

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

4 – 6 June 2013

Question: BET 43

Topic: PRRT Revenue Estimates

Hansard Page: Wednesday 5 June 2013, Page 60

Senator ABETZ asked:

Senator CORMANN: Can you take on notice what the original PRRT revenue estimate in the original budget was compared to the actual revenue collected?

Mr Heferen: Mr Brake might actually have those figures.

Senator CORMANN: That is very good and helpful.

Mr Brake: Before I go to that, I will expand on Mr Heferen's point: we have found that PRRT is a highly volatile tax in terms of our forecasting, and there are certainly occasions where we have had very substantial differences. The PRRT was introduced in 1989-90—we checked this today—and the original budget forecast was for it to raise zero in that year.

Senator CORMANN: The original budget forecast was for it to raise zero. That was a very cautious approach to revenue forecasting in relation to a new tax, wasn't it?

Mr Brake: It raised \$42 million.

Senator CORMANN: Indeed, so that was an underestimate. You underestimated and overdelivered.

Mr Heferen: That was an infinite error!

Senator CORMANN: So the government, at that time, overdelivered.

Mr Heferen: Under the current watch there are no infinite errors, I can assure you of that.

Senator CORMANN: The Treasurer at the time overdelivered by \$42 million. This is the whole point. Please take it on notice; please go back through the history of the Commonwealth and tell me whether at any point in time, ever, there was an incidence of a new Commonwealth tax where the actual revenue raised came in 95 per cent below the original revenue forecast promoted by the government.

I note the example you raised where the government cautiously predicted zero revenue and was surprised on the upside, but the whole problem with the mining tax is that not only did the government overestimate the revenue but they spent all of the revenue they thought it would raise and more before they had collected a cent.

Answer:

Treasury has examined budget papers back to 1901-02. In the 1914-15 Budget, it was forecast that revenue from the introduction of probate and succession duties would raise £1,000,000 in that year. The actual outcome for 1914-15 was £39,646, around 96 per cent lower than the original forecast.