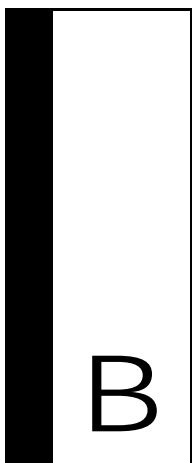


Appendix A – Submissions

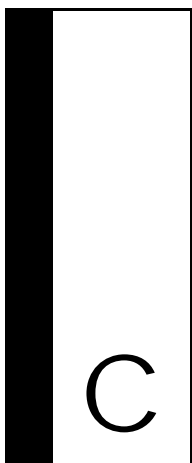
1. Australian Bureau of Statistics
2. Mercer
3. Chartered Accountants Australia and New Zealand
4. Australian National Audit Office
5. Associate Professor Julie Smith
6. Grattan Institute
7. Treasury
 - 7.1 Supplementary Submission
8. Robert Carling, Centre for Independent Studies
 - 8.1 Supplementary Submission
9. Parliamentary Budget Office
10. SMSF Owners' Alliance Limited
11. Distilled Spirits Industry Council of Australia Inc
12. SMSF Association
13. Financial Services Council



Appendix B – Exhibits

1. **Lidia Xynas and Dr Steve Jaynes:** *Revenue Law Journal: From tax expenditures to rebates: An 'output based equity' approach for Australia's retirement policies* (provided by Associate Professor Julie Smith)
2. **Dr Julie Smith:** *The Australian Economic Review: Gambling Taxation: Public Equity in the Gambling Business* (provided by Associate Professor Julie Smith)
3. **Eric J. Toder, Joseph Rosenberg, and Amanda Eng:** *National Tax Journal: Evaluating Broad-Based Approaches for Limiting Tax Expenditure* (provided by Associate Professor Julie Smith)
4. **Dr Julie Smith:** *Tax Expenditures: the \$30 Billion Twilight Zone of Government Spending* (provided by Associate Professor Julie Smith)
5. **Dr Julie Smith:** *The Medicare levy surcharge arrangements Tax penalty or hidden tax subsidy?* (provided by Associate Professor Julie Smith)
6. **Eric J Toder:** *Responses to Tax Incentives in a Complex and Uncertain Tax Law* (provided by Associate Professor Julie Smith)
7. **Hana Polackova Brix, Christian MA Valenduc, Zhicheng Li Swift:** *Tax Expenditures – Shedding Light on Government Spending through the Tax System* (provided by Associate Professor Julie Smith)
8. **SMSF Owners' Alliance:** Correspondence 11 February 2013 to Treasury (provided by the SMSF Owners' Alliance)

9. **SMSF Owners' Alliance:** Correspondence 26 February 2013 from Treasury (provided by the SMSF Owners' Alliance)
10. **SMSF Owners' Alliance:** Correspondence 10 March 2013 to Treasury (provided by the SMSF Owners' Alliance)
11. **SMSF Owners' Alliance:** Correspondence 11 February 2014 to Assistant Treasurer (provided by the SMSF Owners' Alliance)
12. **SMSF Owners' Alliance:** Media Release 28 February 2015 (provided by the SMSF Owners' Alliance)
13. **SMSF Owners' Alliance:** Media Release 22 May 2015 (provided by the SMSF Owners' Alliance)
14. **Robert Gottlieb:** 'Treasury's hoax is tormenting the super debate' *Business Spectator* (provided by the SMSF Owners' Alliance)
15. **NATSEM:** *Increasing Superannuation Contributions for future health and aged care needs* (provided by the Financial Services Council)



Appendix C – Public hearings

Wednesday 12 August 2015 – Canberra

Grattan Institute

Ms Danielle Wood, Fellow

Mr Brendan Coates, Senior Associate

Wednesday 18 August 2015 - Canberra

Chartered Accountants Australia and New Zealand

Mr Michael Croker, Tax Leader Australia

Ms Susan Franks, Senior Tax Advocate

Private capacity

Associate Professor Julie Smith

Wednesday 9 September 2015 - Canberra

Australian National Audit Office

Mr Mark Simpson, Acting Group Executive Director, Performance Audit Services Group

Mr Andrew Morris, Executive Director, Performance Audit Services Group

Treasury

Mr Steve French, Division Head, Tax Analysis Division

Mr Anthony King, Manager, Retirement Income Modelling Unit

Mr Paul Palisi, Manager, Personal Tax and Transfers Unit, Tax Analysis Division

Mr Bruce Bastian, Senior Adviser, Retirement Income Modelling Unit

Mrs Emma Nation, Analyst

Australian Taxation Office

Mr Andrew England, Deputy Commissioner, Integrated Tax Design

Ms Julia Neville, Assistant Commissioner, Integrated Tax Design

Wednesday 14 October 2015 - Canberra**Parliamentary Budget Office**

Mr Phil Bowen, Parliamentary Budget Officer

Mr Colin Brown, First Assistant Parliamentary Budget Officer, Budget Analysis Division

Mr Tony McDonald, Assistant Parliamentary Budget Officer, Revenue Analysis Branch

Wednesday 21 October 2015 - Canberra**SMSF Owners' Alliance**

Mr Duncan Fairweather, Executive Director

Mr Malcolm Clyde, Finance and Research Director

Mercer (Australia) Pty Ltd

Dr David Knox, Senior Partner

Wednesday 11 November 2015 - Canberra**Centre for Independent Studies**

Mr Robert Carling, Senior Fellow

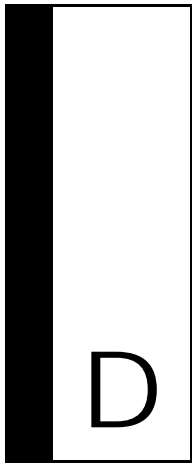
Financial Services Council

Mr Andrew Bragg, Director of Policy & Global Markets

SMSF Association

Mrs Andrea Slattery, Managing Director/CEO

Mr Jordan George, Head of Policy



Appendix D – Implementation of past recommendations

Table D.1 is provided on the next page.

Table D.1 Summary of recommendations and issues raised by the Auditor-General, JCPAA and AFTS inquiry and their implementation

Issue	Recommendation or observation	Agency response	Agency action or comment	Status
Reviews of tax expenditures	Treasury conduct ongoing prioritised reviews: <i>ANAO 2008, rec 1(a)</i>	Agreed	Reviews commenced in 2007 and discontinued in 2011. Treasury stated they provide little value when the Government has a different policy agenda.	Discontinued
	Treasury publish the reviews: <i>ANAO 2008, rec 1(b)</i>	Qualified – A matter for Government	No reviews were published.	Not implemented
Budget processes	Treasury advise Ministers on better integrating tax expenditures and outlays in the Budget process: <i>ANAO 2008, rec 2</i>	Agreed	Changes to the Budget Process Operational Rules mean that the two are largely treated the same. However, in 2011, about half of new or changed tax expenditures did not go through the Expenditure Review Committee of Cabinet (but complied with the Rules). Treasury stated that tax expenditures are considered during the Budget, depending on the Government's policy agenda.	Partly implemented
	Budget rules should treat spending and tax expenditures symmetrically: <i>AFTS, rec 135</i>	None	Not mentioned to the Government's response to the AFTS Review in 2010. However, see above.	Implemented
	Treasury develop standards to govern the integrated reporting of outlays and tax expenditures: <i>ANAO 2008, rec 3</i>	Qualified – The two terms have inconsistent definitions	Treasury stated that preparing the Statement is already resource-intensive. Developing a new reporting method may not be the best use of resources. Further, the key issue is the benchmark, and developing standards will not resolve this problem.	Not implemented
	Reporting standards are independently developed for identifying and measuring tax expenditures: <i>AFTS, rec 137</i>	None	Not mentioned in the Government response to the AFTS Review in 2010. However, see above.	Not implemented
Accuracy of the estimates	Treasury liaise with agencies that collect revenue to identify all those that administer relief from taxes: <i>ANAO 2008, rec 4(a)</i>	Agreed	Treasury correspondence with agencies to identified four new tax expenditures in 2008-12. In the same period, Treasury found 38 new tax expenditures in the Treasury portfolio. Treasury stated that the benefits were marginal.	Implemented
	Treasury develop annual arrangements to obtain data from agencies outside its portfolio: <i>ANAO 2008, rec 4(b)</i>	Agreed	Treasury and the ATO approached other agencies to improve their data. However, there was little improvement to the reliability of the estimates. Treasury stated that most tax expenditures are in the Treasury portfolio.	Implemented

Issue	Recommendation or observation	Agency response	Agency action or comment	Status
	Treasury include information in the Budget Papers on improvements to estimates due to obtaining data from other agencies: <i>JCPAA, rec 9</i>	Qualified – Would instead monitor the quality of estimates over time	Up to the 2013 audit, Treasury had no systematic approach to improving reliability. A ‘post-mortem’ was conducted after each Statement, but it instead focussed on formatting and production. There was no improvement in reliability from 2008 to 2011. Treasury states that they key issue around estimates is the availability of data and collecting better data would increase compliance costs for taxpayers.	Not implemented
	Treasury and the ATO develop estimates of large tax expenditures using the revenue gain method: <i>ANAO 2008, rec 5</i>	Agreed	The 2014 Statement includes estimates for 10 large tax expenditures.	Implemented
	Treasury develop revenue gain estimates of the 20 largest tax expenditures: <i>JCPAA, rec 7</i>	Qualified – Practical difficulties in these estimates	The 2014 Statement includes estimates for 10 large tax expenditures. Treasury considers that reporting estimates for 10 tax expenditures is sufficient.	Partly implemented
	Treasury investigate the Canadian model, which uses the broader concept of ‘memorandum items’: <i>JCPAA, rec 8</i>	Agreed	Treasury investigated the Canadian model but decided not to move further in that direction. Treasury is also concerned that extra estimates of this nature would increase misunderstanding of the Statement.	Implemented
	Treasury prioritise improvements to the reliability of the estimates: <i>ANAO 2008, rec 6(a)</i>	Agreed	Up to the 2013 audit, Treasury had no systematic approach to improving reliability. A ‘post-mortem’ was conducted after each Statement, but it instead focussed on formatting and production. There was no improvement in reliability from 2008 to 2011. Treasury states that they key issue around estimates is the availability of data and collecting better data would increase compliance costs for taxpayers.	Not implemented
	Treasury include reliability information for each expenditures in the Statement: <i>ANAO 2008, rec 6(b)</i>	Agreed	Treasury adopted the framework used by the ANAO in the 2008 audit in each Statement up to the 2013 audit.	Implemented
	Treasury and the ATO develop estimates for large, unquantified tax expenditures: <i>ANAO 2008, rec 6(c)</i>	Agreed	Of 12 items identified in 2008, three had been quantified by the 2013 audit. Treasury and the ATO meet annually to discuss unquantified expenditures, but little documentation kept on why expenditures were unquantified. Treasury states that they key issue around estimates is the availability of data and collecting better data would increase compliance costs for taxpayers.	Partly implemented

Issue	Recommendation or observation	Agency response	Agency action or comment	Status
	Treasury assess options for reliably measuring a new expenditure during policy development: <i>ANAO 2008, rec 6(d)</i>	Qualified – taxpayer compliance costs should be low	Treasury reiterated its aim of minimising the information sought from taxpayers to reduce compliance costs.	No information
	Treasury and the ATO standardise how they allocate reliability ratings to estimates: <i>ANAO 2013, rec 1</i>	Agreed	Treasury announced a new system in the 2013 Statement. The reliability of the data, assumptions, and other factors such as volatility, are scored on a 0-3 ranking, and these are added together to give an overall 0-9 score.	Implemented
MYEFO	The <i>Charter of Budget Honesty Act 1998</i> requires the analysis of tax expenditures to be included in MYEFO, rather than as a stand-alone document: <i>ANAO 2008, p. 41</i>	NA	As of the 2013 audit, Treasury had not explicitly raised this with Government. Act still requires Statement to be in MYEFO.	NA
	Amend <i>Charter of Budget Honesty Act 1998</i> so the Statement does not need to be in MYEFO; <i>AFTS, rec 136</i>	None	See above. Further, the issue was not covered in the Government response to the AFTS Review in 2010.	Not implemented
States and Territories	COAG encourage the States and Territories to uniformly report tax expenditures using independent standards: <i>AFTS, rec 138</i>	None	Issue not included in COAG communiques. Not mentioned in the Government response to the AFTS review in 2010.	Not implemented

Source ANAO, *Preparation of the Tax Expenditures Statement, 2008, Audit Report No. 32 2007-08*; ANAO, *Preparation of the Tax Expenditures Statement, 2013, Audit Report No. 34 2012-13*; Treasury, *Tax Expenditures Statement 2014, 2015*; Treasury, *Australia's Future Tax System – Report to the Treasurer, Part Two – Detailed Analysis, 2009, p. 729*; Council of Australian Governments, www.coag.gov.au, accessed 3 August 2015; Treasury, *Submission 7*, pp 5-10; The Hon. Kevin Rudd MP, Prime Minister, and the Hon. Wayne Swan MP, Deputy Prime Minister and Treasurer, *'Stronger, Fairer, Simpler: A Tax Plan for Our Future, 2 May 2010, Media Release No. 28 (for the Hon. Wayne Swan)*.