

## Question on notice no. 2

### Portfolio question number: 2

#### 2018-19 Budget estimates

#### Finance and Public Administration Committee, Parliamentary departments Portfolio

**Senator Jenny McAllister:** asked the Parliamentary Budget Office on 21 May 2018

---

**Senator McALLISTER:** Do you have any sense of what that headline figure of \$48.6 billion might have been if there hadn't been any behavioural changes included? To be specific, if there had been no behavioural response to the government's changes to the superannuation tax arrangements, or no behavioural response to these new arrangements around refundable credits, how much extra might have been raised by this policy?

**Ms Wilkinson:** As we have been very explicit about, we took into account behavioural changes when we worked through this costing. We provided this advice to Senator Leyonhjelm. We haven't provided that breakdown-that information about the quantum of behavioural response-which is contained in the costing. Given that this was a piece of advice to Senator Leyonhjelm, I think it might be most appropriate if I seek the permission of Senator Leyonhjelm to provide that next level of granularity, just to protect the relationship that we have with the parliamentarians who request advice from us. I'm very happy to say that we've certainly taken into account what I would regard as being a very substantial behavioural response. But, given we haven't in this advice put a quantum into the public domain, my preference would be to take that question on notice and to confirm with Senator Leyonhjelm that he would be comfortable with us putting that information into the public domain.

**Answer —**

This answer refers to the Parliamentary Budget Office (PBO) costing response *Dividend imputation credit refunds* (PR18/00145), Option 2 (*Make franking credits non-refundable for individuals and superannuation funds, excluding Australian Government pension and allowance recipients*), released on 8 May 2018 by Senator Leyonhjelm. In the absence of a behavioural response, the PBO estimates that the financial implications of the proposal would be about 15 per cent higher over the period to 2027-28.

The PBO considers that this incorporates a significant behavioural response flowing from the proposal, particularly for trustees of self-managed superannuation funds. For instance, the assumed behavioural response for self-managed superannuation funds is equivalent to these funds, in aggregate, moving around a quarter of their listed Australian shares into Australian Prudential Regulation Authority funds that are in a net taxpaying position.

As noted in the response, there are also significant uncertainties around the behavioural responses of affected individuals, superannuation funds and companies to

the proposal. The PBO notes that all policy costings, no matter who they are prepared by, are subject to uncertainty.