

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio
Budget Estimates 2014
3 June to 5 June 2014

Department/ Agency: Treasury

Question: BET 704

Topic: Cascading Tax

Reference: Hansard page 21–22, 5 June 2014

Senator: Wong

Question:

Senator WONG: On notice, I would like just broadly how many face-to-face meetings there have been with non-government individuals or representatives and Treasury officers in relation to this since the change of government, if any.

Mr Heferen: We will take that on notice. (1)

Senator WONG: Can I also ask: on the issues you raise, which include the issue of cascading, as I think you described it, the costings that the then opposition prepared did not make any adjustment to ensure that it did not cascade; is that correct? (2)

Mr Heferen: There were some issues of design that were visited. It is all provision, so there is no measure yet. There were some issues of design from the pre-election announcement that we are working through to clarify.

Senator WONG: I am asking about what underpinned the costing. I think it is correct to say, is it not, that the costing that the coalition prepared in opposition did not address this design issue and therefore assumed that the non-frankability would cascade through the system in the scenario you are talking about?

Senator Cormann: Mr Heferen cannot actually answer that.

Senator WONG: Yes, he can.

Senator Cormann: He was not actually involved in the costing of the coalition's pre-election policy out of opposition. What Mr Heferen has very accurately and transparently put to you is that the government is working through a series of technical design issues, including in relation to the interaction between paid parental leave schemes in the states and a new federal scheme, as well as the interaction between the company tax cut and the paid parental levy. We have made provision for the cost and the value of the company tax cuts and the expected revenue from the paid parental leave levy in the appropriate way in the budget. The specifics will be announced when we are in a position to provide the final detail, in the context of either legislation or a future budget update.

Senator WONG: Mr Heferen, I assume Treasury, the fine institution that it is, would have looked at all government policy, including the costed policy, as part of the transition to government; correct?

Mr Heferen: That is correct.

Senator WONG: So you would be familiar with the costing assumptions—or someone in your team would be—for key areas of government policy?

Mr Heferen: That is correct.

Senator WONG: I am asking the question about the cascading issue, and whether or not that was taken account of in the original costing of the policy.

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Mr Heferen: When the measure is finally settled, that is probably the time—because, as you know, there is no measure in the budget itself. There was no measure in MYEFO. It has been provisioned for, but I think the time when the measures are finally finalised and—

Senator WONG: Mr Heferen, that is not a basis on which you cannot answer the question. The fact that the government has not put a measure in the budget is not the basis on which you can decline to answer a question about this.

Mr Heferen: No, if you—

Senator WONG: I had not finished. Answer a question about this. If you want to take it on notice or refer it to the minister, that is your prerogative. But I maintain my question. All I am asking is: from your analysis of the government's election policies, I just want confirmation that the design issue you have described—I have described it as the cascading of franking credits—was not dealt with in the costed policy?

Senator Cormann: Senator Wong, this is where you are very distinctly going to the sphere of advice to government in the context of budget deliberations.

Senator WONG: It is a question of fact.

Senator Cormann: In relation to the costings in the lead-up to the last election, manifestly Treasury was not involved in putting costings together. At this stage there is no measure that has been published in the budget. We have made a provision in the appropriate way in the budget for the cost of the paid parental leave scheme. We have made provision in the appropriate way to take into account the revenue that is expected to be raised from the paid parental leave levy and the reduction in revenue that is expected to be incurred as a result of the company tax cut.

As Mr Heferen has told you, the government is currently considering a range of technical implementation issues. The question that you are asking is very explicitly a question that goes to advice to government. I am happy to take on notice whether we are able to provide you with any further information, but beyond that there is nothing really that we can assist you with here today.

Senator WONG: Advice to government is specifically excluded as a PII claim. We can have a private meeting in the break and we will ask Senator Xenophon to come back. Mr Heferen, do you know the answer to my question?

Mr Heferen: No, I do not, Senator. I will take it on notice.

Senator WONG: Thank you. Advice to government is not a PII claim, and you know that.

Senator Cormann: I understand.

Answer:

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- (a) Around 34 non-government companies and industry group stakeholders were consulted on the design of the PPL levy. Of those consulted, approximately 23 stakeholders had representatives attend face-to-face meetings. There were generally 1-2 Treasury officers engaged in each consultation.

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- (b) The Government is in the process of working through the implementation details of the PPL levy and reduction in the company tax rate. As part of the process, the Government has consulted closely with industry and the tax profession about the design of the levy.