



# RESEARCH NOTE

Number 56, 27 June 1995  
ISSN 1323-5664

## Sources for Courses: Commonwealth Revenue 1995-96

This note briefly describes sources of Commonwealth revenue for 1995-96. The note relies on *Statement 4, Budget Paper No.1, 1995-96*, from which further detail may be obtained.

**Personal Incomes** - Individuals pay income tax at progressive rates of up to 47%. Wage and salary income is subject to tax on a pay-as-you-earn (PAYE) basis through deductions made by employers. Non wage and salary income is generally liable to provisional tax (eg. unincorporated business income, rent, interest, dividends), although payments for prescribed labour and services in certain industries (in particular, building and transport) are subject to prescribed payments system (PPS) withholding at source. Individuals with incomes above specified thresholds are also subject to the medicare levy at the rate of 1.4%, increasing to 1.5% from 1 July 1995. Revenue from individuals in 1995-96 is forecast at \$62,520m, 50.2% of total revenue.

**Company Incomes** - Company tax is a flat percentage of a company's taxable income, including capital gains. The rate has been 33% since 1 July 1993 (previously 39%), but will increase to 36% from 1 July 1995. The imputation system allows credit for company tax paid upon the distribution of dividends. Changed payment arrangements being introduced over the 1994-95 and 1995-96 income years will bring forward company tax revenues. Revenue from companies in 1995-96 is forecast at \$17,140m, 13.8% of total revenue.

**Wholesale Sales Tax** - Wholesale sales tax (WST) is imposed

on a range of goods consumed in Australia. Certain goods are exempt in all circumstances (eg. basic foodstuffs) and all goods are exempt in certain circumstances (eg. for use by certain organisations). All services are exempt in all circumstances. From 1 July 1995, taxable goods will be subject to WST at rates of either 12%, 22%, 26%, 32% or 45%, depending on their classification. Revenue from WST in 1995-96 is forecast at \$14,160m, 11.4% of total revenue.

**Excise Duty** - Excise duty applies to refined petroleum products (including petrol, diesel, aviation gasoline and turbine fuel, kerosene, fuel oil and heating oil), North West Shelf crude oil and LPG, beer, potable spirits and tobacco. Excise duty is imposed at a fixed rate per litre of petroleum product or kilogram of tobacco, and on the alcoholic content of beer and potable spirits. The rates of duty are increased each February and August in line with half-yearly CPI movements. Revenue from petroleum excise in 1995-96 is forecast at \$10,305m, 8.3% of total revenue. Revenue from tobacco and alcohol excise in 1995-96 is forecast at \$2,710m, 2.2% of total revenue. Combined revenue from excise duty in 1995-96 is forecast at \$13,015m, 10.5% of total revenue.

**Non-tax Revenue - Dividends and Other** - The Commonwealth receives dividends from government business enterprises operating in the communications and transport industries and from financial enterprises, in particular the Reserve Bank of Australia and the Commonwealth Bank of Australia. Seigniorage on circu-

lating coins and profits from the sale of numismatic products are received from the Royal Australian Mint. Also included under this head are petroleum royalties received from the North West Shelf project. This source of revenue fluctuates markedly from year to year, in particular with varying gains and losses from the RBA's foreign exchange and securities holdings. Revenue from dividends in 1995-96 is forecast at \$3,792m, 3.0% of total revenue.

**Customs Duty** - Ad valorem tariffs at various rates are applied to many categories of imports. Revenue from customs duty continues to decline due to tariff reductions implemented in 1988 and 1991, despite increasing volumes. Revenue from customs duty in 1995-96 is forecast at \$3,510m, 2.8% of total revenue.

**Fringe Benefits Tax** - Fringe benefits tax (FBT) applies to a range of benefits provided by employers to their employees (or associates). FBT now applies to the 'grossed-up' value of the benefit at a rate equivalent to the top individual marginal rate plus medicare, essentially eliminating the tax advantage of providing remuneration via fringe benefits rather than salary. Revenue from FBT in 1995-96 is forecast at \$2,840m, 2.3% of total revenue.

**Superannuation Fund Incomes** - Complying superannuation funds, approved deposit funds and pooled superannuation trusts are taxed at the rate of 15% of taxable income, which includes deductible contributions, investment earnings and capital gains. Non-complying funds are taxed at the rate of 47%. Superannua-

tion fund payment arrangements are being brought forward as for company tax payment arrangements. Revenue from superannuation funds in 1995-96 is forecast at \$2,150m, 1.7% of total revenue.

**Other Taxes, Fees & Fines** - Revenue is received from such charges as primary industry levies and charges, broadcasting and radiocommunication licence fees, navigation charges, stevedoring industry fees, passport and immigration fees, international passenger charges, court fees and fines, superannuation guarantee charge, superannuation supervisory levy, ASC regulatory fees, coal mining industry levy, aircraft noise levy, quarantine services fee and interstate road transport charge. Revenue from other taxes, fees & fines in 1995-96 is forecast at \$2,021m, 1.6% of total revenue.

**Non-tax Revenue - Interest** - The Commonwealth receives

interest payments from the States and the NT in respect of borrowings made on their behalf and from the ACT on debts assumed upon self-government. Interest revenue has been steadily declining as State debt is redeemed and the States assume responsibility for their own debt. Revenue from interest in 1995-96 is forecast at \$1,395m, 1.1% of total revenue.

**Withholding Tax** - Withholding taxes are levied on certain interest, dividend and royalty payments to non-residents (and residents where no tax file number is provided), and on payments made to Aboriginal groups for the use of Aboriginal land for mineral exploration and mining. Revenue from withholding tax in 1995-96 is forecast at \$970m, 0.8% of total revenue.

**Petroleum Resource Rent Tax** - Petroleum resource rent tax (PRRT) applies at the rate of 40%

of taxable profit to offshore petroleum projects, other than the North West Shelf production licence areas, which are subject to excise and royalty arrangements. PRRT has essentially replaced crude oil excise, resulting in a shift in taxation from the value of oil production to the profits of oil producers. Revenue from PRRT in 1995-96 is forecast at \$935m (including \$5m crude oil excise), 0.8% of total revenue.

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**Commonwealth Revenue 1995-96 (Forecast)**

