

# Senate Economics Legislation Committee

## ANSWERS TO QUESTIONS ON NOTICE

### Treasury Portfolio

#### Budget Estimates

2017 - 2018

**Division/Agency:** Budget Policy Division

**Question No:** 165

**Topic:** Calculation of Budget Surplus

**Reference:** Hansard page 77-78 (29 May 2017)

**Senator:** Gallagher, Katy

#### Question:

Senator GALLAGHER: Are you avoiding answering the question I have asked which is: all other things being equal, to get to one per cent of GDP as a surplus with the tax to GDP cap in place and being reached, what savings would the government have to embark upon to actually reach that one per cent?

Senator Cormann: You are making an assumption that I do not accept. That assumption is that the words 'as soon as possible' mean over the current medium term.

Senator GALLAGHER: So it is beyond '27-28'?

Senator Cormann: The budget reflects all of the policy decisions to date that remain current that remain the policy positions of the government, plus all of the information that we have today about economic and other parameters. That is all reflected here. Based on this, we can say that the projections show that we are projected to return to surplus by 2021. We are projected to remain in surplus all the way through the medium term, though not to reach a surplus of one per cent as a share of GDP. But that does not detract from the fact that we remain committed to achieving a surplus of one per cent as a share of GDP as soon as possible.

Senator GALLAGHER: But beyond '27-28.

Senator Cormann: We have not put a more precise target on it because we do not think that that would be responsible in all the circumstances. But we have openly and transparently presented all of the data, all of the information, and this graph in particular is a very clear illustration on the projected state of the budget based on all of the information we have today.

Senator GALLAGHER: In the last 20 years, can you advise the committee whether over that time there has been this level of increased receipts, which is over \$20 billion, and increased payments of \$14.5 billion as a result of government decisions?

Mr M Brennan: I would need to take that on notice. We can certainly do that either in nominal terms or as a percentage of the budget or of GDP.

#### Answer:

It is difficult to compare the four-year totals of the impacts of policy decisions on payments and receipts referred to over time, as the third forward estimate year (2020-21 in the 2017-18 Budget) has only been published since the 2016-17 Budget. Budgets prior to 2016-17 calculated four-year totals as beginning from the current year (that is, the year prior to the Budget year), whereas the four-year totals in Budgets since 2016-17 begin from the Budget year. Policy decisions usually have a greater impact on forward estimates of payments and receipts than on the current year estimates of payments and receipts.

In addition, the impacts of policy decisions on payments and receipts were not published between 1999-00 and 2010-11. As a result, comparing the impacts of policy decisions on

payments and receipts is not feasible because of inconsistent calculation methodologies and significant data limitations.