TAX EXPENDITURES

Individuals and businesses derive financial benefits from various tax concessions. These concessions can be delivered in a variety of ways: by a tax exemption, tax deduction, tax rebate, reduced tax rate or by deferring a tax liability. Tax concessions can either reduce or delay the collection of tax revenue.

The benefits of most tax concessions could be delivered equally by direct expenditures. Hence tax concessions are an alternative to direct expenditure as a method of delivering government assistance or meeting government objectives. Accordingly, tax expenditures have an impact on the budget surplus or deficit, as do direct expenditures.

Table 17 provides aggregate tax expenditure estimates for the period from 1997-98 to 2004-05.

Table 17: Aggregate tax expenditures 1997-98 to 2004-05(a)

	Superannuation	Other tax expenditures	Total	Tax expenditures as a proportion of GDP
	$m	$m	$m	%
1997-98	9,920	15,565	25,485	4.5
1998-99	9,510	16,243	25,753	4.4
1999-00	10,210	17,572	27,782	4.4
2000-01	9,065	20,600	29,625	4.4
2001-02(b)	9,485	19,767	29,252	4.2
2002-03(b)	10,305	19,464	29,739	4.0
2003-04(b)	11,225	19,539	30,734	3.9
2004-05(b)	11,875	20,256	32,101	3.9

(a) Preliminary estimates only — final estimates will be published in the *2001 Tax Expenditures Statement*.
(b) Projections.

Between 1997-98 and 2004-05, total measured tax expenditures are estimated to decline as a proportion of GDP from 4.5 per cent to 3.9 per cent. This decline largely reflects the policy decision to remove accelerated depreciation for plant and equipment for businesses with an annual turnover of $1 million or more. Further detail on tax expenditures will be provided in the *2001 Tax Expenditures Statement*.