



Parliament of Australia
Parliamentary Budget Office

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Parliamentary Budget Officer

Senator Richard Di Natale
Leader of the Australian Greens
Parliament House
CANBERRA ACT 2600

Dear Senator Di Natale

Please find attached a response to your costing request, *Ending Tax Avoidance: Restoring Staff to the Tax Office* (letter of 24 June 2016).

The response to this request will be released on the PBO website (www.pbo.gov.au).

If you have any queries about this costing, please contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

25 June 2016



Policy costing—during the caretaker period for the 2016 general election

Name of proposal:	Ending Tax Avoidance: Restoring Staff to the Tax Office
Summary of proposal:	<p>The proposal has two components.</p> <p>The first component would reverse the funding cuts within the Australian Taxation Office (ATO) that have occurred since the change of government on 12 September 2013. The number of ATO employees would be returned to the level on 12 September 2013.</p> <p>The second component would invest \$400 million evenly across four years in global diplomacy to ensure Australia is taking a leadership role in ending global tax avoidance strategies.</p> <p>The proposal would have effect from 1 September 2016.</p>
Person/party requesting costing:	Senator Richard Di Natale, Australian Greens
Date of public release of policy:	22 June 2016 http://greens.org.au/sites/greens.org.au/files/Tax%20Avoidance%20Package_0.pdf
Date costing request received:	24 June 2016
Date costing completed	25 June 2016
Expiry date for the costing:	Release of the next economic and fiscal outlook report

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by \$1,960 million over the 2016-17 Budget forward estimates period. This impact entirely reflects an increase in departmental expenses.

A detailed breakdown of the financial implications of the components of the proposal over the 2016-17 Budget forward estimates period is included at [Attachment A](#).

The proposed increase in ATO staffing levels in the first component of the proposal would be expected to have an impact on the level of revenue collections. However, there is not a simple relationship between the level of ATO staff and the level of revenue collections as the

nature of functions undertaken by ATO staff can vary substantially. As the request does not indicate the roles of the additional ATO staff under the proposal, increased revenue attributable to additional ATO staffing levels would not be able to be reliably estimated.

The first component of this costing (restoring ATO staffing levels) is considered to be of medium reliability. Estimates of ATO staff numbers in the baseline and in the proposal are based on 2016-17 Budget estimates and several assumptions. While additional ATO staff may result in increased revenue collections, under the current specification of the proposal, this amount is not able to be reliably estimated.

The second component of this costing (global tax diplomacy) is considered to be of high reliability as the amount of funding is fixed. However, no analysis has been undertaken to determine the adequacy of the prescribed funding amounts to achieve the objective of the proposal.

Table 1: Financial implications (outturn prices)^{(a)(b)}

Impact on (\$m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-390.0	-500.0	-510.0	-560.0	-1,960.0
Underlying cash balance	-390.0	-500.0	-510.0	-560.0	-1,960.0

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

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

Key assumptions

- The number of ATO employees as of 12 September 2013 is assumed to be equal to the number of ATO employees reported by the Australian Public Service Commission (APSC) as of 30 June 2013.

Methodology

To estimate the cost of the proposal, the estimated ATO staffing level under the proposal and the baseline were compared, and the difference in staff numbers was multiplied by the average ATO staffing cost from the 2016-17 Budget.

The estimated cost of the global diplomacy portion of the proposal reflects the capped funding amounts specified in the request.

Estimates have been rounded to the nearest \$10 million.

Data sources

- Treasury Portfolio Budget Statements 2016-17 (ATO section)
- APSC Statistical Bulletin 30 June 2013

Attachment A: Ending Tax Avoidance: Restoring Staff to the Tax Office—financial implications

Table A: Ending Tax Avoidance: Restoring Staff to the Tax Office—Financial implications (outturn prices)^{(a)(b)}

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Restoring ATO staffing levels					
<i>Departmental expense - ATO</i>	-290.0	-400.0	-410.0	-460.0	-1,560.0
Global tax diplomacy					
<i>Departmental expense</i>	-100.0	-100.0	-100.0	-100.0	-400.0
Total	-390.0	-500.0	-510.0	-560.0	-1,960.0

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

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