

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

17 October – 18 October 2012

Question: SBT 13

Topic: Classify Increase to Revenue as Budget Saving

Hansard Page: pg 61, Thursday 18 October 2012

Senator CORMANN asked:

Senator CORMANN: So for how long and how far back has Treasury chosen to classify an increase to revenue as a saving to the budget bottom line? I am talking here about the concept—not specifically the word 'save'—of classifying an increase in revenue as a saving to the budget bottom line.

Mr Ray: I do not know but I suspect back to 1901. An increase in revenue would be seen as something that improves the budget bottom line.

Senator CORMANN: Sorry: an increase in revenue classified as a saving to the budget bottom line. That was a different question you answered. I did not ask whether an increase in revenue improves the bottom line; it manifestly does. The question was: since when has Treasury chosen to classify an increase in revenue as a saving to the budget bottom line, which is quite a different proposition?

Mr Ray: I think we are talking semantics.

Senator CORMANN: They are very important semantics that give a bit of an illustration of the underlying philosophical base.

Senator Wong: This is not a new nomenclature. We can take on notice when it first occurred.

Senator CORMANN: I would like to know how new it is.

Senator Wong: You might want to look at your own election policy costings, which include revenue measures as savings as well, but we are happy to take on notice when the word 'saving' has previously been used in respect of revenue measures. I am not going to ask Mr Ray to go back to 1901.

Senator CORMANN: Peter Costello reassures me that he never used to describe revenue measures as savings to the budget bottom line, so I would be very interested to find out exactly when that specific nomenclature—

Mr Ray: I think we have answered one question on notice and that is when the what is called the spend/saves table was first published: it was in the 2008-09 budget. I think we answered that question on notice. It has been the case for many years that we consider revenue changes that improve the budget bottom line are things that improve the budget bottom line. Whether or not we use the words 'save' or 'savings', I do not know.

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Answer:

The 'spend save' table was first produced in the 2008-09 Budget.

An increase to revenue improves the budget bottom line, and as such has been referred to as a 'save' from time to time in the Budget papers over a long period. Determining when the word 'save' was first used would require an unreasonable diversion of resources, as the budget papers and ancillary documentation back to 1901 would have to be exhaustively reviewed. However, two examples prior to the 2008-09 Budget include:

- The Treasurer's 2006-07 Budget Ministerial Statement '*Continuing Tax Reform*' of 9 May 2006 (pg 37), outlined that:
 - *"The tax integrity measures announced in this budget work to maintain an equitable tax base and are estimated to **save** \$2.3 billion in revenue over the forward estimates period."*
- The 1997-98 Budget Papers (BP2, pg 197) outlined the then Government's measures to prevent illegal blending and direct substitution of petroleum products with a correspondent increase to revenue, with the measure description entitled:
 - *"Revenue **savings** through fuel substitution minimisation"*