

TAX EXPENDITURES

This attachment contains an overview of the cost of tax expenditures provided to taxpayers through the tax system.

Tax expenditures provide a benefit to a specified activity or class of taxpayer. They can be delivered as a tax exemption, tax deduction, tax offset, reduced tax rate or deferral of a tax liability. The Government can use tax expenditures to allocate resources to different activities or taxpayers in much the same way that it can use direct expenditure programmes. For this reason, and noting their direct impact on the fiscal balance, these concessions are generally called tax expenditures.

Table 20 contains estimates of aggregate tax expenditures for the period from 2003-04 to 2010-11. These estimates are consistent with tax expenditure data reported in the *2006 Tax Expenditures Statement*. Changes in GDP forecasts are reflected in the revised estimates of tax expenditures as a proportion of GDP.

Table 20: Aggregate tax expenditures 2003-04 to 2010-11

Year	Superannuation \$m	Other tax expenditures \$m	Net value of tax expenditures \$m	Tax expenditures as a proportion of GDP
				%
2003-04 (est)	13,540	20,015	33,555	4.0
2004-05 (est)	16,600	22,693	39,293	4.4
2005-06 (est)	18,080	24,064	42,144	4.4
2006-07 (proj)	17,255	24,064	41,319	3.9
2007-08 (proj)	20,250	26,420	46,670	4.2
2008-09 (proj)	22,230	27,692	49,922	4.2
2009-10 (proj)	23,940	28,756	52,696	4.2
2010-11 (prelim)	25,780	30,206	55,986	4.3

Updated tax expenditure estimates will be published in the *2007 Tax Expenditures Statement*, which will be released by 31 January 2008. Care needs to be taken when analysing tax expenditure data: see section 2.1 of the *2006 Tax Expenditures Statement* for a detailed discussion.