

Finance and Public Administration Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury

Inquiry into the Nation Building and Jobs Plan

5 February 2009

Question: 5

Topic: Low Income Earners Not Receiving the Bonus

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Senator BOB BROWN asked:

Mr Parker—The tax bonus will be paid to taxpayers who have, in effect, tax liability for the 2007-08 income year. That is a tax liability after the various offsets and credits are taken into account.

Senator BOB BROWN—You are not concerned that this is going to be unfair to some people who are going to miss out from that arrangement of getting a tax bonus that the people next door are getting?

Mr Parker— The question of unfairness is a policy choice and it goes to a policy choice made by the government. I am not sure that my opinion about that is particularly relevant.

Senator BOB BROWN—

Do you know, Mr Parker, how many people are going to miss out because they are at that lower level of income?

Mr Parker—Yes, I think we can provide that number. I am not sure whether I have it in front of me. I do not have that number in front of me here. I will ask my colleague to see if he can extract that number and come back to it after dinner for you.

Answer:

The Tax Bonus of up to \$950 forms one part of a wider series of bonus payments to households as part of the *Nation Building and Jobs Plan* and also payments made to pensioners, seniors and families from December 2008 under the *Economic Security Strategy*. Under the *Economic Security Strategy*, pensioners and seniors received \$1,400 for singles and \$2,100 combined for couples while families received \$1,000 for each Family Tax Benefit A or similarly eligible child.

Payments as part of the *Nation Building and Jobs Plan* in addition to the Tax Bonus include:

- \$950 Single Income Family Bonus to support 1.5 million families with one main income earner.

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- \$950 Farmer's Hardship Bonus paid to around 21,500 drought affected farmers and farm dependent small business owners receiving exceptional circumstances related income support.
- \$950 per child Back to School Bonus to support 2.8 million children from low- and middle-income families.
- \$950 Training and Learning Bonus paid to students and people outside of the workforce returning to study to help with the costs of education and training.

Overall, Treasury modelling estimates that over 98 per cent of non-dependent adult Australians (defined as those aged 15 or more, but excludes full-time dependent students aged under 25 living at home) with incomes under \$100,000 will be eligible to benefit from at least one of these payments.

Unpublished 2006-07 Taxation Statistics data indicates that for the 2006-07 income year, there were around 11.8 million tax filers. Of this group, around 9.3 million were net taxpayers (that is, had a net tax liability after accounting for offsets and refunds).

The remaining 2.5 million tax filers will include both those individuals whose taxable incomes were less than \$6,000 (these people would not have been gross taxpayers), and those individuals whose gross tax liability was completely eliminated by the utilisation of available offsets and credits.

It is not possible to determine a precise estimate of the number of people who may become ineligible for the Tax Bonus due to the application of tax offsets and refundable credits. This is because some groups, such as maximum rate pensioners, will generally not incur a net tax liability due to eligibility for offsets and are therefore not required to lodge a tax return.

The Treasury modelling of the combined effects of the *Nation Building and Jobs Plan* and the *Economic Security Strategy* indicates that around 94.6 per cent of 16 million non-dependent adult Australians will be eligible for at least one bonus payment.

Of the remaining 5.4 per cent (or around 860,000) who are not expected to receive a payment, 3.8 per cent (or around 610,000) of these have incomes over \$100,000 and 1.6 per cent (or around 250,000) are non taxpayers. That is, out of those with incomes under \$100,000, it is estimated that over 98 per cent will be eligible for at least one bonus payment.