2
Less: Refunds	10590	10650	60	0.6
Total individuals	74123	75354	1231	1.7
Companies	30857	33197	2340	7.6
Superannuation funds(a)	5175	5087	-88	-1.7
Other withholding tax(b)	1346	1426	79	5.9
Petroleum resource rent tax	1280	1760	480	37.5
Total income tax	112781	116824	4043	3.6
Indirect tax(c)				
Excise duty -				
Petroleum products and crude oil	12968	12892	-76	-0.6
Other excise	6810	6491	-320	-4.7
Total excise duty	19779	19383	-396	-2.0
Customs duty	4413	4541	128	2.9
Other indirect taxes(d)	1976	1956	-20	-1.0
Total indirect tax	26168	25880	-287	-1.1
Fringe benefits tax(e)	3650	3405	-245	-6.7
Agricultural levies(f)	585	644	59	10.1
Other taxes	579	589	11	1.8
Total tax revenue	143763	147343	3580	2.5
Non-tax revenue	9712	10287	574	5.9
Total revenue	153475	157630	4154	2.7

(a) Includes the superannuation contributions surcharge.

(b) This item includes amounts withheld for failure to quote a Tax File Number or an Australian Business Number.

(c) Indirect taxes exclude surcharge revenue raised by the Commonwealth on an agency basis and paid to the States and Territories as Revenue Replacement Payments.

(d) This item comprises the Wine Equalisation Tax, Luxury Car Tax and final payments of Wholesale Sales Tax.

(e) Excludes Fringe Benefits Tax (FBT) collected from Commonwealth government agencies.

(f) Consistent with GFS reporting standards, agricultural levies have been separately identified.

Relative to Budget, total revenue is expected to increase by \$4.2 billion in 2000-01. This is primarily driven by stronger income tax revenue in 2000-01.

Expected taxation revenue from individuals in 2000-01 has increased by \$1.2 billion since Budget. This largely reflects:

- a \$759 million upward revision to other individuals taxation revenue, reflecting a stronger than expected outcome for 1999-2000, and a stronger outlook for small business income growth; and
- a \$522 million increase in estimated PAYG Withholding tax revenue, primarily as a result of stronger forecast employment growth and the flow-on effect of a stronger than expected PAYE outcome for 1999-2000.

Forecast company tax revenue for 2000-01 has increased by \$2.3 billion. This mainly reflects the effect on the base of a stronger than expected revenue outcome for 1999-2000, upward revisions to expected company profits growth and some one-off factors.

- The final company tax outcome for 1999-2000 was around \$1.1 billion higher than forecast in the 2000-01 Budget. However, a significant proportion of this stronger than expected outcome was accounted for by one-off factors. Nevertheless, it is estimated that the outcome reflected an ongoing increase in the company tax base, with a revenue impact of around \$½ billion per annum.
- In addition, stronger forecast company profit growth, relative to Budget expectations, is anticipated to add around \$1¼ billion to company tax revenue in 2000-01.
- The remaining \$½ billion increase in estimated company tax is accounted for by taxpayer specific effects.

Estimates of Petroleum Resource Rent Tax (PRRT) are higher in all years, as a result of continued strength in oil prices and a lower \$A/\$US exchange rate. As outlined in Part II, world oil prices are assumed to average US\$27½ per barrel in 2000, US\$24¼ per barrel in 2001 and US\$22 per barrel in 2002. Oil prices are expected to decline over the forecast period, as world oil production increases in response to higher prices and the rate of growth of world industrial activity moderates somewhat. PRRT is therefore forecast to decline over the forward years.

Estimated total indirect taxation and FBT revenue in 2000-01 has fallen by \$532 million since Budget. The major factors contributing to this overall net variation include:

- downward revisions to petroleum excise estimates, as a result of a reduction in expected demand for diesel and petrol relative to Budget, partly offset by an increase in crude oil excise. This reduction in petrol and diesel excise revenue includes the effects of lower consumption growth as a result of higher world oil prices;

- lower other excise estimates, reflecting lower than anticipated tobacco volumes since Budget. Tobacco volumes have remained weak since the introduction of per-stick taxation in November 1999, and have weakened further in recent months;
- downward revisions to FBT estimates reflecting higher than expected late lodgements for refunds in 1999-2000, and a consequential reduction in expected FBT instalments in 2000-01; partly offset by a \$128 million upward revision to estimated customs duty revenue.

Non-tax revenue has been revised up since Budget by \$574 million, largely due to:

- increased petroleum royalties, as a result of higher world oil prices and increased production from improved North-West Shelf facilities (around \$256 million in 2000-01); and
- an increase in revenue from the States to fund the administration of the GST by the Australian Taxation Office (\$183 million in 2000-01).

Table 13 provides an outline of the changes to the forward estimates of Commonwealth general government revenue.

Table 13: Forward estimates of general government revenue

	2000-01			2001-02			2002-03			2003-04		
	Budget	MYEFO	Change on Budget	Budget	MYEFO	Change on Budget	Budget	MYEFO	Change on Budget	Budget	MYEFO	Change on Budget
	\$m	\$m	%	\$m	\$m	%	\$m	\$m	%	\$m	\$m	%
Individuals tax	74123	75354	1.7	82205	83391	1.4	87633	88978	1.5	95772	97183	1.5
<i>Per cent of GDP</i>	<i>10.9</i>	<i>11.1</i>		<i>11.5</i>	<i>11.7</i>		<i>11.6</i>	<i>11.8</i>		<i>12.0</i>	<i>12.1</i>	
Other income tax	38658	41470	7.3	34266	36030	5.1	36120	36878	2.1	37822	38709	2.3
<i>Per cent of GDP</i>	<i>5.7</i>	<i>6.1</i>		<i>4.8</i>	<i>5.1</i>		<i>4.8</i>	<i>4.9</i>		<i>4.7</i>	<i>4.8</i>	
Total income tax	112781	116824	3.6	116471	119421	2.5	123753	125856	1.7	133594	135892	1.7
<i>Per cent of GDP</i>	<i>16.6</i>	<i>17.2</i>		<i>16.4</i>	<i>16.8</i>		<i>16.4</i>	<i>16.7</i>		<i>16.7</i>	<i>17.0</i>	
Total indirect tax	26168	25880	-1.1	26462	25948	-1.9	27786	27196	-2.1	29121	28740	-1.3
<i>Per cent of GDP</i>	<i>3.9</i>	<i>3.8</i>		<i>3.7</i>	<i>3.6</i>		<i>3.7</i>	<i>3.6</i>		<i>3.6</i>	<i>3.6</i>	
Total tax(a)	143763	147343	2.5	148056	150233	1.5	156781	158046	0.8	168109	169772	1.0
<i>Per cent of GDP</i>	<i>21.2</i>	<i>21.7</i>		<i>20.8</i>	<i>21.1</i>		<i>20.8</i>	<i>20.9</i>		<i>21.0</i>	<i>21.2</i>	
Non-tax revenue	9712	10287	5.9	10514	10850	3.2	11491	11444	-0.4	12355	11956	-3.2
<i>Per cent of GDP</i>	<i>1.4</i>	<i>1.5</i>		<i>1.5</i>	<i>1.5</i>		<i>1.5</i>	<i>1.5</i>		<i>1.5</i>	<i>1.5</i>	
Total revenue	153475	157630	2.7	158570	161083	1.6	168272	169490	0.7	180464	181728	0.7
<i>Per cent of GDP</i>	<i>22.6</i>	<i>23.2</i>		<i>22.3</i>	<i>22.6</i>		<i>22.3</i>	<i>22.5</i>		<i>22.6</i>	<i>22.7</i>	

(a) Includes FBT and other taxes.

Tax expenditures

Individuals and businesses derive financial benefits from various tax concessions. These concessions can be delivered in a variety of ways: by a tax exemption, tax deduction, tax rebate, reduced tax rate or by deferring a tax liability. Tax concessions can either reduce or delay the collection of tax revenue.

The benefits of most tax concessions could be delivered equally by direct expenditures. Hence tax concessions are an alternative to direct expenditure as a method of delivering government assistance or meeting government objectives. Accordingly, tax expenditures have an impact on the budget surplus or deficit, as do direct expenditures.

Table 14 provides aggregate tax expenditure estimates for the period from 1996-97 to 2003-04.

Table 14: Aggregate tax expenditures 1996-97 to 2003-04^(a)

	Superannuation \$m	Other Tax Expenditures \$m	Total \$m	Tax Expenditures as a Proportion of GDP (%)
1996-97	8650	15032	23682	4.5
1997-98	9915	15540	25455	4.5
1998-99	9420	16368	25788	4.3
1999-2000	9530	17781	27311	4.3
2000-01	8845	20079	28924	4.3
2001-02	9595	19345	28940	4.1
2002-03	10495	19552	30047	4.0
2003-04	11495	19769	31264	3.9

(a) Preliminary estimates — final estimates will be contained in the *2000 Tax Expenditures Statement* which, in accordance with past practice, will be released separately.

Between 1996-97 and 2003-04, the underlying growth in aggregate tax expenditures is relatively modest. Total tax expenditures are estimated to decline as a proportion of GDP from 4.5 per cent in 1996-97 to 3.9 per cent in 2003-04.

Revenue measures since the 2000-01 Budget

Table 15: Revenue measures since the 2000-01 Budget^(a)

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
AGRICULTURE, FISHERIES AND FORESTRY				
Wool Industry - Changes in wool levy arrangements	-1.8	-32.2	-33.0	-32.1
Portfolio Total	-1.8	-32.2	-33.0	-32.1
ATTORNEY-GENERAL'S				
Extension of the Import Credit Scheme	-1.0	-	-	-
Portfolio Total	-1.0	0.0	0.0	0.0
TREASURY				
Income tax				
Amendment to transitional measures for the merging of share premium and share capital accounts	-	-	-	-
Amendments to Pay As You Go Instalments for certain beneficiaries of trusts	60.0	5.0	5.0	5.0
Change in the status of constitutionally protected superannuation funds	nfp	nfp	nfp	nfp
Changes to the Simplified Tax System	-	2.0	-2.0	-1.0
Deductibility of certain gifts	*	*	*	*
Double taxation agreements	*	*	*	*
Eligibility for immediate deductibility for GST-related expenditure	-	-	-	-
Entity taxation	-	10.0	-60.0	-25.0
Exemption for artists from the non-commercial losses measures	-	-7.0	-7.0	-3.0
Income tax exemption for local government businesses	-	-	-	-
Medicare levy surcharge - treatment of high front end deductibles	*	*	*	*
No Australian Business Number withholding on input taxed supplies	-	-	-	-
Removal of capital gains tax changes for life insurers and superannuation funds	-30.0	-60.0	-70.0	-90.0
Rollover relief for merger of companies under Part 9 of the <i>Life Insurance Act 1995</i>	-	-	-	-
Taxation aspects of the restructure of the Australian Wool Research and Promotion Organisation	-	-	-	-
Tax benefits for organisations promoting prevention or control of disease or illness in people	*	*	*	*

Table 15: Revenue measures since the 2000-01 Budget (continued)

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
TREASURY (continued)				
Indirect tax				
Excise concession for micro-breweries	-0.3	-0.3	-0.3	-0.3
Petrol and diesel excise reduction - increase in reduction to 6.7 cents per litre	-98.0	-100.0	-102.0	-105.0
Removing campervans, motor homes and commercial vehicles from luxury car tax	-5.0	-5.0	-5.0	-5.0
Removing the excise-free status of methanol blended with petrol	-	-	-	-
Fringe benefits tax				
Converting rebates to a fringe benefits tax exemption for non-profit hospitals	-15.0	-15.0	-15.0	-15.0
Fringe benefits reporting - exclusion for emergency vehicles	*	*	*	*
Fringe benefits tax exemption for police housing in regional areas	*	*	*	*
Fringe benefits tax exemption for free travel on public transport by police officers	-5.0	-5.0	-5.0	-5.0
Non-tax revenue				
Additional payments from the States and Territories for GST administration	183.0	141.0	-	-
Superannuation Complaints Tribunal	1.0	-	-	-
Portfolio Total	90.7	-34.3	-261.3	-244.3
Decisions taken but not yet announced	nfp	nfp	nfp	nfp
Total impact of revenue measures	87.9	-66.5	-294.3	-276.4

(a) A minus sign before an estimate indicates a reduction in revenue, no sign before an estimate indicates a gain to revenue.

* Reliable estimate not available.

