

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates

20-21 November 2013

**Question:**               **SBT 51**

**Topic:**                   **Carbon Tax and the Cost of Living**

**Hansard Page:**       **56-57, 20 November 2013**

**Senator MCKENZIE asked:**

51.     Senator MCKENZIE: Sorry to interrupt, but my question actually was: will the removal of the carbon price actually have an impact on jobs?

Dr Gruen: In the modelling, removing it is simply the opposite of putting it on.

Senator MCKENZIE: Is there an impact on the cost of living from removing the carbon tax?

Dr Gruen: The estimated impact on the CPI I think was 0.7 per cent in the first year.

Senator MCKENZIE: What would that actually mean to somebody and their individual household? Could you quantify that 0.7?

Dr Gruen: It would have a one-off impact of reducing consumer prices by 0.7 per cent. I do not have in my head how much household—but someone can work that out straightforwardly.

Senator MCKENZIE: That would be fabulous. What about the removal of the mining tax? What will be the boost to economic growth, jobs and what will be the impact on the household cost of living?

Dr Gruen: I do not have estimates for that.

CHAIR: Is it something you could take on notice?

Dr Parkinson: We can take it on notice, but to the extent that it is a tax on rents it is not meant to have any impact on real activity, and to the extent that something like 80 per cent of the Australian mining industry is foreign owned, the vast bulk of any impact it did have would fall on foreigners.

**Answer:**

51.     The removal of the carbon tax will reduce the Consumer Price Index (CPI) by around 0.7 percentage points and result in average household costs being around \$10.50 per week (or around \$550 over the year) lower than they would otherwise be (based on existing expenditure patterns, averaged across all households, and compared to a \$25.40 Carbon Tax).

No estimates of the economic impact of removing the MRRT have been released by the Government.