

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 158

Topic: 'Rule of Thumb' for Tax Estimates

Hansard Page: E118-119

Senator Cameron asked:

Senator CAMERON—On page 1-13 of Budget Paper No. 1, when it talks about the fiscal stimulus to the economy, about half-way down it says, 'The measures taken prior to this budget include the \$10.4 billion economic security strategy, the \$15.2 billion Council of Australian Government reform package, the Nation Building Package, and the \$0.2 billion Nation Building and Jobs Plan. The stimulus packages are expected to raise the level of GDP by 2.75 per cent in 2009-10 and 1.5 per cent in 2010-11, supporting up to 210,000 jobs.' Is there a rule of thumb in terms of tax receipts compared to a decline in GDP or is that just a theoretical thing? Can that be calculated?

Mr Parker—There is a rule of thumb and we can provide that to you. In so far as the stimulus packages have led to those results there which have been built into the forecasts, those forecasts then feed into the tax estimation. As a result of those stimulus packages there is a benefit in terms of heightened revenue.

Answer:

Each Budget publication includes a sensitivity analysis of tax receipts and payments to economic developments. The sensitivity analysis is included in appendix A of Statement 3: Fiscal Strategy and Outlook in Budget Paper No. 1 and provides a rule of thumb indication of the impact on tax receipts and payments from a rise and fall in GDP.