

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 18 provides aggregate tax expenditure estimates for the period from 2001-02 to 2008-09.

Table 18: Aggregate tax expenditures 2001-02 to 2008-09^(a)

Year	Superannuation \$m	Other tax expenditures \$m	Total \$m	Tax expenditures as a proportion of GDP (%)
2001-02 (est)	11,140	19,374	30,514	4.1
2002-03 (est)	10,395	19,268	29,663	3.8
2003-04 (est)	14,000	19,854	33,854	4.0
2004-05 (est)	14,405	22,454	36,859	4.1
2005-06 (proj)	15,890	23,117	39,007	4.1
2006-07 (proj)	16,585	24,340	40,925	4.1
2007-08 (proj)	18,005	25,008	43,013	4.1
2008-09 (proj)	19,285	26,119	45,404	4.1

(a) Preliminary estimates only — final estimates will be published in the *2005 Tax Expenditures Statement*.

Measured tax expenditures as a proportion of GDP are projected to be steady at around 4.1 per cent between 2004-05 and 2008-09.

Further detail on tax expenditures will be provided in the *2005 Tax Expenditures Statement*.