



Senator Chris Ketter

SENATOR FOR QUEENSLAND



Parliament of Australia
The Senate

3 April 2019

Mr Philip Gaetjens
Secretary to the Australian Treasury
Langton Crescent
Parkes ACT 2600

Dear Mr Gaetjens,

I write on behalf of Labor Senators ahead of the truncated Senate Estimates session that is to be held on 4 and 5 April 2019. As you would understand that is a strong chance that the Senate does not return for the following scheduled Senate Estimates hearings the following week, and so the 4 and 5 April 2019 will likely be the only time all Senators will be able to consider budget documents and departmental finances.

I therefore request that you be able to provide the following information when you attend Senate Estimates on 5 April 2019:

- Year by year breakdown of the full personal income tax cut plan. This breakdown is to include the elements of the personal income tax plan that were announced in the 2018-19 and the 2019-20 Budgets;
- Year by year figures that underpin all charts published in Statement 3 of Budget Paper 1;
- A full breakdown of the \$28.4 billion of downward revisions to payments due to parameter variations over the forward estimates, in addition to the explanations on Page 3-22 of Budget Paper 1;
- A detailed explanation for why payments as a percentage of GDP decline from about 25% now to about 23.5% at the end of the medium term (Chart 3, Page 3-12, Budget Paper 1);
- Explanation and breakdown of the net overseas migration figures by visa class used over the forward estimates and the medium term, and how any revisions to net overseas migration figures might have impacted key economic parameters;
- Nominal GDP (value and percentage change) by year over the medium term;
- Gross National Income (value and percentage change) by year over the medium term;
- Unconstrained tax to GDP (percentage) in 2029-30;
- Department's total expenditure on advertising and information campaigns in the current financial year.
- An itemised list of all advertising and information campaigns run by the Department for the current financial year, and the funds attributed to each campaign;
- Detailed information about the advertising and information campaigns the Department has planned for the rest of the 2018/19 year, including the content of those campaigns, estimated expenditure and detail on ad-buys and placements;

- An itemised list of all Austender Contract Notice numbers for all advertising and information campaign contracts in the 2018/19 financial year;
- The value of any un-announced initiatives; and
- Provide answers to any outstanding Questions on Notice.

As you would appreciate, with the caretaker period likely to commence very shortly after Senate Estimates, and with limited time for hearings, the timely provision of this information is vital.

Thank you for your assistance with this matter.

Yours sincerely



Chris Ketter
Senator for Queensland

Copies:

Senator Jane Hume
Chair, Senate Economics
Legislation Committee
senator.hume@aph.gov.au

Senator Jenny McAllister
Member, Senate Economics
Legislation Committee
senator.mcallister@aph.gov.au

Mr Mark Fitt
Committee Secretary
Senate Economics Legislation
Committee
economics.sen@aph.gov.au

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2019 - 2020

Division/Agency: Office of the Secretary

Question No:

Topic: Request for information

Reference: Written

Senator: Chris Ketter

Question:

Year by year breakdown of the full personal income tax cut plan. This breakdown is to include the elements of the personal income tax plan that were announced in the 2018-19 and the 2019-20 Budgets.

Answer:

Please refer to the information in Attachment A.

Table 1: Budget 2019-20 – Impact of Lower Taxes for Hard-working Australians over the forward estimates

The measure *Lower Taxes for Hard-working Australians* had a cost to revenue of \$19.5 billion over the period of 2019-20 to 2021-23 (the forward estimates period).

| Revenue/receipts (\$m) | Costing | | | | Total to 2022-23 |
|--|---------------|---------------|---------------|---------------|------------------|
| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | |
| Total – Lower Taxes for Hard-working Australians | -3,450 | -3,700 | -3,750 | -8,640 | -19,540 |
| From 2018-19 to 2021-22, increase low and middle income tax offset* | -3,450 | -3,700 | -3,750 | -3,850 | -14,750 |
| From 2022-23, increase low income tax offset and threshold from \$41,000 to \$45,000 | | | | -4,790 | -4,790 |
| From 2024-25, reduce marginal tax rate from 32.5 to 30 per cent | - | - | - | - | - |

*This offset will be available for the 2018-19, 2019-20, 2020-21, and 2021-22 income years, and will be received as a lump sum on assessment.

Table 2: Budget 2018-19 – Impact of the Personal Income Tax Plan over the forward estimates

As at Budget 2018-19, the Personal Income Tax Plan had a cost to revenue of \$13.4 billion over the period of 2018-19 to 2021-22 (the then forward estimates period).

Table 2: Budget impact of the Personal Income Tax Plan over the forward estimates

| Revenue/receipts (\$m) | Costing | | | | Total to 2021-22 |
|---|-------------|---------------|---------------|---------------|------------------|
| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | |
| Total - Personal Income Tax Plan | -360 | -4,120 | -4,420 | -4,500 | -13,400 |
| From 2018-19 to 2021-22, introduce the low and middle income tax offset* | - | -3,700 | -3,950 | -4,000 | -11,650 |
| From 2018-19, increase the top threshold of the 32.5% tax bracket from \$87,000 to \$90,000 | -360 | -420 | -470 | -500 | -1,750 |

*This offset will be available for the 2018-19, 2019-20, 2020-21, and 2021-22 income years, and will be received as a lump sum on assessment.

Projected revenue impact of the *Personal Income Tax Plan* and *Lower Taxes for Hard-working Australians*

The tables below show the projected impact on tax receipts of the *Personal Income Tax Plan* over the period of 2018-19 to 2028-29 and the projected impact on tax receipts of the measure *Lower Taxes for Hard-working Australians* over the period of 2019-20 to 2029-30. Estimates over such periods incorporate a range of medium term assumptions that carry a greater amount of uncertainty. These projections include assumptions regarding income levels and distributions, demographics and economic conditions.

Estimates made further into the future become increasingly sensitive to the underlying projections and are subject to heightened uncertainty. As such, rather than providing year by year estimates we have provided results aggregated over the medium term as a guide to the estimated cost of the plan.

These estimates are prepared before considering the tax-GDP cap.

Table 3: Projected revenue impact of the *Lower Taxes for Hard-working Australians* by component – 2019-20 to 2029-30

| Revenue/receipts | Total - 2019-20 to 2029-30 (\$ billion) |
|---|--|
| From 2018-19 to 2021-22, increase low and middle income tax offset | -15 |
| From 2022-23, increase low income tax offset and the top of the 19% tax bracket from \$41,000 to \$45,000 | -48 |
| From 2024-25, reduce marginal tax rate from 32.5 to 30 per cent | -95 |
| Total | -158 |

Table 4: Projected revenue impact of the *Personal Income Tax Plan* by component – 2018-19 to 2028-29

| Revenue/receipts | Total - 2018-19 to 2028-29 (\$ billion) |
|---|--|
| Step 1: From 1 July 2018, introduce low and middle income tax offset | -16 |
| Step 2: From 1 July 2018, increase the top threshold of the 32.5% tax bracket from 87,000 to 90,000 | -6 |
| From 1 July 2022, increase the low income tax offset | -3 |
| From 1 July 2022, increase the top threshold of the 19% tax bracket from \$37,000 to \$41,000 | -41 |
| From 1 July 2022, increase the top threshold of the 32.5% tax bracket from \$90,000 to \$120,000 | -36 |
| Total Steps 1 and 2 | -102 |
| Step 3: From 1 July 2024, increase the top threshold of the 32.5% tax bracket from \$120,000 to \$200,000 | -33 |
| From 1 July 2024, increase the threshold at which the 45% tax bracket applies from \$180,000 to \$200,000 | -9 |
| Steps 1, 2 and 3 | -144 |

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

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Senator: Chris Ketter

Question:

Year by year figures that underpin all charts published in Statement 3 of Budget Paper 1.

Answer:

This information is on the Budget website - <https://www.budget.gov.au/2019-20/content/downloads.htm>

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2019 - 2020

Division/Agency: Office of the Secretary

Question No:

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Reference: Written

Senator: Chris Ketter

Question:

A full breakdown of the \$28.4 billion of downward revisions to payments due to parameter variations over the forward estimates, in addition to the explanations on Page 3-22 of Budget Paper 1.

Answer:

This question should be directed to the Department of Finance.

Senate Economics Legislation Committee

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2019 - 2020

Division/Agency: Office of the Secretary

Question No:

Topic: Request for information

Reference: Written

Senator: Chris Ketter

Question:

A detailed explanation for why payments as a percentage of GDP decline from about 25% now to about 23.5% at the end of the medium term (Chart 3, Page 3-12, Budget Paper 1).

Answer:

Payments to GDP are projected to fall from an estimated 24.5 per cent in 2022-23 to 23.6 per cent of GDP by 2029-30.

An explanation was provided at Senate Estimates on 5 April 2019.

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

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Budget Estimates

2019 - 2020

Division/Agency: Office of the Secretary

Question No:

Topic: Request for information

Reference: Written

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Question:

Explanation and breakdown of the net overseas migration figures by visa class used over the forward estimates and the medium term, and how any revisions to net overseas migration figures might have impacted key economic parameters.

Answer:

Estimates of net overseas migration (NOM) for the 2019-20 Budget forward estimates period can be found on page 92 of Budget Paper No. 3.

The estimates of NOM, which underlie the economic and fiscal estimates in the Budget, are prepared by the Department of Home Affairs, drawing on published ABS statistics for NOM supplemented with unpublished visa data. These estimates are consistent with a permanent migration program of around 160,000 in each of the next four years.

The NOM estimates for the 2019-20 Budget are broadly comparable to those in the 2018-19 MYEFO, so there was no material impact on the economic parameters.

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Question:

Nominal GDP (value and percentage change) by year over the medium term.

Answer:

Medium-term projections of nominal GDP are not published in the Budget. However, from 2023-24 to 2025-26 real GDP is assumed to grow faster than potential at 3 per cent each year as spare capacity in the economy is absorbed. As prices are assumed to grow by 2½ per cent, and the terms of trade are assumed to have already settled at their long-run level, nominal GDP could be expected to grow by around 5½ per cent. From 2026-27 onward, spare capacity is absorbed and real GDP grows around its potential rate of 2¾ per cent. As prices are assumed to grow by around 2½ per cent, nominal GDP could be expected to grow by around 5¼ per cent.

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Question:

Gross National Income (value and percentage change) by year over the medium term.

Answer:

Treasury does not produce projections for real gross national income (GNI). Over the medium-term projections, we would expect nominal GNI to grow at around the same rate as nominal GDP. However, the levels of nominal GNI would be different to those of nominal GDP.

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Question:

Unconstrained tax to GDP (percentage) in 2029-30.

Answer:

The unconstrained tax to GDP ratio in 2029-30 is 24.0 per cent.

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Question:

Department's total expenditure on advertising and information campaigns in the current financial year.

Answer:

The current expenditure on advertising campaigns for the 2018-19 financial year as at 18 March 2019 is \$4,321,611.69 (GST incl).

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Question No:

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Reference: Written

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Question:

An itemised list of all advertising and information campaigns run by the Department for the current financial year, and the funds attributed to each campaign.

Answer:

The department was allocated \$24.2 million dollars to deliver the Tax Integrity campaign in the 2018-19 financial year. Treasury has undertaken one advertising campaign in the current financial year.

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Reference: Written

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Question:

Detailed information about the advertising and information campaigns the Department has planned for the rest of the 2018/19 year, including the content of those campaigns, estimated expenditure and detail on ad-buys and placements.

Answer:

The Department has no other advertising campaigns.

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Question:

An itemised list of all Austender Contract Notice numbers for all advertising and information campaign contracts in the 2018/19 financial year.

Answer:

Below are the Austender contract notices.

| AusTender Contract Notice Number | Activity | Consultant | Contract value (GST inc) |
|---|---------------------------|---------------------|---------------------------------|
| CN3542603 | Market research agency | Pollinate Australia | \$425,100.50 |
| CN3553436 | Creative agency | BMF Advertising | \$1,941,312.00 |
| CN3553458 | Creative agency pitch fee | 303 MullenLowe Aus | \$11,000.00 |
| CN3553460 | Creative agency pitch fee | TBWA Australia | \$11,000.00 |
| CN3551048 | Evaluation agency | Hall and Partners | \$147,666.20 |
| CN3567803 | Master media agency | Universal McCann | \$16,122,181.52 |

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Question:

The value of any un-announced initiatives.

Answer:

Any un-announced measures will be disclosed in the Pre-election Economic and Fiscal Outlook (PEFO) in accordance with the *Charter of Budget Honesty Act 1998*.

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Question:

Provide answers to any outstanding Questions on Notice.

Answer:

As at 3 April 2019, Treasury had no outstanding Questions on Notice.