

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 286

Topic: Growth Dividend

Hansard Page: Written

Senator EGGLESTON asked:

1. The Budget includes a revenue item called a “growth dividend” totalling \$600mn over the final two years of the forward estimates. This is the additional tax expected to flow from the stronger economic growth arising from the implementation of the tax reforms associated with the RSPT. It is fortunate that this “notional” revenue occurs in the two years when the government is expecting to record small surpluses.
 - a) Is this growth dividend consistent with the underlying economic assumptions on which the projected Budget outcomes are based?
 - b) Specifically, does the growth dividend in 2012-13 and 2013-14 additional to the growth projections for the budget of 3% in each year?
 - c) Do you agree that many perhaps most major policies of government have an effect on economic growth?
 - d) Why does the budget single out one policy for a growth dividend when so many new and continuing policies will “crucially influence” growth?
 - e) For example, the Building Education Revolution is a \$16 billion program, with some billions yet to be delivered. It is a massive redistribution of resources from alternative uses. Has Treasury estimated the effect on growth of continuing a program which does little or nothing to add to productive capital and so to growth?
 - f) If the answer is that this is speculative or a matter of dispute, ask: isn’t it the cases that all claims of a growth dividend or of a growth “anti-dividend” are speculative and disputable?
 - g) Put bluntly, isn’t the selective use of a growth dividend in the budget papers a bad step for public sector accounting which could be open to increasing abuse in future years?
 - h) What is the margin for error around the projection of this additional revenue?
 - i) Does that call into question the achievement of surpluses in the final two years of the forward estimates?

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Answer:

The growth dividend included in the 2010-11 Budget was estimated to be \$600 million over the forward estimates (see Budget Paper No.2, p48). Of this amount, \$506 million would have flowed through to improve the Commonwealth budget, and \$94 million would have flowed to the States in higher GST payments.

The Growth dividend was included as a saving measure in the Budget. Growth dividends associated with major tax reform have previously been treated as saving measures.

- The former Government included a \$500 million a year growth dividend when the GST was introduced. This was included as a measure in the 1998-99 MYEFO.
- The former Government also included a growth dividend of \$350 million across the forward estimates as a measure in the 1999-2000 MYEFO, which was part of its business tax reforms under the Ralph review

The Government did not rely on the Growth dividend to deliver surpluses in 2012-13 and 2013-14.