

The inquiry

Origins of the inquiry

- 1.1 The inquiry was in response to two audit reports by the Australian National Audit Office (ANAO) into the Tax Expenditures Statement (the Statement) in 2008 and 2013. In the first report, the ANAO made six overall recommendations, comprising 11 sub-recommendations. Treasury accepted these, albeit with qualification in four cases. In 2009, the Joint Committee of Public Accounts and Audit (JCPAA) conducted a follow-up inquiry and made three recommendations that built on those by the ANAO.¹
- 1.2 In the second report, the ANAO found that only a few of the earlier recommendations had been fully implemented, and that one had been implemented but then discontinued. The 2013 ANAO report also covered recent developments in the Statement, including the JCPAA report and the Australia's Future Tax System Review. It made one additional recommendation.
- 1.3 The Statement has an important role in improving the transparency of the tax system. Given that some ANAO recommendations were not implemented, the Committee considered that an inquiry into the Statement was warranted.
- 1.4 Under Standing Order 215(c), House committees can inquire into Auditor-General's reports and agency annual reports. The main proviso is

¹ ANAO, *Preparation of the Tax Expenditures Statement, 2008*, Audit Report No. 32 2007-08; JCPAA, *Report 414: Review of Auditor-General's Reports tabled between August 2007 and August 2008, 2009*; ANAO, *Preparation of the Tax Expenditures Statement, 2013*, Audit Report No. 34 2012-13.

that the Speaker must refer the relevant agency to the Committee under a schedule tabled in the House. In this Parliament, all schedules to date have referred Treasury and the Australian Taxation Office (ATO) to the Committee.

- 1.5 A number of other conditions apply. For example, a House committee can only inquire into the current annual report for a particular agency. Treasury's 2014 annual report referred to the Tax Expenditures Statement on page 40.
- 1.6 Further, a House committee can only inquire into an audit report if it has notified the JCPAA of its intention to do so. The Committee Chair wrote to the Chair of the JCPAA along these lines on 17 June 2015.
- 1.7 House committees do not need both avenues to self-refer an inquiry. The Committee raises them to indicate that it had two separate ways of initiating an inquiry.
- 1.8 On 17 June 2015, the Committee resolved to inquire into the Tax Expenditures Statement and adopted terms of reference for the inquiry. The full terms of reference were:

The Committee will inquire into the Tax Expenditures Statement, including the recommendations made by:

- the Australian National Audit Office in its reports of May 2008 and May 2013
- the Joint Committee of Public Accounts and Audit in its report of June 2009
- the Australia's Future Tax System Review of December 2009 (recs 137-139).

The Committee will not examine the policy arguments around individual tax expenditures.

Inquiry overview

- 1.9 The inquiry was advertised by media release, social media, and direct mail. The Committee specifically sought submissions from the Assistant Treasurer, parliamentary agencies, academics, tax representative bodies, and non-government organisations, including think-tanks.
- 1.10 The Committee received 13 submissions and two supplementary submissions. The submissions are listed at Appendix A.
- 1.11 The Committee received 15 exhibits. These are listed at Appendix B.

- 1.12 The Committee held six public hearings in Canberra, which included three teleconferences. Public hearing details are listed at Appendix C.
- 1.13 The remainder of the report is organised as follows:
- Chapter 2 gives an overview of tax expenditures, the information provided in the Statement, and the outcomes of past reviews. Further information about past reviews is in Appendix D.
 - Chapter 3 examines the issues raised in the inquiry and includes the Committee's recommendations.

Committee comment

- 1.14 In undertaking the inquiry, the Committee appreciated the assistance it received from the ANAO and the Parliamentary Budget Office. These parliamentary agencies have significant technical expertise and their support means that parliamentary committees are well-placed to conduct this type of inquiry. The Committee looks forward to working with these agencies in the future.

