



Policy costing—outside the caretaker period

| Name of proposal: | Tax |
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| Summary of proposal: | <p>This proposal has three options.</p> <p>Option 1: Personal income tax, company tax, and excise and customs duty</p> <p>This option has three components:</p> <ul style="list-style-type: none"> • Personal income tax changes <ul style="list-style-type: none"> – increase the tax-free threshold to \$40,000 – reduce the marginal tax rate for taxable income above this threshold to 20 per cent – abolish the Medicare Levy, the Medicare Levy surcharge, and the Low Income Tax Offset (LITO) – reduce the Fringe Benefits Tax (FBT) rate to 20 per cent. • Company tax rate reduction <ul style="list-style-type: none"> – reduce the company tax rate to 20 per cent for all companies. • Abolish excise and customs duties <ul style="list-style-type: none"> – abolish excise on tobacco, alcohol and fuel, and all customs duties on imports. <p>Option 2: Personal income tax, company tax, excise and customs duty and Goods and Services Tax (GST) on food and beverages</p> <p>This option includes Option 1, with an additional GST component to apply the GST to all food and beverages.</p> <p>Option 3: Personal income tax, company tax, excise and customs duty and align the coverage of Australia’s GST with that of New Zealand</p> <p>This option includes Option 1, with an additional GST component to apply the GST to the same goods and services that are subject to the GST in New Zealand.</p> <p>The Commonwealth would retain any additional revenue resulting from the GST components of Options 2 and 3.</p> <p>The proposal would be announced and have effect from 1 July 2017.</p> |

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| | The request sought the financial implications to 2026-27. |
| Person/party requesting the costing: | Senator David Leyonhjelm, Liberal Democratic Party |
| Did the applicant request the costing be confidential: | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Date costing request received: | 9 August 2016 |
| Date costing completed: | 5 December 2016 |
| Additional information requested: | On 2 November 2016 the Parliamentary Budget Office (PBO) contacted Senator Leyonhjelm's office (the office) to confirm the announcement and implementation date of the proposal, and the treatment of GST revenue collected under the proposal. |
| Additional information received: | On 2 November 2016 the office confirmed that: <ul style="list-style-type: none"> • the announcement and implementation date of the proposal would be 1 July 2017 • the Commonwealth would retain any additional revenue resulting from the GST components of Options 2 and 3. |
| Expiry date of the costing: | Release of the next economic and fiscal outlook report. |

Costing overview

The proposal outlines three options for introducing a number of changes to several components of the tax system including personal income tax, FBT, company tax and GST.

All components of the proposal would have broader macroeconomic implications, including but not limited to impacts on the Consumer Price Index (CPI), the exchange rate, the aggregate level of private consumption expenditure, the labour supply, productivity and business investment and Gross Domestic Product. However, the magnitude, timing and direction of these broader macroeconomic implications are highly uncertain and would also depend on the manner in which the proposal would be financed. As such, broader macroeconomic effects have not been included in this costing.

Option 1 - Personal income tax, company tax, and excise and customs duty

This option would increase the tax-free threshold to \$40,000, reduce the marginal tax rate for taxable income above this threshold to 20 per cent, abolish the Medicare Levy, the Medicare Levy surcharge, and the LITO, reduce the FBT rate to 20 per cent, reduce the company tax rate to 20 per cent for all companies, abolish excise on tobacco, alcohol and fuel, and abolish all custom duties on imports.

This option would be expected to decrease the fiscal balance by \$548,568 million and decrease the underlying cash balance by \$547,708 million over the 2016-17 Budget forward estimates period.

Table 1: Option 1 – Personal income tax, company tax, and excise and customs duty—Financial implications (outturn prices)^{(a)(b)}

| Impact on (\$m) | 2016–17 | 2017–18 | 2018–19 | 2019–20 | Total to 2019–20 |
|-------------------------|---------|----------|----------|----------|------------------|
| Fiscal balance | - | -164,118 | -187,040 | -197,410 | -548,568 |
| Underlying cash balance | - | -162,978 | -186,980 | -197,750 | -547,708 |

(a) A positive number represents an increase in the relevant budget balance, a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.

Option 2 - Personal income tax, company tax, excise and customs duty, and GST on food

This option is the same as Option 1, but with an additional component to broaden the GST to include all food and beverages.

This option would be expected to decrease the fiscal balance by \$527,218 million and decrease the underlying cash balance by \$527,358 million over the 2016-17 Budget forward estimates period.

Table 2: Option 2 – Personal income tax, company tax, excise and customs duty, and GST on food—Financial implications (outturn prices)^{(a)(b)}

| Impact on (\$m) | 2016–17 | 2017–18 | 2018–19 | 2019–20 | Total to 2019–20 |
|-------------------------|---------|----------|----------|----------|------------------|
| Fiscal balance | - | -157,268 | -179,940 | -190,010 | -527,218 |
| Underlying cash balance | - | -157,028 | -179,930 | -190,400 | -527,358 |

(a) A positive number represents an increase in the relevant budget balance, a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.

Option 3 - Personal income tax, company tax, excise and customs duty, and align the coverage of Australia’s GST with that of New Zealand

This option is the same as Option 1, but with an additional component to broaden the GST to apply to the same goods and services that are subject to the GST in New Zealand.

This option would be expected to decrease the fiscal balance by \$486,788 million and decrease the underlying cash balance by \$488,878 million over the 2016-17 Budget forward estimates period.

Table 3: Option 3 – Personal income tax, company tax, excise and customs duty, and align the coverage of Australia’s GST with that of New Zealand—Financial implications (outturn prices)^{(a)(b)}

| Impact on (\$m) | 2016–17 | 2017–18 | 2018–19 | 2019–20 | Total to 2019–20 |
|-------------------------|---------|----------|----------|----------|------------------|
| Fiscal balance | - | -144,828 | -166,480 | -175,480 | -486,788 |
| Underlying cash balance | - | -146,238 | -166,620 | -176,020 | -488,878 |

(a) A positive number represents an increase in the relevant budget balance, a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.

General commentary

Impact beyond the 2016-17 Budget forward estimates period

The proposal would be expected to have an ongoing impact beyond the 2016-17 Budget forward estimates period. The financial implications of the proposal over the 2016-17 Budget forward estimates period are not necessarily reflective of the ongoing impact due to:

- the operation of bracket creep for individuals, where nominal income growth leads to higher marginal and average tax rates
- the 2016-17 Budget measure *Ten Year Enterprise Tax Plan – reducing the company tax rate to 25 per cent*, which would be expected to decrease company tax sharply towards the end of the medium term.

A detailed breakdown of each option of the proposal on a fiscal balance and underlying cash balance basis over the period to 2026-27 is included at [Attachment A](#).

Departmental expenses

In Options 1 and 2 there is a net decrease in departmental expenses of \$237 million over the 2016-17 Budget forward estimates period comprised of:

- an increase of \$8 million in 2017-18 to cover the initial expenses required to implement the personal income tax changes
- a decrease of \$135 million over the 2016-17 Budget forward estimates period for the Australian Taxation Office (ATO) as a result of abolishing excise and customs duty
- a decrease of \$110 million over the 2016-17 Budget forward estimates period in departmental expenses for the Department of Immigration and Border Protection (DIBP) as a result of abolishing excise and custom duty.
- The reduction in the company tax rate would not be expected to have a significant impact on departmental expenses as it would not be expected to reduce the number of tax returns processed.

- In relation to Option 2, net departmental expenses associated with altering the GST to include food and beverages would not be expected to be material. Current departmental expenses related to excluding certain food and beverages may be replaced with departmental expenses associated with expanding the coverage of the GST to include food and beverages.

In Option 3 there is a net decrease in departmental expenses of \$117 million over the 2016-17 Budget forward estimates period. This option includes an additional departmental expense associated with altering the GST to align coverage with New Zealand. This component would be expected to result in departmental expenses of \$120 million over the 2016-17 Budget forward estimates period. This largely reflects costs associated with implementation and ongoing costs for broadening the GST base, with lower ongoing costs to administer a broader GST base.

Reliability

Overall, the impact of this costing is considered to be of low reliability. Given the large changes in tax rates in the proposal, there is substantial uncertainty around the magnitude and timing of behavioural responses and broader economic impacts. In addition, the reliability of this costing decreases the further into the future the estimates are projected.

Fiscal and underlying cash balances differences

The difference between the fiscal and underlying cash balances reflects a delay between when some tax liabilities are generated and the payment of the tax.

Key assumptions

The PBO has made the following assumptions across the options of the proposal.

General

- As the proposal would be announced and have effect from the same day, we have assumed there is no behavioural response by individuals or entities in relation to the start date.

Personal income tax changes

- The costing assumes a behavioural response to account for changes in investment decisions and tax planning arrangements by higher income earners, which results in increased taxable income for individuals.

- The PBO has estimated this behavioural response for individuals with incomes in excess of \$180,000 based on a taxable income elasticity of 0.2¹, with an adjustment to reflect that the ability to increase taxable income is likely to be limited and diminishes as the marginal tax rate is reduced beyond a certain point.
- Lower income earners are likely to have less scope to realise additional taxable income in response to lower marginal tax rates. As a result any behavioural response from these individuals is not expected to be significant.

Company tax rate reduction

- The estimate of the financial impact of the company tax rate cut includes an estimated claw-back due to dividend imputation. This estimate assumes that companies continue to pay the same proportion of their after-tax income as dividends.

Abolish excise and import duties

- The retail prices of imports, fuel, alcohol and tobacco are assumed to fall by the amount of the excise, wine equalisation tax or customs duty currently applied, including a commensurate reduction in the GST. Consumers are assumed to respond to this price reduction by increasing their consumption of these goods. However, as excisable goods have relatively inelastic demand, it is assumed that there would be a net reduction in the amount spent on these goods, and therefore a net decrease in GST revenue.

GST changes (Option 2 and Option 3)

- All price impacts from the GST rate changes are passed through the production chain immediately and are fully borne by final consumers of the good or service. As a result there is minimal impact on company or income tax.
- Additional GST revenue as a result of broadening the GST base is assumed to be kept by the Commonwealth.
- Households are assumed to adjust the composition of their consumption in response to changes in relative prices.
- In order to align Australia's GST with the coverage of New Zealand's GST the following goods and services are included in Option 3:
 - fresh food
 - education

¹ A taxable income elasticity is a measure of the responsiveness of taxable income to changes in after tax income. A decrease in tax will result in an increase in after tax income. An elasticity of 0.2 means that a 1 per cent increase in the net-of-tax rate (the proportion of each additional dollar kept as take-home income) results in a 0.2 per cent increase in taxable income.

- health care, including drugs and medicinal preparations, medical aids and appliances, and medical and health services (but not including residential aged care services)
- private health insurance
- child care services
- religious services
- water, sewerage and drainage.
- The treatment of other goods and services which are GST-exempt or GST-free remain unchanged as their treatment is broadly similar in Australia and New Zealand in Option 3. These goods and services include residential aged care services, financial services, goods for export, rents on residential property, sale of businesses that are a 'going-concern', supplies by charitable organisations, and supplies of precious metals.
 - While minor technical differences may exist between the treatment of these goods and services, the impact of these differences is not expected to be material to the costing.
- The costing aligns the treatment of property and land with the New Zealand model in Option 3.
- In Australia businesses are only required to register for the GST if their GST turnover is \$75,000 or more. In New Zealand this threshold is \$60,000. It has been assumed that the Australian threshold would be lowered to \$60,000 in Option 3.
- The importation threshold has been decreased from the Australian level to the current New Zealand level (\$60) in Option 3.

Methodology

The PBO adopted the following methodology for estimating each component of this costing.

Personal income tax changes

The impact of the personal income tax changes was estimated using a 16 per cent sample of de-identified personal income tax and superannuation returns for 2012-13 provided by the ATO. The data was used to estimate the reduction in tax associated with the lower tax rates, accounting for the changes in taxable incomes as a result of the behavioural responses outlined above.

A separate model was used to estimate the financial implications of the change in the FBT rate. This model estimated the flow-on effects of a change in the FBT rate to personal income tax, FBT and company tax collections.

The modelling takes into account the timing of tax collections.

Revenue estimates have been rounded to the nearest \$1,000 million. Departmental expense estimates have been rounded to the nearest \$5 million.

Company tax reduction

The impact of the company tax reduction was estimated using company tax returns to estimate the cost of moving from the company tax rates announced in the 2016-17 Budget to a tax rate of 20 per cent for all companies. The approach accounts for the turnover threshold below which companies, under the Budget measures, would be taxed at a lower rate, and also for changes in the distribution of dividends to shareholders.

Revenue estimates have been rounded to the nearest \$1,000 million.

Abolish excise and customs duties

The amount of forgone excise, customs duty and wine equalisation tax revenue, and fuel tax credit scheme expense was estimated based on 2016 Pre-Election Fiscal Outlook estimates. Departmental savings reflect the estimated ongoing savings from the abolition of excise, customs duty and wine equalisation tax, and the fuel tax credit scheme, along with the estimated costs of winding down these programs.

The change in GST revenue and expense due to abolishing excise and import duties was estimated based on the estimated change in consumption expenditure.

Revenue estimates have been rounded to the nearest \$10 million. Departmental expense estimates have been rounded to the nearest \$5 million.

GST changes

- PRISM² was used to estimate the revenue and consumer price implications. It calculates how the GST-related price changes flow through industries in the production chain to the final consumption price of goods and services.
 - The model applies the GST at all relevant points along the production chain capturing goods and services that are inputs to further production (generating input tax credits) as well as goods that represent final consumption.
- Effective GST tax rates on goods and services were calculated at the current 10 per cent GST rate. These represent the base effective rates of the GST that apply to particular goods and services.
 - The effective rates may be less than the current statutory rate of 10 per cent, reflecting different levels of business input tax credits claimed for each good or service.
- The model is calibrated to include the actual amount of GST revenue that was collected in the base year for the model.
- The PBO estimates the revenue impact of the GST rate and base changes by adjusting the inclusion of GST on goods and services to reflect the proposal.

² Price Incidence Simulation Model

- Comparing the GST revenue expected under the proposal with the base GST revenue amount gives the impact of the proposal.
- The PRISMOD costing results are adjusted to take account of the assumed behavioural response to changes in relative prices arising from the changes to the GST.

GST timing

- On a fiscal balance basis, all GST revenue is recognised in the year the tax is levied on the consumer.
- On an underlying cash balance basis, the GST receipts are recognised when they are collected by the ATO. This reflects the fact that the GST payments are made to the ATO in arrears, and accounts for the fact that businesses can either remit their GST annually, quarterly, or monthly.
- The reduction in GST revenue as a result of the excise component of these options does not fully offset the reduction in expenses payable to the states and territories because of a delay between when GST revenue is recognised by the Commonwealth and when the associated GST expense to the states and territories is accrued.

GST revenue and expenditure estimates have been rounded to the nearest \$50 million. Departmental expense estimates have been rounded to the nearest \$10 million.

Data sources

Commonwealth of Australia, 2016. Pre-election Economic and Fiscal Outlook, Canberra: Commonwealth of Australia.

Goods and Services Tax: Distributional analysis and indicative reform scenarios, Parliamentary Budget Office, 2015.

Modelling Australia's Imports Of Goods And Services, The Treasury, 2015.

The ATO provided de-identified 16 per cent samples of personal income tax and superannuation returns for the 2012-13 financial year.

The ATO provided company tax return data for the period 2005-06 to 2013-14.

The Treasury provided the model of the 2016-17 Budget company tax measure.

The Treasury provided PRISMOD.

Attachment A – Tax—financial implications

Table A1: Tax – Option 1 – Personal income tax, company tax, and excise and customs duty—Fiscal balance^{(a)(b)}

| (\$m) Component ^(c) | 2017-18 | 2018-19 | 2019-20 | Total to 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | Total to 2026-27 |
|--------------------------------------------|-----------------|-----------------|-----------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------|
| Revenue | -173,380 | -197,270 | -208,240 | -578,890 | -221,400 | -232,060 | -244,780 | -255,530 | -267,950 | -279,500 | -292,690 | -2,372,800 |
| Personal income tax | -115,000 | -136,000 | -143,000 | -394,000 | -152,000 | -160,000 | -169,000 | -179,000 | -188,000 | -199,000 | -211,000 | -1,652,000 |
| Company tax | -17,000 | -17,000 | -18,000 | -52,000 | -19,000 | -19,000 | -20,000 | -18,000 | -18,000 | -16,000 | -14,000 | -176,000 |
| Excise / import duties | -41,380 | -44,270 | -47,240 | -132,890 | -50,400 | -53,060 | -55,780 | -58,530 | -61,950 | -64,500 | -67,690 | -544,800 |
| Expense | 9,262 | 10,230 | 10,830 | 30,337 | 11,710 | 12,595 | 13,525 | 14,515 | 15,495 | 16,535 | 17,615 | 132,332 |
| Personal income tax - departmental | -8 | - | - | -8 | - | - | - | - | - | - | - | -8 |
| Excise and import duties - administered | 9,250 | 10,120 | 10,720 | 30,100 | 11,600 | 12,490 | 13,420 | 14,410 | 15,390 | 16,430 | 17,510 | 131,340 |
| Excise and import duties - departmental | 20 | 110 | 110 | 245 | 110 | 105 | 105 | 105 | 105 | 105 | 105 | 1,000 |
| Total | -164,118 | -187,040 | -197,410 | -548,568 | -209,690 | -219,465 | -231,255 | -241,015 | -252,455 | -262,965 | -275,075 | -2,240,488 |

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

(c) Component estimates are the financial impact of each component of the option costed.

- Indicates nil.

Table A2: Tax – Option 1 – Personal income tax, company tax, and excise and customs duty—Underlying cash balance^{(a)(b)}

| (\$m) Component ^(c) | 2017-18 | 2018-19 | 2019-20 | Total to 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | Total to 2026-27 |
|--------------------------------------------|-----------------|-----------------|-----------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------|
| Receipts | -172,080 | -197,180 | -208,530 | -577,800 | -221,630 | -232,490 | -245,400 | -256,350 | -268,960 | -280,710 | -294,090 | -2,377,420 |
| Personal income tax | -115,000 | -136,000 | -143,000 | -394,000 | -152,000 | -160,000 | -169,000 | -179,000 | -188,000 | -199,000 | -211,000 | -1,652,000 |
| Company tax | -17,000 | -17,000 | -18,000 | -52,000 | -19,000 | -19,000 | -20,000 | -18,000 | -18,000 | -16,000 | -14,000 | -176,000 |
| Excise / import duties | -40,080 | -44,180 | -47,530 | -131,800 | -50,630 | -53,490 | -56,400 | -59,350 | -62,960 | -65,710 | -69,090 | -549,420 |
| Payments | 9,102 | 10,200 | 10,780 | 30,107 | 11,710 | 12,600 | 13,530 | 14,470 | 15,450 | 16,490 | 17,570 | 131,932 |
| Personal income tax - departmental | -8 | - | - | -8 | - | - | - | - | - | - | - | -8 |
| Excise and import duties - administered | 9,090 | 10,090 | 10,670 | 29,870 | 11,600 | 12,490 | 13,420 | 14,360 | 15,340 | 16,380 | 17,460 | 130,910 |
| Excise and import duties - departmental | 20 | 110 | 110 | 245 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 1,030 |
| Total | -162,978 | -186,980 | -197,750 | -547,708 | -209,920 | -219,890 | -231,870 | -241,880 | -253,510 | -264,220 | -276,520 | -2,245,518 |

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in outlays or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in outlays or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

(c) Component estimates are the financial impact of each component of the option costed.

- Indicates nil.

Table A3: Tax – Option 2 – Personal income tax, company tax, excise and customs duty, and GST on food—Fiscal balance^{(a)(b)}

| (\$m) Component ^(c) | 2017-18 | 2018-19 | 2019-20 | Total to 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | Total to 2026-27 |
|-----------------------------------------|-----------------|-----------------|-----------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------|
| Revenue | -166,530 | -190,170 | -200,840 | -557,540 | -213,750 | -224,110 | -236,530 | -246,980 | -259,050 | -270,250 | -283,090 | -2,291,300 |
| Personal income tax | -115,000 | -136,000 | -143,000 | -394,000 | -152,000 | -160,000 | -169,000 | -179,000 | -188,000 | -199,000 | -211,000 | -1,652,000 |
| Company tax | -17,000 | -17,000 | -18,000 | -52,000 | -19,000 | -19,000 | -20,000 | -18,000 | -18,000 | -16,000 | -14,000 | -176,000 |
| Excise and import duties | -41,380 | -44,270 | -47,240 | -132,890 | -50,400 | -53,060 | -55,780 | -58,530 | -61,950 | -64,500 | -67,690 | -544,800 |
| GST | 6,850 | 7,100 | 7,400 | 21,350 | 7,650 | 7,950 | 8,250 | 8,550 | 8,900 | 9,250 | 9,600 | 81,500 |
| Expense | 9,262 | 10,230 | 10,830 | 30,337 | 11,710 | 12,595 | 13,525 | 14,515 | 15,495 | 16,535 | 17,615 | 132,332 |
| Personal income tax - departmental | -8 | - | - | -8 | - | - | - | - | - | - | - | -8 |
| Excise and import duties - administered | 9,250 | 10,120 | 10,720 | 30,100 | 11,600 | 12,490 | 13,420 | 14,410 | 15,390 | 16,430 | 17,510 | 131,340 |
| Excise and import duties - departmental | 20 | 110 | 110 | 245 | 110 | 105 | 105 | 105 | 105 | 105 | 105 | 1,000 |
| Total | -157,268 | -179,940 | -190,010 | -527,218 | -202,040 | -211,515 | -223,005 | -232,465 | -243,555 | -253,715 | -265,475 | -2,158,988 |

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

(c) Component estimates are the financial impact of each component of the option costed.

- Indicates nil.

Table A4: Tax – Option 2 – Personal income tax, company tax, excise and customs duty, and GST on food—Underlying cash balance^{(a)(b)}

| (\$m) Component ^(c) | 2017-18 | 2018-19 | 2019-20 | Total to 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | Total to 2026-27 |
|-----------------------------------------|-----------------|-----------------|-----------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------|
| Receipts | -166,130 | -190,130 | -201,180 | -557,450 | -214,030 | -224,590 | -237,200 | -247,800 | -260,110 | -271,510 | -284,540 | -2,297,220 |
| Personal income tax | -115,000 | -136,000 | -143,000 | -394,000 | -152,000 | -160,000 | -169,000 | -179,000 | -188,000 | -199,000 | -211,000 | -1,652,000 |
| Company tax | -17,000 | -17,000 | -18,000 | -52,000 | -19,000 | -19,000 | -20,000 | -18,000 | -18,000 | -16,000 | -14,000 | -176,000 |
| Excise and import duties | -40,080 | -44,180 | -47,530 | -131,800 | -50,630 | -53,490 | -56,400 | -59,350 | -62,960 | -65,710 | -69,090 | -549,420 |
| GST | 5,950 | 7,050 | 7,350 | 20,350 | 7,600 | 7,900 | 8,200 | 8,550 | 8,850 | 9,200 | 9,550 | 80,200 |
| Payments | 9,102 | 10,200 | 10,780 | 30,107 | 11,710 | 12,600 | 13,530 | 14,470 | 15,450 | 16,490 | 17,570 | 131,932 |
| Personal income tax - departmental | -8 | - | - | -8 | - | - | - | - | - | - | - | -8 |
| Excise and import duties - administered | 9,090 | 10,090 | 10,670 | 29,870 | 11,600 | 12,490 | 13,420 | 14,360 | 15,340 | 16,380 | 17,460 | 130,910 |
| Excise and import duties - departmental | 20 | 110 | 110 | 245 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 1,030 |
| Total | -157,028 | -179,930 | -190,400 | -527,358 | -202,320 | -211,990 | -223,670 | -233,330 | -244,660 | -255,020 | -266,970 | -2,165,318 |

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in outlays or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in outlays or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

(c) Component estimates are the financial impact of each component of the option costed.

- Indicates nil.

Sensitive

Table A5: Tax – Option 3– Personal income tax, company tax, excise and customs duty, and GST like New Zealand—Fiscal balance^{(a)(b)}

| (\$m) Component ^(c) | 2017-18 | 2018-19 | 2019-20 | Total to 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | Total to 2026-27 |
|-----------------------------------------|-----------------|-----------------|-----------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------|
| Revenue | -154,030 | -176,670 | -186,290 | -516,990 | -197,850 | -206,960 | -217,980 | -226,880 | -237,300 | -246,800 | -257,640 | -2,108,400 |
| Personal income tax | -115,000 | -136,000 | -143,000 | -394,000 | -152,000 | -160,000 | -169,000 | -179,000 | -188,000 | -199,000 | -211,000 | -1,652,000 |
| Company tax | -17,000 | -17,000 | -18,000 | -52,000 | -19,000 | -19,000 | -20,000 | -18,000 | -18,000 | -16,000 | -14,000 | -176,000 |
| Excise and import duties | -41,380 | -44,270 | -47,240 | -132,890 | -50,400 | -53,060 | -55,780 | -58,530 | -61,950 | -64,500 | -67,690 | -544,800 |
| GST | 19,350 | 20,600 | 21,950 | 61,900 | 23,550 | 25,100 | 26,800 | 28,650 | 30,650 | 32,700 | 35,050 | 264,400 |
| Expense | 9,202 | 10,190 | 10,810 | 30,217 | 11,690 | 12,575 | 13,515 | 14,505 | 15,485 | 16,525 | 17,605 | 132,122 |
| Personal income tax - departmental | -8 | - | - | -8 | - | - | - | - | - | - | - | -8 |
| Excise and import duties - administered | 9,250 | 10,120 | 10,720 | 30,100 | 11,600 | 12,490 | 13,420 | 14,410 | 15,390 | 16,430 | 17,510 | 131,340 |
| Excise and import duties - departmental | 20 | 110 | 110 | 245 | 110 | 105 | 105 | 105 | 105 | 105 | 105 | 1,000 |
| GST - departmental | -60 | -40 | -20 | -120 | -20 | -20 | -10 | -10 | -10 | -10 | -10 | -210 |
| Total | -144,828 | -166,480 | -175,480 | -486,788 | -186,160 | -194,385 | -204,465 | -212,375 | -221,815 | -230,275 | -240,035 | -1,976,298 |

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

(c) Component estimates are the financial impact of each component of the option costed.

- Indicates nil.

Table A6: Tax – Option 3 – Personal income tax, company tax, excise and customs duty, and GST like New Zealand—Underlying cash balance^{(a)(b)}

| (\$m) Component ^(c) | 2017-18 | 2018-19 | 2019-20 | Total to 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | Total to 2026-27 |
|-----------------------------------------|-----------------|-----------------|-----------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------|
| Receipts | -155,280 | -176,780 | -186,780 | -518,850 | -198,380 | -207,640 | -218,850 | -227,950 | -238,610 | -248,210 | -259,390 | -2,117,870 |
| Personal income tax | -115,000 | -136,000 | -143,000 | -394,000 | -152,000 | -160,000 | -169,000 | -179,000 | -188,000 | -199,000 | -211,000 | -1,652,000 |
| Company tax | -17,000 | -17,000 | -18,000 | -52,000 | -19,000 | -19,000 | -20,000 | -18,000 | -18,000 | -16,000 | -14,000 | -176,000 |
| Excise and import duties | -40,080 | -44,180 | -47,530 | -131,800 | -50,630 | -53,490 | -56,400 | -59,350 | -62,960 | -65,710 | -69,090 | -549,420 |
| GST | 16,800 | 20,400 | 21,750 | 58,950 | 23,250 | 24,850 | 26,550 | 28,400 | 30,350 | 32,500 | 34,700 | 259,550 |
| Payments | 9,042 | 10,160 | 10,760 | 29,987 | 11,690 | 12,580 | 13,520 | 14,460 | 15,440 | 16,480 | 17,560 | 131,722 |
| Personal income tax - departmental | -8 | - | - | -8 | - | - | - | - | - | - | - | -8 |
| Excise and import duties - administered | 9,090 | 10,090 | 10,670 | 29,870 | 11,600 | 12,490 | 13,420 | 14,360 | 15,340 | 16,380 | 17,460 | 130,910 |
| Excise and import duties - departmental | 20 | 110 | 110 | 245 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 1,030 |
| GST - departmental | -60 | -40 | -20 | -120 | -20 | -20 | -10 | -10 | -10 | -10 | -10 | -210 |
| Total | -146,238 | -166,620 | -176,020 | -488,878 | -186,690 | -195,060 | -205,330 | -213,490 | -223,170 | -231,730 | -241,830 | -1,986,178 |

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in outlays or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in outlays or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

(c) Component estimates are the financial impact of each component of the option costed.

- Indicates nil.