



Is the Tax Expenditures Statement effective?

Evidence will be given at a public hearing tomorrow that the Tax Expenditures Statement is less effective than it could be because it is misinterpreted and misused.

Robert Carling, a Senior Fellow at the Centre for Independent Studies, will appear before the Tax and Revenue Committee to discuss the Statement, which attempts to measure the value of tax concessions received by taxpayers, or the revenue forgone by government. It also aims to increase the transparency and scrutiny of tax exemptions.

The Statement calculates the use of tax concessions against a benchmark, or baseline rate of tax. In most cases, the benchmark is the progressive system of income tax rates. Mr Carling suggests that all benchmarks should be reviewed, including the exemption for capital gains tax on residential housing. This was costed for 2014 at \$45.5 billion. He argues that this exemption should instead be the benchmark.

The 2014 Statement provides that the use of the tax concession for employer superannuation contributions is \$16.3 billion, and that for superannuation entity earnings is \$13.4 billion. This is calculated using income tax rates as the baseline. Mr Carling suggests that they should be measured against an expenditure benchmark, which involves a zero rate of tax for net new savings.

Committee Chair, Bert van Manen MP, said that although the Statement had limitations, it played an important role in the tax debate.

“For most people and organisations, the Statement is the best information they have about tax concessions. We would like it to be as informative and effective as possible,” he said.

Public hearing

Date: Wednesday, 11 November 2015

Time: 4.15 – 4.45 pm Robert Carling, Institute for Independent Studies (teleconference)
4.45 – 5.30 pm SMSF Association and the Financial Services Council

Location: Committee Room 2R1, Parliament House, Canberra

The hearing will be broadcast at [http://www.aph.gov.au/News and Events/Watch Parliament](http://www.aph.gov.au/News_and_Events/Watch_Parliament).

For media comment: please contact Jessica Reid on 0437 731 858.

For information about the inquiry: please contact the committee secretariat by telephone (02) 6277 4821, e-mail taxrev.reps@aph.gov.au, or visit the committee website <http://www.aph.gov.au/taxrev>.