Attachment D

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 offset, 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 19 provides details on tax expenditures as a proportion of GDP for the period 1999-2000 to 2006-07.

Table 19: Tax expenditures as a proportion of GDP 1999-2000 to 2006-07[(a)]

Year	Superannuation $m	Other tax expenditures $m	Total $m	Tax expenditures as a proportion of GDP (%)
1999-00 (est)	10 210	18 197	28 407	4.5
2000-01 (est)	9 210	20 492	29 702	4.4
2001-02 (est)	8 740	20 978	29 718	4.2
2002-03 (est)	9 590	20 388	29 978	4.0
2003-04 (proj)	10 460	19 964	30 424	3.8
2004-05 (proj)	11 270	19 956	31 226	3.7
2005-06 (proj)	12 110	20 337	32 447	3.7
2006-07 (proj)	12 920	20 866	33 786	3.6

(a) Preliminary estimates only — final estimates will be published in the *2003 Tax Expenditures Statement*.

Measured tax expenditures as a proportion of GDP are estimated to decline from around 4.5 per cent in 1999-2000 to around 3.6 per cent by 2006-07. This decline largely reflects the impact of the policy decision to remove accelerated depreciation for plant and equipment. Further detail on tax expenditures will be provided in the *2003 Tax Expenditures Statement*.