

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates

29 May – 31 May 2012

**Question: BET 116**

**Topic: Historical Data – Periods of Different Tax Thresholds for Small Business & Loss Carry back Benefits**

**Hansard Page: Wednesday 30 May 2012, page 108**

**Senator WATERS asked:**

Senator WATERS: ..... I am conscious that in the early 1970s there was a lower company tax rate in Australia for companies with a taxable income below a certain threshold. I cannot recall what the threshold was. For how long had that applied until it was revoked in, I think, 1973?

Mr Heferen: I am afraid I do not know. There might be some assistants down there who are—

Senator WATERS: That was well before you were born, I am sure.

Mr Heferen: I would not like to say. Mr Quigley would probably remember.

Senator WATERS: Do not listen to him.

Mr Quigley: Whilst I was working in the tax office then, I could not tell you for how long the threshold had applied.

Senator WATERS: Could someone look into that historical data and find the periods for which the different thresholds applied and what those thresholds were. I want to move now to the loss carry-back that you mentioned before. My understanding is that it will benefit about 110,000 companies and that about 90 per cent of the companies that will benefit are considered small businesses. Can you tell me what proportion of the \$0.7 billion cost of lost carry-back benefits small business?

Mr Heferen: I apologise. I do not have that number with me. I recall seeing it somewhere, but I am afraid I do not have it with me. We can take it on notice.

Senator WATERS: Thanks for that.

**Answer:**

The tax rate in 1970s ranged from 45.4 per cent to 46 per cent for all companies regardless of their taxable income. The tax reform since the early 1970s focused on the ongoing concerns about the equity of the tax system and a key theme of the reform was the need to broaden the tax base.

Loss carry-back is estimated to benefit around 110,000 companies over its first four years of operation and around 90 per cent are small business companies. Small companies are likely to be significant beneficiaries of this policy as they are less likely to have income from several lines of business to use losses.