

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

17 October – 18 October 2012

Question: SBT 10

Topic: Final Budget Outcome – Note 10 ‘Interest Expense’

Hansard Page: pg 55, Thursday 18 October 2012

Senator CORMANN asked:

Senator CORMANN: ... I want to get back to an issue that I tried to raise yesterday with the Office of Financial Management but they and the minister said that this was something for fiscal, so I hope you will be able to assist. If we can go to the final budget outcome, page 38—

Mr Ray: Is this note 10?

Senator CORMANN: Note 10, yes. Essentially, what I am interested in is the reason for the increase in other financing costs, which seems to be quite significant given the estimate was only made a couple of months earlier.

Mr Ray: Yes, we were aware; this was passed to us last night. There really are a number of items, one of the most important of which is interest paid by the tax office on overpayments or pre-payments of tax.

Senator CORMANN: Sorry?

Mr Ray: Interest paid by the tax office on overpayments or pre-payments of tax is one of the larger items in this category.

Senator CORMANN: Of other financing costs. Are you able, on notice maybe, to give us a more detailed breakdown?

Mr Ray: Yes, I will take it on notice and see what we can provide.

Answer:

The change in ‘other financing costs’ between the 2011-12 estimate at the 2012-13 Budget and the 2011-12 Final Budget Outcome is primarily driven by:

- an increase in ATO interest on early and overpayments of tax of \$178 million. This increase is mainly due to the finalisation of large court cases and a revised provision for those court cases yet to be finalised.
- an increase in the interest expense relating to university superannuation of \$282 million. This increase is predominantly due to the reclassification of a grant expense to a financing cost.
- a decrease in the interest expense relating to the concessional Higher Education Loan Program (HELP) loans of \$133 million due to a change in the concessional rate used in the calculation of the interest expense.
- an increase in the interest expense relating to the military compensation provision of \$187 million. This increase is mainly due to the separate identification of the financing costs previously included in the Military Rehabilitation and Compensation Scheme provision.

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- An increase in the AusAID International Development Association / Asian Development Fund investment expense of \$68 million. This increase reflects a higher than expected expense for the Australia Indonesia Partnership for Reconstruction and Development.