Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

26 February 2014

Question: AET 3028

Topic: Company Tax

Hansard Page: page 96-97, 26 February 2014

Senator WONG asked:

Senator WONG: Perhaps I will ask the question a different way. Can you tell me what the primary drivers of the downward revision to company tax are?

Mr Brake: There are a few factors. One is the forecasts of weaker profitability in the nearish term, in the forecast years. Another factor would be the change in the terms of trade—

Senator WONG: In the projection years?

Mr Brake: in the projection years. We also had some weakness in collections in the second half of the 2013 calendar year. Those factors combined.

Senator WONG: Are you able to disaggregate that for me?

Mr Brake: We will take that on notice.

Answer:

Factors that impacted forecasts of company tax (excluding measures) included weaker forecasts of corporate profitability, the change in the terms of trade projection methodology and some weakness in company tax collections in 2013. In addition, the forecasts incorporate provisions for election commitments (see page 33 of the *2013-14 MYEFO*).

Revisions to company tax forecasts due to parameter and other variations cannot be specifically disaggregated into each separate component because the components do not act independently. For example, weakness in company tax collections is likely to be also reflected in the economic parameters. Similarly, revisions to the terms of trade will also be reflected in revisions to profits.

Where a driver operates independently of others it is possible to separately identify its impacts. For example, the terms of trade methodology change had a published estimated effect of $2 billion on total tax collections.