



Policy costing—outside the caretaker period

Name of proposal:	Taxation of Uber and taxis
Summary of proposal:	<p>The proposal included two options to change the requirement to register for Goods and Services Tax (GST).</p> <p><u>Option 1 – Remove compulsory GST registration for ride-sourcing services only:</u></p> <p>Suppliers of ride-sourcing services (such as Uber) with a turnover below \$75,000 would no longer be required to register for GST.</p> <p><u>Option 2 – Remove compulsory GST registration for all taxi travel services:</u></p> <p>Suppliers of all forms of taxi travel (including ride-sourcing services) with a turnover below \$75,000 would no longer be required to register for GST.</p> <p>Under both options, suppliers of all forms of taxi travel (including ride-sourcing services) with a turnover above \$75,000 would be required to register for GST.</p> <p>The proposal would have effect from 1 July 2015.</p>
Person/party requesting the costing:	Senator David Leyonhjelm, Liberal Democratic Party
Did the applicant request the costing be confidential:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Date costing request received:	9 August 2016
Date costing completed:	13 September 2016
Expiry date of the costing:	The impact of the proposal in 2016-17 is valid until 1 October 2016. The impact in the remaining years is valid until the release of the next economic and fiscal outlook report.

Costing overview

The reduced GST receipts from this proposal do not have a net financial impact on the underlying cash balance of the Commonwealth Government, as GST (net of administrative costs) is paid directly to the states and territories under the *Intergovernmental Agreement on Federal Financial Relations*.

The effect of removing the current requirement to register for GST for certain taxi-like businesses will be to make those businesses that choose not to register input-taxed (i.e. exempt from the requirement to remit GST on services they supply, but unable to claim GST input tax credits for the GST they pay on their business inputs such as fuel, insurance, maintenance, tyres, etc.) as long as their total turnover remains below the \$75,000 per annum threshold.

The delay between when GST revenue is recognised as being owed to the Commonwealth and the receipt of the payment through lodgement of a Business Activity Statement (BAS) results in a difference between the underlying cash balance impact of this proposal and the fiscal balance impact.

Option 1 – Remove compulsory GST registration for ride-sourcing services only

Option 1 of this proposal would be expected to decrease the fiscal balance by \$5 million and have no impact on the underlying cash balance over the 2016-17 Budget forward estimates period. On a fiscal balance basis, this impact reflects a decrease in GST revenue of \$160 million and a decrease in GST expenses of \$155 million over this period.

Table 1: Option 1 - Remove compulsory GST registration for ride-sourcing services only - Financial implications (outturn prices)^(a)

Impact on (\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Fiscal balance	-5.0	-	-	-	-5.0
Underlying cash balance	-	-	-	-	-

(a) A positive number represents an increase in the relevant budget balance, a negative number represents a decrease.

- Indicates nil.

Option 2 – Remove compulsory GST registration for all taxi travel services

Option 2 of this proposal would be expected to decrease the fiscal balance by \$20 million and have no impact on the underlying cash balance over the 2016-17 Budget forward estimates period. On a fiscal balance basis, this impact reflects a decrease in GST revenue of \$585 million and a decrease in GST expenses of \$565 million over this period.

Table 2: Option 2 - Remove compulsory GST registration for all taxi travel services - Financial implications (outturn prices)^(a)

Impact on (\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Fiscal balance	-15.0	-5.0	-	-	-20.0
Underlying cash balance	-	-	-	-	-

(a) A positive number represents an increase in the relevant budget balance, a negative number represents a decrease.

- Indicates nil.

A detailed breakdown of the financial implications of these proposals over the 2016-17 Budget forward estimates period is presented at [Attachment A](#).

Both options of this proposal would be expected to have an ongoing impact on the level of GST revenue that extends beyond the 2016-17 Budget forward estimates period.

Departmental costs are not expected to materially change as a result of the proposal. The reduction in costs to the Australian Taxation Office (ATO) associated with processing GST payments is expected to be minimal. Similarly, the increase in expenses associated with increased ATO compliance activity to monitor the correct registration and reporting of affected entities is also expected to be minimal. The net change in departmental costs as a result of these offsetting impacts is expected to be negligible.

This costing is considered to be of low reliability, as it relies on several assumptions around turnover distributions and estimated growth of taxi travel and ride-sourcing services. In particular, behavioural responses to both options and the impact these could have on the future structure of the taxi travel and ride-sourcing sector are extremely uncertain.

Key assumptions

- While the proposal has a 1 July 2015 start date, it is assumed that the proposal would only be able to be implemented prospectively (from 1 October 2016).
- Current GST-registered entities that would no longer be required to register for GST under the proposal would choose to remain registered for GST.
- On a fiscal balance basis all GST revenue is recognised in the year the tax is levied on the consumer. The payment of GST to the states and territories is recognised as an expense when GST is received by the Commonwealth.
- On an underlying cash balance basis GST receipts are recognised when they are collected by the ATO. This reflects the fact that GST payments are made to the ATO in arrears, and accounts for the fact that businesses can either remit their GST annually, quarterly, or monthly. In aggregate, it is assumed that most GST is received in year and the remainder is received in the next year.
- There is assumed to be no delay between the receipt of GST by the Commonwealth and associated payments to states and territories.
- The proposal is assumed to result in new participants entering the taxi travel and ride-sourcing sector.
- In response to Option 1 of this proposal, a small proportion of current non-ride-sourcing services suppliers would commence supplying ride-sourcing services in order to benefit from the exemption from the GST registration requirement and would not be replaced by new taxi drivers.
- In response to Option 2 of this proposal, a proportion of affected people restructure their business in order to reduce their turnover and benefit from the exemption of GST registration.

Methodology

The impact of Option 1 of this proposal was estimated by calculating the estimated net GST revenue that is currently received from ride-sourcing services and taking into account the assumed behavioural response.

The impact of Option 2 of this proposal was estimated by calculating the net GST revenue that is paid by all taxis (both ride-sourcing and non-ride-sourcing suppliers) taking into account the assumed behavioural response.

The proportion of taxi drivers operating below the threshold under the proposal and their turnover is based on BAS data from the ATO. The proportion of ride-sourcing service suppliers operating below the threshold under the proposal and their turnover is based on the average turnover of ride-sourcing service suppliers.

Net GST revenue and expense estimates have been rounded to the nearest \$5 million.

Data sources

The ATO provided BAS data

Australian Taxi Industry Association, 2015. *ATIA*. [Online]
Available at: <http://www.atia.com.au/taxi-statistics/>
[Accessed 6 September 2016].

Australian Taxi Industry Association, 2015. *ATIA*. [Online]
Available at: <http://www.atia.com.au/taxi-statistics/>
[Accessed 1 March 2016].

Commonwealth of Australia, 2016. *2016-17 Budget*, Canberra: Commonwealth of Australia.

Independent Pricing and Regulatory Tribunal of New South Wales, 2015. *Independent Pricing and Regulatory Tribunal of New South Wales*. [Online]
Available at:
http://www.ipart.nsw.gov.au/files/sharedassets/website/trimholdingbay/online_submission_-_uber_-_b_kitschke_-_30_jan_2015.pdf
[Accessed 7 September 2016].

Independent Pricing and Regulatory Tribunal of New South Wales, 2015. *Independent Pricing and Regulatory Tribunal of New South Wales*. [Online]
Available at:
http://www.ipart.nsw.gov.au/files/sharedassets/website/trimholdingbay/online_submission_-_uber_-_b_kitschke_-_30_jan_2015.pdf
[Accessed 5 April 2016].

Stewart, E., 2015. *ABC News*. [Online]
Available at: <http://www.abc.net.au/news/2015-07-27/uber-director-answers-common-questions-about-the-service/6650054>
[Accessed 7 September 2016].

Stewart, E., 2015. *ABC News*. [Online]
Available at: <http://www.abc.net.au/news/2015-07-27/uber-director-answers-common-questions-about-the-service/6650054>
[Accessed 3 March 2016].

The Centre for International Economics, 2015. *ACT Government Chief Minister, Treasury and Economics Development Directorate*. [Online]
Available at: http://www.cmd.act.gov.au/_data/assets/pdf_file/0004/779179/CIE-Final-Report_ACT-Gov_ACT-Taxis-2015-04092015.pdf
[Accessed 6 September 2016].

The Centre for International Economics, 2015. *ACT Government Chief Minister, Treasury and Economics Development Directorate*. [Online]
Available at: http://www.cmd.act.gov.au/_data/assets/pdf_file/0004/779179/CIE-Final-Report_ACT-Gov_ACT-Taxis-2015-04092015.pdf
[Accessed 30 March 2016].

The Centre for International Economics, 2015. *Independent Pricing & Regulatory Tribunal*. [Online]
Available at:
http://www.ipart.nsw.gov.au/files/sharedassets/website/trimholdingbay/draft_report_-_the_cie_-_2014_survey_of_taxi_drivers_and_operators_-_december_2014w142654_59f780bb-c657-41e1-a3a0-d49f29ad07a2.pdf
[Accessed 7 September 2016].

The Centre for International Economics, 2015. *Independent Pricing & Regulatory Tribunal*. [Online]
Available at:
http://www.ipart.nsw.gov.au/files/sharedassets/website/trimholdingbay/draft_report_-_the_cie_-_2014_survey_of_taxi_drivers_and_operators_-_december_2014w142654_59f780bb-c657-41e1-a3a0-d49f29ad07a2.pdf
[Accessed 4 April 2016].

Attachment A – Taxation of Uber and taxis— financial implications

**Table A1: Option 1 – Remove compulsory GST registration for ride-sourcing services only –
Fiscal balance^{(a)(b)}**

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
GST revenue	-30.0	-40.0	-45.0	-45.0	-160.0
GST expenses	25.0	40.0	45.0	45.0	155.0
Total	-5.0	-	-	-	-5.0

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.

**Table A2: Option 1 – Remove compulsory GST registration for ride-sourcing services only –
Underlying cash balance^{(a)(b)}**

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
GST receipts	-25.0	-40.0	-45.0	-45.0	-155.0
GST outlays	25.0	40.0	45.0	45.0	155.0
Total	-	-	-	-	-

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in outlays or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in outlays or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.

Table A3: Option 2 – Remove compulsory GST registration for all taxi travel services —Fiscal balance^{(a)(b)}

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
GST revenue	-135.0	-145.0	-150.0	-155.0	-585.0
GST expenses	120.0	140.0	150.0	155.0	565.0
Total	-15.0	-5.0	-	-	-20.0

- (a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
- (b) Figures may not sum to totals due to rounding.
- Indicates nil.

Table A4: Option 2 – Remove compulsory GST registration for all taxi travel services — Underlying cash balance^{(a)(b)}

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
GST receipts	-120.0	-140.0	-150.0	-155.0	-565.0
GST outlays	120.0	140.0	150.0	155.0	565.0
Total	-	-	-	-	-

- (a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in outlays or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in outlays or net capital investment in cash terms.
- (b) Figures may not sum to totals due to rounding.
- Indicates nil.