

STATEMENT 5: REVENUE

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STATEMENT 5: REVENUE

Part I: Overview

Relative to the Mid-Year Economic and Fiscal Outlook (MYEFO), the expected revenue outlook for 2000-01 has been revised upwards. This is consistent with recent strong collections of non-GST taxation revenue. Looking ahead, the temporary economic slowdown in 2000-01 is anticipated to result in lower revenue in 2001-02 than previously forecast.

TOTAL REVENUE

Revenue estimates¹ for the period from 2000-01 to 2004-05 are provided in Table 1.

Table 1: Estimates of total Commonwealth general government revenue

	2000-01		2001-02	2002-03	2003-04	2004-05
	Budget(a)	Revised	Estimate	Projection	Projection	Projection
Total tax revenue (\$b)	143.8	150.7	146.8	154.5	165.0	174.8
Real growth on previous year (%)	-8.6	-4.9	-4.0	2.8	4.2	3.4
Per cent of GDP	21.2	22.4	20.9	20.7	20.9	20.9
Non-tax revenue (\$b)	9.7	10.3	12.1	10.4	10.5	10.8
Real growth on previous year (%)	-32.9	-29.1	15.1	-16.2	-0.7	0.2
Per cent of GDP	1.4	1.5	1.7	1.4	1.3	1.3
Total revenue (\$b)	153.5	161.0	158.8	164.9	175.5	185.7
Real growth on previous year (%)	-10.7	-7.0	-2.8	1.3	3.9	3.2
Per cent of GDP	22.6	24.0	22.6	22.1	22.2	22.1

(a) As published in the 2000-01 MYEFO on a Government Financial Statistics (GFS) basis. The corresponding estimates reported in the 2000-01 Budget were on an Australian Accounting Standard No. 31 (AAS31) basis.

Over the period from 2000-01 to 2002-03, total revenue as a percentage of gross domestic product (GDP) is projected to fall from 24.0 per cent to 22.1 per cent. Total revenue as a share of GDP remains broadly unchanged from 2002-03 to 2004-05.

- The sizeable reduction in total Commonwealth general government revenue in 2001-02, relative to 2000-01, is due to a bring-forward in the timing of company and

1 All revenue estimates in this Statement are reported on an accrual basis unless otherwise specified. (Revenue estimates on a cash basis can be found in Box 1 and Appendix E.) The revenue estimates exclude GST revenue, which is collected by the Commonwealth and passed in full to the States and Territories. A discussion of GST revenue can be found in Statement 2 and *Budget Paper No. 3*.

superannuation tax liabilities under the new Pay As You Go (PAYG) system. This provides a once-off boost to revenue in 2000-01. (See Box 1 for further information.)

- The fall in the total revenue to GDP ratio in 2002-03 reflects lower non-tax revenue and continuing restrained tax revenue growth. Non-tax revenue is expected to decline from 2001-02 to 2002-03, due to a reduction in projected dividends from Government Business Enterprises (GBEs) and other associated entities.
- Tax revenue as a proportion of GDP is expected to remain broadly unchanged from 2001-02 to 2004-05 at around 20.9 per cent.

VARIATIONS IN REVENUE ESTIMATES

Table 2 reconciles this Budget's revenue estimates with those at the 2000-01 MYEFO and the 2000-01 Budget in terms of policy decisions, and economic parameter and other variations.

Table 2: Reconciliation of total Commonwealth general government revenue estimates from 2000-01 Budget to 2001-02 Budget^(a)

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
Revenue at 2000-01 Budget	153,475	158,570	168,272	180,464
Changes from 2000-01 Budget to MYEFO				
Effect of policy decisions	88	-66	-294	-276
Effect of economic parameter and other variations	4,066	2,579	1,512	1,540
Total variations	4,154	2,513	1,217	1,264
Revenue at 2000-01 MYEFO	157,630	161,083	169,490	181,728
Changes from MYEFO to 2001-02 Budget				
Effect of policy decisions	-164	-1,062	-1,664	-2,224
Effect of economic parameter and other variations	3,564	-1,181	-2,922	-3,956
Total variations	3,400	-2,243	-4,586	-6,180
Revenue at 2001-02 Budget	161,029	158,840	164,903	175,548

(a) The changes in the revenue estimates for 2000-01 and 2001-02 since the 2000-01 MYEFO are summarised by head of revenue at Appendix A.

Since MYEFO, estimated total Commonwealth general government revenue has been revised up in 2000-01, largely due to stronger collections of PAYG withholding revenue and company tax revenue. Estimated revenue in 2001-02 and the forward years has been revised down since MYEFO, largely as a result of lower expected profit growth, lower expected excise revenue and policy decisions.

Policy decisions

Policy decisions taken since MYEFO are expected to reduce revenue by around \$1.1 billion in 2001-02, growing to around \$2.2 billion in 2003-04. The major policy decisions include:

- a 1.5 cents per litre reduction in petrol and diesel excise from 2 March 2001, and the abolition of the semi-annual consumer price index (CPI) indexation of petroleum excise (estimated to cost around \$4.6 billion over the four years from 2001-02 to 2004-05);
- an increase in the effective tax free threshold and Medicare levy threshold for senior Australians and pensioners (estimated to cost around \$1.5 billion over the four years from 2001-02);
- the withdrawal of the entity tax exposure draft legislation — in response to concerns raised in public consultations that the existing draft legislation did not strike an appropriate balance between protecting legitimate small business and farming arrangements while addressing tax abuse in the trust area (estimated to cost \$1.1 billion over the four years from 2001-02);
- a reduction in draught beer excise (estimated to cost \$630 million over the four years from 2001-02);
- cost recovery arrangements that will partially fund measures to prevent foot and mouth disease and other quarantine risks, involving an increase in the passenger movement charge to \$38 and full cost recovery for containers (estimated to raise around \$400 million over the four years from 2001-02);
- the initiative announced in *Backing Australia's Ability* to introduce a 175 per cent tax concession for companies that improve their research and development effort (estimated to cost \$335 million over the four years from 2001-02);
- changes to simplify the Business Activity Statement (BAS) to allow eligible taxpayers the choice of paying their PAYG instalments annually, or use the instalment rate times instalment income method (estimated to cost \$230 million over the four years from 2001-02); and
- an increase in annual GSM 900 licence fees to align the license fees more closely with the market value of the mobile phone spectrum (estimated to raise \$128 million over the four years from 2001-02).

Parameter and other variations

The revenue estimate for 2000-01 has been revised up by around \$3.6 billion since MYEFO as a result of economic parameter and other variations. This is driven principally by:

- higher than anticipated collections of PAYG withholding revenue to end-March 2001 of around \$1.3 billion. This indicator of labour market performance is somewhat stronger than other employment and job vacancy data. It is also possible that some of the recent strength in PAYG withholding collections reflects increased compliance by taxpayers following the introduction of *The New Tax System*, as well as a possible trend away from remunerating employees through fringe benefits;
- higher than anticipated collections of company tax revenue to end-March 2001 of around \$0.6 billion and significantly higher expected collections for the remainder of 2000-01; and
- a higher estimate of petroleum resource rent tax (PRRT) revenue, which in part reflects timing factors relating to the utilisation of deductions, boosts revenue in 2000-01 and reduces revenue in 2001-02.

However, this increase to revenue in 2000-01 is partly offset by a lower estimate of petroleum excise revenue, reflecting weaker than expected collections since MYEFO (collections were around \$0.4 billion below expectations to end-March 2001).

In 2001-02, economic parameter and other variations have reduced estimated revenue by around \$1.2 billion since MYEFO. The major factors contributing to this overall decrease are:

- a lower estimate of gross other individuals revenue, reflecting downward revisions to unincorporated business profit growth and reduced dividend payments to individuals (consistent with downward revisions to forecast company profit growth);
- a reduction in estimated company tax revenue, mainly reflecting the lagged effect of expected weaker profit growth in 2000-01;
- a reduction in estimated PRRT revenue, due to the timing factors discussed above; and
- a lower estimate of tobacco excise revenue, reflecting both a revised outlook for tobacco consumption in the light of continued weakness in collections through 2000-01 and the increased use of the new anti-smoking drug Zyban.

These downwards revisions to forecast taxation revenue in 2001-02 are partly offset by an upwards revision of around \$1.8 billion to expected dividend revenue from GBEs and other associated entities.

Furthermore, estimated PAYG withholding revenue in 2001-02 is broadly unchanged from MYEFO, with the positive effect of stronger collections in 2000-01 offsetting the negative impact of lower forecast growth in employment and wages.

Box 1: Cash taxation revenue estimates

A comparison of taxation revenue on cash and accrual bases is provided in the table below.

Total taxation revenue on cash and accrual bases

	2000-01	2001-02	2002-03	2003-04	2004-05
	\$b	\$b	\$b	\$b	\$b
Tax revenue (accrual)	150.7	146.8	154.5	165.0	174.8
Tax receipts (cash)	144.7	147.6	155.2	164.7	174.5
Difference (accrual less cash)	6.0	-0.8	-0.7	0.3	0.3

Accrual estimates are prepared using the *Tax Liability Method (TLM)* of revenue recognition, under which revenue is recognised when an assessment of a tax liability is made or cash payment is received by the Australian Tax Office (ATO). This method retains some elements of cash revenue recognition, for example, when assessment and payment occur at the same time.

The difference between the cash and accrual estimates of taxation revenue can be largely explained by the deferral of company and superannuation tax payments during the transition to the new PAYG system from 2000-01.

The new PAYG arrangements seek to better align company tax payments with the period in which income is earned. This has created an overlap of company tax payments for business, because payments of tax obligations for 1999-2000 and PAYG instalments for 2000-01 both arise during 2000-01.

- For a medium-sized company, for example, there would have been six payments due, instead of the usual four. However, the Government has implemented transitional arrangements to assist companies to move to the new system over a number of years.

Continued...

Box 1: Cash taxation revenue estimates (continued)

- The transitional arrangements reduce the cash impact of this overlap by allowing companies to spread some payments of the 1999-2000 tax obligations over the following 2½ to 5 years.
- The full amount of the overlap of company tax obligations is reflected in the accrual revenue estimate for 2000-01, as this is the year in which the liabilities are assessed. However, the same overlap is not fully reflected in the cash estimates for 2000-01 since companies do not have to actually pay the entire liability in that year. Companies can spread cash payments of the overlapping liabilities in interest free instalments over the following 2½ to 5 years.

Relative to expectations at MYEFO, there has been a lower take-up of the transitional arrangements to defer company and superannuation tax payments. This has boosted cash estimates of company and superannuation tax revenue in 2000-01 but has reduced cash revenue estimates in 2001-02 and the forward years. However, a lower than expected take-up of the option to defer company and superannuation tax payments has no effect on estimates of accrual revenue.

Part II: Estimates of revenue

DETAILED REVENUE ESTIMATES

Table 3 compares revenue estimates by head of revenue for 2001-02 with the corresponding estimates for 2000-01.

Table 3: Detailed estimates of Commonwealth general government revenue

	2000-01 Estimate \$m	2001-02 Estimate \$m	Change on 2000-01	
			\$m	%
Taxation revenue				
Income tax				
Individuals(a)				
Gross PAYG withholding	74,572	78,502	3,931	5.3
Gross other individuals	13,400	15,560	2,160	16.1
/less: Refunds	11,165	11,248	83	0.7
Total individuals	76,807	82,815	6,008	7.8
Companies	34,720	27,209	-7,512	-21.6
Superannuation funds(b)	5,210	4,312	-898	-17.2
Other withholding tax(c)	1,430	1,487	57	4.0
Petroleum resource rent tax	2,360	1,430	-931	-39.4
Total income tax	120,528	117,252	-3,276	-2.7
Indirect tax(d)				
Excise duty				
Petroleum products and crude oil	12,417	12,590	173	1.4
Other excise	6,550	6,460	-90	-1.4
Total excise duty	18,967	19,050	83	0.4
Customs duty	4,671	4,885	214	4.6
Other indirect taxes(e)	2,009	810	-1,199	-59.7
Total indirect tax	25,647	24,745	-902	-3.5
Fringe benefits tax(f)	3,290	3,500	210	6.4
Agricultural levies	556	573	17	3.0
Other taxes	671	698	27	4.1
Total tax revenue	150,692	146,768	-3,924	-2.6
Non-tax revenue	10,337	12,072	1,734	16.8
Total revenue	161,029	158,840	-2,190	-1.4

(a) Includes Medicare levy revenue.

(b) Includes the superannuation contributions surcharge.

(c) Includes amounts withheld for failure to quote a Tax File Number (TFN) or an Australian Business Number (ABN).

(d) Indirect taxes exclude surcharge revenue raised by the Commonwealth on an agency basis and paid to the States and Territories as Revenue Replacement Payments (RRPs) in 2000-01. While RRP's were abolished on 1 July 2000, the final RRP liability is collected and paid to the States in 2000-01.

(e) Includes the wine equalisation tax, luxury car tax and the final wholesale sales tax liability.

(f) Consistent with GFS reporting standards, excludes fringe benefits tax collected from Commonwealth government agencies (estimated at \$260 million in 2000-01 and \$270 million in 2001-02).

In 2001-02 total revenue is expected to decrease by \$2.2 billion, while taxation revenue is expected to decrease by \$3.9 billion, relative to estimated revenue in 2000-01. These decreases are primarily attributable to the bring forward of company and superannuation tax payments following the introduction of the new Pay As You Go (PAYG) system in 2000-01, which provide a one-off boost to revenue in 2000-01 (see Box 1 in Part I).

The major movements in taxation revenue heads between 2000-01 and 2001-02 include:

- a decrease in company tax revenue of around \$7.5 billion (or 22 per cent), largely reflecting the bring-forward of tax payments under the PAYG system in 2000-01 and a cut to the company tax rate to 30 per cent in 2001-02;
- an increase in PAYG withholding revenue from wages and salaries of around \$3.9 billion (or 5 per cent) which, while high in absolute terms, grows broadly in line with underlying growth in wages and employment;
- an increase in gross other individuals revenue of around \$2.2 billion (or 16 per cent), largely reflecting temporarily low collections in 2000-01 as a result of the introduction of the PAYG system;
- a decrease in PRRT revenue of around \$0.9 billion (or 39 per cent), mainly reflecting timing factors relating to the utilisation of deductions, which boost revenue in 2000-01 and reduce revenue in 2001-02;
- a decrease in superannuation tax revenue of around \$0.9 billion (or 17 per cent), largely reflecting the bring-forward of tax payments under the PAYG system in 2000-01; and
- significantly lower revenue from other indirect taxes, due to the abolition of wholesale sales tax (WST) from 1 July 2000 (the final WST tax liability of around \$1.3 billion is recognised in 2000-01).

The Budget revenue estimates are strongly influenced by forecast growth and the expected composition of economic activity. The 2001-02 revenue estimates are based on the following major economic assumptions:

- growth in nominal GDP of around 4½ per cent (revenue tends to be more sensitive to growth in nominal GDP than to growth in real GDP);
- average earnings growth of around 3¾ per cent;
- growth in wage and salary employment of around 1 per cent; and
- growth in company income of around 3½ per cent.

An analysis of the sensitivity of the revenue estimates to changes in the major economic parameters is provided at Statement 2, Appendix B.

TAXATION REVENUE

Individuals income tax

Table 4 provides estimates for 2000-01 and 2001-02 for the various income tax categories applying to individuals.

Table 4: Individuals income tax

	2000-01	2001-02	Change on 2000-01
	Estimate	Estimate	
	\$m	\$m	%
Individuals revenue			
Gross PAYG withholding	74,572	78,502	5.3
Gross other individuals	13,400	15,560	16.1
<i>less:</i> Refunds	11,165	11,248	0.7
Total individuals	76,807	82,815	7.8
<i>Includes Medicare levy revenue of:</i>			
Gross PAYG withholding	4,433	4,555	2.8
Gross other individuals	752	900	19.7
<i>less:</i> Refunds	580	600	3.4
Medicare levy component	4,605	4,855	5.4

Gross PAYG withholding

Gross PAYG withholding includes all taxes withheld from payments under the PAYG system, aside from amounts withheld because no TFN or ABN has been quoted. The bulk of gross PAYG withholding revenue arises from tax withheld from salary and wage income.

From 1 July 2000, the former Pay As You Earn (PAYE) system, prescribed payments system (PPS) and reportable payments system (RPS) were replaced by the integrated PAYG system.

Under the PAYG system, individuals who were in the PPS and qualified for an ABN could choose to enter into voluntary withholding arrangements. Tax withheld from such individuals (estimated to be around \$800 million in 2001-02) is recorded under gross PAYG withholding.

The remaining tax that would have been collected under the PPS is now being collected through the PAYG instalment system or as payment on assessment. These payments (estimated to be around \$1.9 billion in 2001-02) are recorded under the gross other individuals head of revenue.

Gross PAYG withholding revenue, inclusive of revenue from the Medicare levy, is expected to increase by around \$3.9 billion or 5 per cent in 2001-02, consistent with the combined effect of growth in wages and employment of around 5 per cent.

Gross other individuals

The gross other individuals category consists of income tax paid by individuals other than that collected through the PAYG withholding system. It comprises:

- PAYG instalments (from individuals); and
- debit assessments on income tax returns (that is, where tax credits are insufficient to meet the tax liability on assessment).

Taxpayers in this category derive their income from a number of sources, including unincorporated businesses, primary production, investments, salaries and wages (when PAYG withholding credits are insufficient) and capital gains.

Under *The New Tax System*, most gross other individuals revenue is collected through the PAYG instalment system. Individuals who are registered for the goods and services tax (GST) and individuals with tax liabilities of \$8,000 or more will generally make quarterly payments. Individuals who are not registered for the GST with liabilities of less than \$8,000 have the choice of making quarterly payments or an annual payment in April.

Most tax payments formerly made under the PPS or RPS are now made as PAYG instalments, with the remainder expected to fall under PAYG withholding.

Gross other individuals revenue, inclusive of revenue from the Medicare levy, is expected to increase by \$2.2 billion (or 16 per cent) in 2001-02. This is largely attributable to revenue in 2000-01 being temporarily reduced as a result of the introduction of the PAYG system.

- The introduction of the PAYG system resulted in only three quarterly instalments in 2000-01 because the due date for the final payment falls into 2001-02.

Abstracting from the impact of the introduction of the PAYG system, underlying other individuals taxation revenue is expected to increase by around \$0.3 billion in 2001-02. (This estimate in part reflects expected growth in small business income of around 2.7 per cent.)

Individual income tax refunds

A final assessment of the tax liabilities of individual taxpayers is made on the basis of returns lodged after the end of a financial year. Refunds are made where tax credits exceed the final assessment. Where tax credits are insufficient to meet the final tax liability, taxpayers make an additional payment, which is recorded under the gross other individuals income tax category.

Refunds to individuals are expected to increase by around 1 per cent in 2001-02, a little lower than underlying growth in gross individuals taxation revenue, due to the impact of the substantial personal income tax cuts delivered on 1 July 2000. (Lower income

taxes paid by individuals in 2000-01 will begin to impact on refunds in 2001-02 when individuals lodge their tax returns for the 2000-01 income year.)

Medicare levy

Revenue from the Medicare levy is expected to rise from \$4,605 million in 2000-01 to \$4,855 million in 2001-02, mainly reflecting higher taxable incomes of individuals. (In Table 3, this revenue is included in the estimates of gross PAYG withholding, gross other individuals and refunds.)

Company and other income tax

Table 5 provides estimates for 2000-01 and 2001-02 for company and other income tax categories.

Table 5: Company and other income tax

	2000-01	2001-02	Change on 2000-01
	Estimate	Estimate	
	\$m	\$m	%
Companies	34,720	27,209	-21.6
Superannuation funds(a)	5,210	4,312	-17.2
Other withholding tax			
Resident(b)	210	210	0.0
Non-resident			
Interest	663	666	0.4
Dividend	163	187	14.2
Royalty	392	423	7.8
Mining	2	2	0.0
Total other withholding tax	1,430	1,487	4.0
Petroleum resource rent tax	2,360	1,430	-39.4
Total	43,721	34,437	-21.2

(a) Includes the superannuation contributions surcharge.

(b) This item includes amounts withheld for failure to quote a TFN or an ABN.

Company income tax

As part of *The New Tax System*, the general tax rate for companies was reduced from 36 per cent to 34 per cent for the 2000-01 income year, with concessional rates applying to certain income of life insurance companies, registered organisations, pooled development funds, small credit unions and offshore banking units. This rate will fall further to 30 per cent in the 2001-02 income year. The further reduction in the company tax rate is estimated to reduce revenue by around \$2 billion per annum from 2001-02.

Commencing in the 2000-01 income year, the new company tax payment arrangements under the PAYG system have brought forward payments of company tax. This has created an overlap of company tax payments relating to obligations for 1999-2000 and PAYG instalments for 2000-01. While the Government has allowed companies to defer some of the liabilities arising from the overlap of the new and existing payment arrangements, the full liability is recorded as having accrued as revenue in 2000-01.

Accordingly, the introduction of PAYG results in a one-off boost to company tax revenue in 2000-01.

Abstracting from this one-off factor, forecast growth in company profits is expected to add around \$210 million to company tax revenue in 2001-02. Consistent with lower forecast company profit growth, particularly in 2000-01, this increase is lower than forecast at MYEFO.

Superannuation funds tax

Superannuation funds are taxed at a concessional rate of 15 per cent in relation to investment income and contributions received. The tax payments of superannuation funds are made according to the schedule that applies to company income tax.

As for company tax, the decline in estimated superannuation tax revenue in 2001-02 largely reflects the bring-forward of superannuation tax payments under PAYG. This aside, expected growth in earnings is expected to add around \$30 million to superannuation tax revenue in 2001-02. Consistent with lower expected earnings growth, this increase is lower than forecast at MYEFO.

Other withholding tax

Other withholding tax is levied on:

- income payments to residents who, when making an investment, do not supply the investment body with a TFN;
- business-to-business transactions where an ABN is not quoted by the supplier from 1 July 2000;
- certain interest, dividend and royalty payments to non-residents; and
- payments made to Aboriginal groups for the use of Aboriginal land for mineral exploration and mining.

Total other withholding tax revenue is expected to increase in 2001-02 by 4 per cent.

Petroleum resource rent tax

Petroleum resource rent tax (PRRT)² applies to offshore areas other than the North West Shelf production and associated exploration areas, which are subject to excise and royalty arrangements. PRRT is levied at the rate of 40 per cent of taxable profit from a petroleum project. A liability arises when a project's assessable receipts exceed deductible expenditure.

2 PRRT is levied under the Commonwealth's *Resource Rent Tax Assessment Act 1987*.

A company involved in a petroleum project is able to deduct exploration expenditure, plant and equipment spending and the direct administration costs associated with the project. (Provisions also allow for exploration expenditure incurred in the development of one project to be offset against the assessable receipts of another PRRT-liable project.)

PRRT revenue is expected to decrease by around 39 per cent in 2001-02. This is primarily due to timing factors relating to the utilisation of deductions, which boost revenue in 2000-01 and reduce revenue in 2001-02. To a lesser extent, the decrease in PRRT revenue also reflects the impact of recent declines in world oil prices and an anticipated decrease in domestic oil production in 2001-02. The world price of crude oil is assumed to be US\$26¼ per barrel in 2000-01 and US\$22½ per barrel in 2001-02.

Indirect tax

Table 6 provides estimates for 2000-01 and 2001-02 for the various categories of indirect taxation.

Table 6: Indirect tax^(a)

	2000-01 Estimate \$m	2001-02 Estimate \$m	Change on 2000-01 %
Excise duty			
Petroleum products			
Unleaded petrol	6,417	7,025	9.5
Leaded petrol	466	2	-99.6
Diesel	4,908	5,035	2.6
Other(b)	115	128	11.5
Total petroleum products	11,907	12,190	2.4
Crude oil	510	400	-21.6
Other excise			
Beer	1,700	1,610	-5.3
Potable spirits	240	245	2.1
Tobacco products	4,610	4,605	-0.1
Total other excise	6,550	6,460	-1.4
Total excise	18,967	19,050	0.4
Customs duty(c)	4,671	4,885	4.6
Other indirect taxes			
Wine equalisation tax(d)	531	630	18.6
Luxury car tax	155	180	16.1
Wholesale sales tax (e)	1,323	0	-100.0
Total other indirect taxes	2,009	810	-59.7
Total	25,647	24,745	-3.5

(a) Excludes surcharge revenue raised by the Commonwealth on an agency basis and paid to the States and Territories as RRP in 2000-01. While RRP were abolished on 1 July 2000, the final RRP liability is collected and paid to the States in 2000-01.

(b) Includes aviation gasoline, aviation turbine fuel, fuel oil, heating oil and kerosene.

(c) Customs duty includes duties imposed on imported petroleum products, tobacco, beer and spirits, which are analogous to excise duty on these items.

(d) Estimates of WET revenue include the offsetting revenue effects of the WET rebate for cellar door and other sales.

(e) WST was abolished on 1 July 2000; however, the final liability is recognised in 2000-01.

Excise

The major categories of excise revenue include petroleum products excise, crude oil excise, tobacco excise, and excise on certain alcoholic beverages.

Petroleum products excise includes excise on motor spirit (petrol), diesel fuel, aviation gasoline, aviation turbine fuel, fuel oil, heating oil and kerosene. It is imposed at specific rates per litre of product.

The growth in excise revenue from *unleaded petrol* in 2001-02 of around 10 per cent principally reflects the continued substitution of unleaded petrol for leaded petrol together with the phase-out of leaded petrol.

Leaded petrol has been largely phased out between December 2000 and February 2001 with the introduction of lead replacement petrol. As lead replacement petrol is classified as unleaded petrol, the contribution to excise revenue from leaded petrol is expected to be negligible in 2001-02.

Growth in the consumption of petrol (leaded and unleaded) in 2001-02 is expected to be 2.7 per cent.

Excise revenue from *diesel* is expected to grow moderately in 2001-02 relative to previous years, reflecting the decision of the Government to abolish excise indexation for petroleum products and the 1.5 cents per litre cut to the rate of diesel excise.

Other petroleum products excise includes excise revenue from aviation gasoline, aviation turbine fuel, fuel oil, heating oil and kerosene. All revenue from the excise duty on aviation gasoline and aviation turbine fuel contribute to the funding of aviation programmes. The rates of excise applying to aviation fuels are adjusted, as necessary, depending on the funding requirements of those programmes.

Crude oil excise includes excise collected from two sources: offshore fields in the North West Shelf production licence areas that are not subject to PRRT, and onshore fields and coastal waters. Crude oil excise is the only excise not to be levied on a volumetric basis (that is, where excise is applied per unit of quantity). Instead, the calculation of crude oil excise is based on both the quantity of crude oil sold and the sale price.

Estimated crude oil excise in 2000-01 has increased since MYEFO, reflecting strong collections this financial year. However, revenue from crude oil excise is expected to fall significantly in 2001-02 relative to 2000-01, due to lower world crude oil prices and lower production.

Other excise is derived from beer, potable spirits and tobacco products. It is imposed:

- on a per stick basis for cigarettes and a per kilogram basis for other tobacco products;
- on the alcohol content of draught and packaged beer; and

- on the alcohol content of other products, such as spirits and certain ready to drink products.

Wine is exempt from excise and is instead subject to the wine equalisation tax (WET).

Other excise revenue is expected to decrease by around 1 per cent, reflecting the first full year effect of the introduction of the concessional rate of excise for draught beer and an expected decline in tobacco consumption of around 4 per cent.

Estimated excise revenue from tobacco in 2000-01 is broadly consistent with the estimate at MYEFO. However, the tobacco estimate at MYEFO was revised down by in excess of \$500 million relative to the 2000-01 Budget. Collections of tobacco excise have been weak since 1 July 2000, which reflects a number of influences including:

- a possible consumer demand response to higher tobacco prices following the introduction of *The New Tax System*; and
- increased use of the anti-smoking drug Zyban.

There have been some suggestions that higher tobacco prices may have contributed to a growing illicit tobacco market (known as *chop-chop*). However, the Government has significantly increased the penalties for the sale of illicit product in 2000-01 and, together with increased enforcement activity, these measures have limited the size of any illegal activity.

Excise indexation

In the past, the rates of duty for excisable commodities (with the exception of crude oil) have been adjusted each August and February in line with half-yearly consumer price index (CPI) movements.

In March 2001, the Government announced that excise indexation would be abolished for all petroleum products. Beer, spirit and tobacco excise rates will continue to be indexed in line with half-yearly CPI movements.

If the change in the CPI is negative, the excise rate is not reduced but instead the decline is carried forward to offset the next positive CPI movement.

Excise rates since 1 July 2000 are shown in Table 7.

Table 7: Excise rates

Commodity	Rates applying from 1 Jul 2000 \$	Rates applying from 1 Aug 2000 \$	Rates applying from 1 Feb 2001 \$	Rates applying from 2 Mar 2001 \$	Rates applying from 4 Apr 2001 \$
Petroleum (per litre)					
Leaded petrol	0.39725	0.40400	0.42016	0.40516	0.40516
Unleaded petrol	0.37481	0.38118	0.39643	0.38143	0.38143
Diesel (gross)	0.37481	0.38118	0.39643	0.38143	0.38143
Aviation gasoline	0.02759	0.02806	0.02918	0.02808	0.02808
Aviation turbine fuel	0.02795	0.02843	0.02957	0.02845	0.02845
Fuel oil	0.07426	0.07552	0.07854	0.07557	0.07557
Heating oil	0.07426	0.07552	0.07854	0.07557	0.07557
Kerosene	0.07426	0.07552	0.07854	0.07557	0.07557
Beer (per litre of alcohol over 1.15 per cent)					
Draught beer, low strength	41.67	42.38	44.08	44.08	15.96
Draught beer, mid strength	35.38	35.98	37.42	37.42	17.33
Draught beer, high strength	30.46	30.98	32.22	32.22	22.68
Other beer, low strength	41.67	42.38	44.08	44.08	44.08
Other beer, mid strength	35.38	35.98	37.42	37.42	37.42
Other beer, high strength	30.46	30.98	32.22	32.22	32.22
Potable spirits (per litre of alcohol)					
Brandy	48.17	48.99	50.95	50.95	50.95
General rate for other spirits	51.58	52.46	54.56	54.56	54.56
Cigarettes (per stick)	0.19155	0.19481	0.20260	0.20260	0.20260
Tobacco products (per kg)	239.44	243.51	253.25	253.25	253.25

Customs duty

Customs duty is imposed either as a percentage of the value of the imported good or on a volumetric basis for excisable-like products (for example, dollars per litre).

Tariffs on passenger motor vehicles, and textile, clothing and footwear account for around one-third of the total duty collected. A further one-third of customs duty is duty imposed on imports of petroleum products, tobacco, beer and spirits, which is analogous to excise duty on these items. Other dutiable goods currently attract a general tariff rate of 5 per cent.

Customs duty revenue in 2001-02 is estimated to grow by around \$200 million or around 5 per cent.

Other indirect taxes

Wholesale sales tax (WST) was imposed on a range of goods destined for consumption in Australia and levied at the last wholesale or import point on the wholesale sales value of taxable goods. From 1 July 2000, WST was abolished as part of *The New Tax System*.

Consistent with the tax liability method of revenue recognition, the 2000-01 WST estimate (see Table 6) reflects the final WST liability.

In the absence of the two specific indirect tax measures outlined below, the abolition of WST would have meant that the price of certain goods would have fallen more than was intended by general indirect tax reform. To counter this, from 1 July 2000, all grape wine, wine products, fruit and vegetable wine, cider, perry, mead and sake became subject to the wine equalisation tax (WET). The WET is levied at a rate of 29 per cent, with tax being paid on the value of the goods at the last wholesale sale, or equivalent value.

Similarly, a luxury car tax (LCT) of 25 per cent was introduced from 1 July 2000. The LCT applies to the GST exclusive price of a car above the LCT threshold (\$55,134 in 2000-01). This was put in place to ensure that, when the higher WST rate of 45 per cent was removed from luxury cars and the GST was introduced, the price of luxury cars fell by about the same amount as other cars.

WET revenue is expected to increase by around 19 per cent in 2001-02, to a level reflecting the first full year effect of the tax. Most revenue from the WET is paid upon lodgement of the quarterly Business Activity Statement (BAS), of which there were only three in 2000-01. Luxury car tax revenue is expected to increase by around 16 per cent in 2001-02 for similar reasons.

FRINGE BENEFITS TAX AND OTHER TAXES

Fringe benefits tax

Fringe benefits tax (FBT) applies to a range of benefits provided by employers to their employees or associates of their employees. Fringe benefits tax revenue is expected to increase by around 6 per cent in 2001-02, largely due to ongoing remuneration growth (see Table 3). FBT revenue is also expected to be boosted in 2001-02 by the modification of the FBT gross-up rate (to ensure neutrality of treatment between fringe benefits and cash salaries following the introduction of the GST on 1 July 2000), which has its first full year effect in 2001-02.

Agricultural levies and other taxes

Table 8 shows estimates of agricultural levies and other taxes for 2000-01 and 2001-02.

Table 8: Agricultural levies and other taxes

	2000-01	2001-02	Change on 2000-01
	Estimate	Estimate	
	\$m	\$m	%
Wool tax	79	56	-28.8
Agricultural production taxes - domestic	473	512	8.3
Agricultural production taxes - export	4	4	3.6
Levies, other than agricultural	73	73	0.0
Broadcasting licence fees	328	343	4.6
Other(a)	270	282	4.6
Total	1,227	1,271	3.6

(a) Includes all other tax revenue collected by Commonwealth agencies.

Total revenue from agricultural levies and other taxes is forecast to increase in 2001-02 by about 4 per cent. This is largely due to an increase in *Agricultural production taxes — domestic* revenue administered by the Department of Agriculture, Forestry and Fisheries. These taxes are projected to increase from \$473 million in 2000-01 to \$512 million in 2001-02, largely due to expected growth in collections from the retail milk levy.

Wool tax revenue is estimated to fall in 2001-02 by around 29 per cent, due to the reduction in the wool tax rate. Revenue from *Agricultural production taxes — export* and non-agricultural levies are forecast to remain broadly unchanged. Broadcasting licence fees are forecast to increase by 5 per cent, due to the increase in mobile telephony licence fees for carriers.

The remaining category of other taxes, which is expected to increase by around 5 per cent, includes the coalmining long service leave levy, child support fees and fines, and a range of levies administered by the Department of Transport and Regional Services including aircraft noise, stevedoring and marine navigation levies.

NON-TAXATION REVENUE

Table 9 provides estimates for 2000-01 and 2001-02 of the various categories of non-taxation revenue.

Table 9: Non-taxation revenue

	2000-01	2001-02	Change on 2000-01
	Estimate	Estimate	
	\$m	\$m	%
Sales of goods and services	2,711	2,844	4.9
Interest			
Interest from other governments	263	243	-7.5
Interest from other sources	910	753	-17.3
Total interest	1,173	996	-15.1
Dividends			
Dividends from associated entities	2,172	4,628	113.1
Dividends from other sources	44	70	60.0
Total dividends	2,215	4,698	112.1
Petroleum royalties	796	458	-42.4
Other non-tax revenue(a)	3,442	3,076	-10.6
Total	10,337	12,072	16.8

(a) Includes all other non-tax revenue collected by Commonwealth agencies.

Sales of goods and services

This category consists of revenue from the direct provision of goods and services by the general government sector.

The expected increase in sales of goods and services in 2001-02 is largely due to an increase in the passenger movement charge from \$30 to \$38. This will fund the increased cost of inspecting passengers, mail and cargo at Australia's borders to mitigate the risks of introducing foot and mouth disease into Australia.

Interest

Interest from other Governments

This category mainly consists of revenue from the States and Territories on General Purpose and Specific Purpose borrowings.

The Commonwealth receives interest payments from the States in respect of General Purpose borrowings made on behalf of the States under the State Governments' Loan Council Programme (and from the Northern Territory in respect of advances made under similar general purpose capital assistance arrangements). Payments relating to these advances are made, in turn, by the Commonwealth to bond holders.

Interest from the States on General Purpose borrowings is declining as a result of the June 1990 Loan Council decision that the States and Territories make additional

payments to the Commonwealth each year to facilitate the redemption of all maturing Commonwealth securities issued on their behalf. The reduction in interest revenue from the States and Territories is matched by a reduction in public debt interest expenses.

The Commonwealth also receives interest on Specific Purpose Borrowings to the States, including on advances made under the Commonwealth-State Housing Agreements, States (Works and Housing) Assistance Acts, Northern Territory Housing Advances, and by the Australian Capital Territory on debts assumed upon self-government. Interest from the States on Specific Purpose borrowings will be lower in 2001-02 compared with 2000-01, reflecting the repayment of debt by the States in 2000-01.

Interest from other governments is expected to decrease in 2001-02, due to a reduction in the remaining stock of debt issued by the Commonwealth on behalf of the State and Territory governments.

Interest from other sources

This item includes interest income on Commonwealth cash balances and on other financial assets. It excludes swap transactions entered into as part of the Commonwealth's debt management strategy, as they are classified as financing transactions under Government Finance Statistics (GFS) standards. The Australian Office of Financial Management (AOFM) is responsible for the management and reporting of the Commonwealth's net debt portfolio.

Interest from other sources is projected to decrease between 2000-01 to 2001-02 by 17 per cent. In part, this reflects a reduction in interest payments from the Snowy Mountain Hydro Electricity Authority, following the decision to corporatise and refinance the Authority.

Dividends

The main sources of dividends are from the Commonwealth's Government Business Enterprises and the Reserve Bank of Australia (RBA). Dividend payments from the RBA can be volatile, as they are sensitive to movements in interest rates and the exchange rate.

The Royal Australian Mint also provides dividend revenue to the Commonwealth. This includes royalties from numismatic coin sales and annual dividends from profits the Mint makes as the manufacturer of these products.

Total dividends are projected to increase by around 112 per cent in 2001-02, largely due to higher dividends from the RBA.

Petroleum royalties

Petroleum royalties are paid by producers operating in the North-West shelf oil and gas fields off Western Australia.

These royalties are expected to decrease in 2001-02 by around 42 per cent, due to falling petroleum production and a forecast reduction in world oil prices. A substantial proportion of these royalties are paid to the Government of Western Australia.

Other sources of non-tax revenue

Other non-tax revenue includes Child Support Trust Revenue (collected by the Child Support Agency) and revenue from the State and Territory governments (to meet the cost to the ATO of administering the GST on their behalf). It also includes revenue from Higher Education Contribution Scheme (HECS) student loans and seigniorage from circulation coin production.

Other non-tax revenue is expected to decline by around 11 per cent in 2001-02. This mainly reflects a reduction in revenue from outstanding HECS debts owed to the Commonwealth and a reduction in revenue received from the States to meet the cost of administering the GST.

Appendix A: Changes in revenue estimates since MYEFO

Table A1: Reconciliation of 2000-01 revenue estimates

	2000-01			
	MYEFO \$m	Budget \$m	Change on MYEFO \$m	Change on MYEFO %
Taxation revenue				
Income tax				
Individuals(a)				
Gross PAYG withholding(b)	73,026	74,572	1546	2.1
Gross other individuals(b)	13,558	13,400	-158	-1.2
<i>/less:</i> Refunds	11,230	11,165	-65	-0.6
Total individuals	75,354	76,807	1,453	1.9
Companies	33,197	34,720	1,523	4.6
Superannuation funds	5,087	5,210	123	2.4
Other withholding tax	1,426	1,430	5	0.3
Petroleum resource rent tax	1,760	2,360	600	34.1
Total income tax	116,824	120,528	3,704	3.2
Indirect tax				
Excise duty				
Petroleum products and crude oil	12,892	12,417	-476	-3.7
Other excise	6,491	6,550	59	0.9
Total excise duty	19,383	18,967	-416	-2.1
Customs duty	4,541	4,671	130	2.9
Other indirect taxes	1,956	2,009	53	2.7
Total indirect tax	25,880	25,647	-233	-0.9
Fringe benefits tax	3,405	3,290	-115	-3.4
Agricultural levies	644	556	-88	-13.7
Other taxes	589	671	81	13.8
Total tax revenue	147,343	150,692	3,349	2.3
Non-tax revenue	10,287	10,337	51	0.5
Total revenue	157,630	161,029	3,400	2.2

(a) Includes revenue from the Medicare levy.

(b) Part of the change since the Mid-Year Economic Fiscal Outlook (MYEFO) is due to a reallocation of \$295 million from gross other individuals revenue to Pay As You Go (PAYG) withholding revenue, due to a reassessment of the distribution of revenue from the former prescribed payments system (PPS) scheme. Accordingly, for 2000-01, the MYEFO estimates of PAYG withholding revenue should be increased by \$295 million, with a corresponding decrease in gross other individuals revenue, to be on a comparable basis to the current Budget estimates.

Table A2: Reconciliation of 2001-02 revenue estimates

	2001-02			
	MYEFO(a) \$m	Budget \$m	Change on MYEFO \$m	Change on MYEFO %
Taxation revenue				
Income tax				
Individuals(b)				
Gross PAYG withholding	78,532	78,502	-29	0.0
Gross other individuals	16,673	15,560	-1113	-6.7
<i>less:</i> Refunds	10,866	11,248	382	3.5
Total individuals	84,338	82,815	-1,524	-1.8
Companies	27,688	27,209	-479	-1.7
Superannuation funds	4,293	4,312	19	0.4
Other withholding tax	1,462	1,487	25	1.7
Petroleum resource rent tax	1,640	1,430	-210	-12.8
Total income tax	119,421	117,252	-2,169	-1.8
Indirect tax				
Excise duty				
Petroleum products and crude oil	13,561	12,590	-971	-7.2
Other excise	6,713	6,460	-253	-3.8
Total excise duty	20,273	19,050	-1223	-6.0
Customs duty	4,862	4,885	23	0.5
Other indirect taxes	813	810	-3	-0.4
Total indirect tax	25,948	24,745	-1,203	-4.6
Fringe benefits tax	3,625	3,500	-125	-3.4
Agricultural levies	629	573	-56	-8.9
Other taxes	610	698	88	14.4
Total tax revenue	150,233	146,768	-3,465	-2.3
Non-tax revenue	10,850	12,072	1,222	11.3
Total revenue	161,083	158,840	-2,243	-1.4

(a) Adjusted since MYEFO to reflect a reallocation of revenue across company tax, gross other individuals, superannuation funds tax and individual refunds. However, the MYEFO estimate for total income tax has not changed.

(b) Includes revenue from the Medicare levy.

Appendix B: Forward estimates of revenue

Forward estimates of the major categories of revenue, for the period from 2001-02 to 2004-05 are provided in Table B1.

Table B1: Forward estimates of revenue

	2001-02		2002-03		2003-04		2004-05	
	Estimate \$m	Change on 2000-01 %	Estimate \$m	Change on 2001-02 %	Estimate \$m	Change on 2002-03 %	Estimate \$m	Change on 2003-04 %
Individuals tax	82,815	7.8	88,893	7.3	96,625	8.7	103,347	7.0
<i>Per cent of GDP</i>	<i>11.8</i>		<i>11.9</i>		<i>12.2</i>		<i>12.3</i>	
Other income tax	34,437	-21.2	35,365	2.7	37,209	5.2	39,347	5.7
<i>Per cent of GDP</i>	<i>4.9</i>		<i>4.7</i>		<i>4.7</i>		<i>4.7</i>	
Total income tax	117,252	-2.7	124,257	6.0	133,835	7.7	142,694	6.6
<i>Per cent of GDP</i>	<i>16.7</i>		<i>16.7</i>		<i>16.9</i>		<i>17.0</i>	
Indirect tax	24,745	-3.5	25,378	2.6	26,113	2.9	26,937	3.2
<i>Per cent of GDP</i>	<i>3.5</i>		<i>3.4</i>		<i>3.3</i>		<i>3.2</i>	
Total tax(a)	146,768	-2.6	154,543	5.3	165,004	6.8	174,835	6.0
<i>Per cent of GDP</i>	<i>20.9</i>		<i>20.7</i>		<i>20.9</i>		<i>20.9</i>	
Non-tax revenue	12,072	16.8	10,361	-14.2	10,545	1.8	10,822	2.6
<i>Per cent of GDP</i>	<i>1.7</i>		<i>1.4</i>		<i>1.3</i>		<i>1.3</i>	
Total revenue	158,840	-1.4	164,903	3.8	175,548	6.5	185,657	5.8
<i>Per cent of GDP</i>	<i>22.6</i>		<i>22.1</i>		<i>22.2</i>		<i>22.1</i>	

(a) Includes FBT, agricultural levies and other taxes.

The forward estimates of revenue are underpinned by the conventional assumption of no change in current policy. Consequently, the forward estimates of revenue only reflect projected growth in economic parameters and policy measures contained in this and previous budgets, including those associated with *The New Tax System*.

Taxation revenue generally moves in line with economic activity during periods of steady economic growth (as depicted by the economic projections in this Budget), but tends to swing more sharply during periods of economic contraction and rapid expansion (in particular, more sharply than nominal GDP growth).

Total revenue is expected to remain at around 22.1 per cent of GDP from 2002-03 to 2004-05. (Growth in all categories of total revenue in 2001-02 are explained in detail in Part II of this Statement.)

Total tax revenue is expected to remain at around 20.9 per cent of GDP across the forward estimates, with a slightly lower estimate in 2002-03. Lower tax revenue in 2002-03 in part reflects a one-off deferral in the timing of tax payments from annual Pay As You Go (PAYG) taxpayers that are not registered for the GST.

- A projected increase in income tax as a proportion of GDP over the forward years is offset, in contrast to last year, by a decline in indirect tax as a proportion of GDP, mostly reflecting the decision to abolish petroleum excise indexation.

Non-tax revenue is expected to decrease in 2002-03, reflecting lower projected dividends from GBEs and other associated entities (including the Reserve Bank of Australia). Non-tax revenue is expected to remain at around 1.3 per cent of GDP in 2003-04 and 2004-05.

Appendix C: Revenue measures

Table C1 provides a summary of the revenue measures introduced since the MYEFO. A full description of all 2001-02 Budget revenue measures can be found in Part I of *Budget Paper No. 2, Budget Measures 2001-02*.

Table C1: Revenue measures since the 2000-01 MYEFO^(a)

	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
Agriculture, Fisheries and Forestry				
Australia's response to foot and mouth disease and other quarantine risks	17.2	18.0	18.0	18.0
Extension of dairy industry adjustment levy	-	-	-	-
Portfolio total	17.2	18.0	18.0	18.0
Attorney-General's				
Australia's response to foot and mouth disease and other quarantine risks	82.7	82.7	82.7	82.7
Government response to the Productivity Commission report on general tariffs	-	-40.5	-41.4	-42.4
Portfolio total	82.7	42.2	41.3	40.3
Communications, Information Technology and the Arts				
Increase in GSM 900 licence fees	32.1	32.1	32.1	32.1
Radiocommunications licensing arrangements	-1.6	-1.6	-1.6	-1.6
Strategy on electromagnetic public health issues	1.0	1.0	1.0	1.0
Portfolio total	31.5	31.5	31.5	31.5
Education, Training and Youth Affairs				
Backing Australia's Ability - 2,000 additional targeted university places	-	0.1	0.4	0.8
Backing Australia's Ability - Postgraduate Education Loans Scheme	-	2.4	8.1	12.1
Higher education places for regional universities and campuses	-	..	0.1	0.2
Income-contingent loans for bridging courses for overseas trained professionals	-	-	0.1	0.1
Portfolio total	-	2.5	8.7	13.2
Family and Community Services				
New social security arrangements between Australia and New Zealand	-	-16.3	-32.6	-49.2
Portfolio total	-	-16.3	-32.6	-49.2
Immigration and Multicultural Affairs				
Backing Australia's Ability - attracting information and communications technology workers	0.8	0.8	0.9	0.9
Increase in the permanent migrant intake	1.4	1.4	1.4	1.4
New social security arrangements between Australia and New Zealand	13.1	13.2	13.3	13.4
Onshore processing of students in points tested categories	2.4	2.5	2.7	2.8

Table C1: Revenue measures since the 2000-01 MYEFO^(a) (continued)

	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
Immigration and Multicultural Affairs (continued)				
Reform of independent executives visa arrangements	1.5	2.4	2.4	2.5
Strategy to strengthen Australia's immigration services to priority areas - extension of Electronic Travel Authority arrangements	-0.3	-1.5	-1.5	-1.6
Portfolio total	18.9	18.9	19.2	19.4
Treasury				
Income tax				
Allowing participants in the Simplified Tax System to account for the value of stock under existing methods	*	*	*	*
Apportionment of deductions for donations of property	-	-	-2.0	-4.0
Backing Australia's Ability - 175 per cent 'premium' tax concession for additional research and development expenditure	-30.0	-90.0	-105.0	-110.0
Backing Australia's Ability - changes to the definition of research and development activities	*	*	*	*
Backing Australia's Ability - effective life write-off for research and development plant	25.0	95.0	115.0	95.0
Backing Australia's Ability - research and development tax offset for small companies	-	-6.0	-3.0	-2.0
Capital gains tax relief for shareholders of listed investment companies	-5.0	-20.0	-20.0	-20.0
Capital gains tax rollover relief for shares from insurance company demutualisations	-	-	-	-
Capital gains tax treatment of shares held in trust under employee share schemes	*	*	*	*
Changes to prepayment arrangements for non-business and small business taxpayers	-20.0	-	-	-
Changes to the overseas defence forces rebate and the United Nations (UN) armed forces rebate	*	*	*	*
Deductibility of certain gifts	*	*	*	*
Depreciation of second hand assets where the end user does not change	15.0	40.0	65.0	70.0
Extended lodgement date for Business Activity Statements	-	-	-	-
Extension of income tax exemption for not-for-profit organisations to include the information and communications technology industry	..	..	..	..
Foreign branch access to funds free of interest withholding tax	-9.0	-9.0	-9.0	-9.0
Fringe benefits reporting - exclusion of benefits associated with Australian Defence Force (ADF) removals	*	*	*	*
GDP-adjusted method for PAYG instalments for individuals and some companies and superannuation funds	-200.0	-10.0	-10.0	-10.0

Table C1: Revenue measures since the 2000-01 MYEFO^(a) (continued)

	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
Treasury (continued)				
Increase in the Medicare levy low income thresholds	-35.0	-20.0	-20.0	-20.0
Increasing the depreciating assets threshold for the Simplified Tax System	-2.0	-5.0	-5.0	-10.0
Not proceeding with the early refunding of excess imputation credits	185.0	-	10.0	10.0
Pensioners below seniors age: increase in rebates	-35.0	-36.0	-33.0	-34.0
Reduction in surcharge on certain termination payments	-14.0	-21.0	-17.0	-21.0
Refining the uniform capital allowance system	*	*	*	*
Reformed debt/equity tax borderline	*	*	*	*
Reform of thin capitalisation - amendments to the proposed rules	-70.0	-45.0	-60.0	-70.0
Relaxing the 'grouping' rule for the Simplified Tax System	*	*	*	*
Retrospective changes to the exclusive use intention test for research and development	*	*	*	*
Revised business tax reform implementation timetable	215.0	255.0	-145.0	-95.0
Senior Australians and pensioners: increase in Medicare levy threshold	-44.0	-46.0	-43.0	-45.0
Senior Australians: increase in rebates	-306.0	-315.0	-298.0	-307.0
Taxation treatment of datacasting transmitter licences	*	*	*	*
Withdrawal of entity taxation exposure draft legislation	-110.0	-450.0	-265.0	-300.0
Indirect tax				
Abolition of petroleum fuels excise indexation	-150.0	-425.0	-785.0	-1135.0
Funding for Airservices Australia and aviation industry compliance	11.7	11.7	4.7	4.7
Reduced excise and customs duty on petroleum fuels	-485.0	-505.0	-525.0	-545.0
Reduction of excise on draught beer	-150.0	-160.0	-160.0	-160.0
Non-tax revenue				
Increase in financial sector levy for the Superannuation Complaints Tribunal	0.7	0.7	0.7	0.7
Portfolio total	-1212.6	-1760.6	-2309.6	-2716.6
Total impact of revenue measures(b)	-1062.3	-1663.8	-2223.5	-2643.4

* The nature of the measure is such that a reliable estimate cannot be provided.

(a) A minus sign before an estimate indicates a reduction in revenue, no sign before an estimate indicates a gain to revenue.

(b) Measures may not add to total due to rounding.

Table C2: Revenue measures up to the 2000-01 MYEFO^{(a)(b)}

	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
Agriculture, Fisheries and Forestry				
Wool Industry - changes in wool levy arrangements	-32.2	-33.0	-32.1	-32.1
Portfolio Total	-32.2	-33.0	-32.1	-32.1
Attorney-General's				
Extension of the Import Credit Scheme	-	-	-	-
Portfolio Total	-	-	-	-
Treasury				
Income tax				
Amendment to transitional measures for the merging of share premium and share capital accounts	-	-	-	-
Amendments to Pay As You Go instalments for certain beneficiaries of trusts	5.0	5.0	5.0	5.0
Change in the status of constitutionally protected superannuation funds	nfp	nfp	nfp	nfp
Changes to the Simplified Tax System	2.0	-2.0	-1.0	3.0
Deductibility of certain gifts	*	*	*	*
Double taxation agreements	*	*	*	*
Eligibility for immediate deductibility for GST-related expenditure	-	-	-	-
Entity taxation	10.0	-60.0	-25.0	-25.0
Exemption for artists from the non-commercial losses measures	-7.0	-7.0	-3.0	-3.0
Income tax exemption for local government businesses	-	-	-	-
Medicare levy surcharge - treatment of high front end deductibles	*	*	*	*
No Australian Business Number withholding on input taxed supplies	-	-	-	-
Removal of capital gains tax changes for life insurers and superannuation funds	-60.0	-70.0	-90.0	-100.0
Rollover relief for merger of companies under Part 9 of the <i>Life Insurance Act 1995</i>	-	-	-	-
Taxation aspects of the restructure of the Australian Wool Research and Promotion Organisation	-	-	-	-
Tax benefits for organisations promoting prevention or control of disease or illness in people	*	*	*	*
Indirect tax				
Excise concession for micro-breweries	-0.3	-0.3	-0.3	-0.3
Petrol and diesel excise reduction - increase in reduction to 6.7 cents per litre	-100.0	-102.0	-105.0	-109.0
Removing campervans, motor homes and commercial vehicles from luxury car tax	-5.0	-5.0	-5.0	-5.0
Removing the excise-free status of methanol blended with petrol	-	-	-	-

Table C2: Revenue measures up to the 2000-01 MYEFO^{(a)(b)}

	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
Treasury (continued)				
Fringe benefits tax				
Converting rebates to a fringe benefits tax exemption for non-profit hospitals	-15.0	-15.0	-15.0	-15.0
Fringe benefits reporting - exclusion for emergency vehicles	*	*	*	*
Fringe benefits tax exemption for police housing in regional areas	*	*	*	*
Fringe benefits tax exemption for free travel on public transport by police officers	-5.0	-5.0	-5.0	-5.0
Non-tax revenue				
Additional payments from the States and Territories for GST administration	141.0	-	-	-
Superannuation Complaints Tribunal	-	-	-	-
Portfolio total	-34.3	-261.3	-244.3	-254.3
Decisions taken but not reported in MYEFO	nfp	nfp	nfp	nfp
Total impact of revenue measure(c)	-66.5	-294.3	-276.4	-286.4

* The nature of the measure is such that a reliable estimate cannot be provided.

(a) A minus sign before an estimate indicates a reduction in revenue, no sign before an estimate indicates a gain to revenue.

(b) These estimates are as published in 2000-01 MYEFO. Descriptions of the measures are provided in the MYEFO publication.

(c) Measures may not add to total due to rounding.

Appendix D: Tax expenditures

This appendix provides a brief overview of the cost of tax concessions provided by the concessional tax treatment of specific activities and/or groups.

Tax concessions provide a benefit to a specified activity or class of taxpayer. Tax concessions can be delivered in a variety of ways, for example by a tax exemption, tax deduction, tax rebate, reduced tax rate or by deferring a tax liability. The Government can use tax concessions to allocate resources to different activities in much the same way that it can use direct expenditure programmes. For this reason, and noting their direct impact on the fiscal balance, these tax concessions are generally called *tax expenditures*.

The data reported in this appendix are consistent with tax expenditure data reported in the *2000 Tax Expenditures Statement*. The Tax Expenditures Statement (TES) is an annual statement of Commonwealth tax expenditures.

Table D1 provides estimates of total tax expenditures for the period 1997-98 to 2004-05. There are several major considerations that need to be taken into account when analysing these data.

- These figures may understate the total cost of tax expenditures, as some identified tax expenditures have not been estimated due to a lack of data and the TES does not necessarily provide a comprehensive listing of all tax expenditures.
- Some caution should be exercised when using these tax expenditure estimates to measure the amount of tax revenue forgone. Tax expenditure estimates measure the benefit of the tax concession to the recipient, not the impact on the fiscal balance from the removal of that tax expenditure. The two might differ due to behavioural responses or for other reasons (see chapters 1.4 and 2.3 of the *2000 Tax Expenditures Statement*).
- Trends in aggregate tax expenditures over time will reflect both changes to the cost of individual tax expenditures and changes in the coverage of tax expenditures being costed.
- Tax expenditure aggregates are *net* aggregates as they include the offsetting effects of negative tax expenditures.
- Changes over time in methodology and data used to calculate the value of particular tax expenditures can result in large revisions to tax expenditure estimates. Therefore estimates that were provided in previous editions of the TES or in previous Budgets may not be strictly comparable to figures reported here.

Table D1: Aggregate tax expenditures 1997-98 to 2004-05

Year	Retirement and other employment termination benefits \$m	Other tax expenditures \$m	Total \$m	Tax expenditures as a proportion of GDP (%)
1997-98	9,915	15,555	25,470	4.5%
1998-99	9,420	16,368	25,788	4.3%
1999-00	9,530	17,781	27,311	4.3%
2000-01 (est)	8,845	20,139	28,984	4.3%
2001-02 (est)	9,595	19,345	28,940	4.1%
2002-03 (proj)	10,495	19,552	30,047	4.0%
2003-04 (proj)	11,495	19,769	31,264	4.0%
2004-05 (proj)	12,574	20,576	33,151	4.0%

Measured tax expenditures are projected to decline as a proportion of GDP from 4.5 per cent in 1997-98 to around 4.0 per cent in 2004-05. The largest single contributing factor to the decline in total measured tax expenditures is the removal of accelerated depreciation under *The New Tax System*.

Appendix E: Cash revenue statistics and history

Table E1: Commonwealth revenue (cash basis)^(a)

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01(b)	2001-02(b)
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Tax revenue												
Income tax												
Individuals(c)												
Gross PAYGW	43979	43723	45350	47111	50928	56442	61191	65706	71157	76506	74222	78252
Gross other individuals	11357	9170	8320	8697	9481	10078	11820	12119	13103	13370	13000	15310
Gross PPS(d)	1693	1563	1674	1871	2169	2179	2250	2524	2794	3120	0	0
/ess: Refunds	6766	7771	7833	7103	7931	8285	8808	9525	10325	10946	11165	11248
Total individuals	50263	46685	47511	50575	54647	60414	66453	70822	76728	82050	76057	82315
Companies	14166	13419	13071	12700	15588	18252	19173	19406	20734	24345	30110	28299
Superannuation funds	1053	1139	1522	1191	1913	1634	2595	3093	3916	3820	4680	4492
Withholding tax	901	941	764	877	903	1349	1080	1137	1220	1428	1430	1487
Petroleum resource rent tax	293	876	1389	1072	865	791	1308	907	419	1184	2360	1430
Total income tax	66676	63060	64258	66416	73916	82440	90610	95366	103017	112828	114638	118022
Indirect tax(e)												
Excise duty												
Crude oil and LPG	1354	64	116	62	27	13	9	16	31	219	510	400
Petroleum products(f)	6642	7093	7200	8499	9406	10224	10543	10895	10974	11189	11907	12190
Other excise duty	2364	2324	2361	2253	2567	2612	2739	2663	2614	2670	6550	6460
Total excise duty	10360	9482	9677	10814	12001	12849	13291	13574	13619	14078	18967	19050
Customs duty	3319	3299	3331	3226	3474	3124	3289	3637	3634	3771	4671	4885
Sales taxes(g)	9365	9113	9252	10414	11624	12955	13308	14085	15162	15532	1969	810
Total indirect tax	23044	21893	22260	24455	27099	28928	29888	31296	32415	33381	25607	24745

Table E1: Commonwealth revenue (cash basis)^(a) (continued)

	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01(b)	2001-02(b)
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Tax revenue (continued)												
Fringe benefits tax(h)	1262	1327	1344	1417	2740	3031	3163	3168	3289	3373	3290	3500
Other taxes	2243	1690	1572	1736	1933	1988	2154	2390	2383	1113	1136	1291
Total tax revenue	93225	87970	89434	94024	105687	116386	125815	132219	141104	150695	144671	147558
Non-tax revenue												
Interest received	3309	2976	2477	2051	1790	1403	1126	1139	682	995	1245	925
Dividends and other	1558	2563	3150	4671	2952	3899	4089	3610	4659	14138	13201	14340
Total non-tax revenue	4867	5539	5627	6722	4743	5302	5216	4749	5341	15133	14447	15265
Total revenue	98093	93509	95062	100747	110430	121688	131031	136968	146444	165828	159118	162823
<i>Memorandum items:</i>												
Medicare levy receipts(i)	2480	2385	2415	2870	3030	3350	4150	3760	4100	4350	4605	4855
Diesel fuel rebate expense(j)	831	889	898	1034	1251	1307	1415	1407	1463	1514	1880	1980

(a) Figures up to and including 1998-99 are based on the old Commonwealth Budget Sector cash accounting framework. Figures from 1999-2000 are on a Commonwealth general government GFS basis, consistent with the Uniform Presentation Framework (UPF). As a result, the category 'Dividends and other' now includes many large items that were netted off revenue in outcomes prior 1999-2000, namely 'Receipts from sales of goods and services' (around \$3 billion from 1999-2000), 'Receipts from sales of non-financial assets' (around \$2.5 billion in 1999-2000 and 2000-01 and around \$1.7 billion in 2001-02), 'Other receipts' (around \$3 billion from 1999-2000) and 'GST receipts related to purchases/sales' (around \$2 billion from 2000-01).

(b) Estimates.

(c) Presented on a basis inclusive of the Medicare levy. See memorandum item for Medicare levy outcomes and estimates.

(d) PPS denotes prescribed payments system (which was replaced by the new PAYG system from 1 July 2000).

(e) These items are reported net of Revenue Replacement Payments (RRPs) to the States.

(f) Excludes the diesel fuel rebate (DFR) offset to revenue, which is classified as an expense.

(g) This item includes the wine equalisation tax and the luxury car tax from 2000-01.

(h) Consistent with GFS reporting standards, FBT is no longer classified as an income tax.

(i) The Medicare levy was increased from 1.5 to 1.7 per cent for the period from 1 July 1996 to 30 June 1997 to fund the guns buy-back scheme.

(j) Outcomes and estimates of the DFR expense. Reported for informational purposes only.

Table E2: Major categories of revenue as a proportion of gross domestic product (cash basis)^(a)

	Taxation revenue															Non-taxation revenue			
	Income tax							Other taxation revenue								Interest	Dividends and other	Total non-tax revenue	Total revenue
	Individuals				Companies	Super funds	Total (c)	Excises			Customs duty	Sales tax(f)	FBT (g)	Total other tax (h)	Total tax revenue				
	Gross PAYGW	Gross other	Gross PPS	Total (b)				Petroleum products (d)	Other (e)	Total excises									
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1990-91	11.1	2.9	0.4	12.7	3.6	0.3	16.8	2.0	0.6	2.6	0.8	2.4	0.3	6.7	23.5	0.8	0.4	1.2	24.7
1991-92	10.8	2.3	0.4	11.5	3.3	0.3	15.5	1.8	0.6	2.3	0.8	2.2	0.3	6.1	21.7	0.7	0.6	1.4	23.0
1992-93	10.6	1.9	0.4	11.1	3.1	0.4	15.1	1.7	0.6	2.3	0.8	2.2	0.3	5.9	21.0	0.6	0.7	1.3	22.3
1993-94	10.5	1.9	0.4	11.3	2.8	0.3	14.8	1.9	0.5	2.4	0.7	2.3	0.3	6.1	20.9	0.5	1.0	1.5	22.4
1994-95	10.8	2.0	0.5	11.5	3.3	0.4	15.6	2.0	0.5	2.5	0.7	2.5	0.6	6.7	22.3	0.4	0.6	1.0	23.3
1995-96	11.1	2.0	0.4	11.9	3.6	0.3	16.3	2.0	0.5	2.5	0.6	2.6	0.6	6.7	23.0	0.3	0.8	1.0	24.0
1996-97	11.5	2.2	0.4	12.5	3.6	0.5	17.0	2.0	0.5	2.5	0.6	2.5	0.6	6.6	23.6	0.2	0.8	1.0	24.6
1997-98	11.6	2.1	0.4	12.5	3.4	0.5	16.9	1.9	0.5	2.4	0.6	2.5	0.6	6.5	23.4	0.2	0.6	0.8	24.3
1998-99	12.0	2.2	0.5	12.9	3.5	0.7	17.3	1.8	0.4	2.3	0.6	2.5	0.6	6.4	23.7	0.1	0.8	0.9	24.6
1999-00	12.1	2.1	0.5	13.0	3.8	0.6	17.8	1.8	0.4	2.2	0.6	2.5	0.5	6.0	23.8	0.2	2.2	2.4	26.2
2000-01(i)	11.0	1.9	0.0	11.3	4.5	0.7	17.1	1.8	1.0	2.8	0.7	0.3	0.5	4.5	21.5	0.2	2.0	2.1	23.7
2001-02(i)	11.1	2.2	0.0	11.7	4.0	0.6	16.8	1.8	0.9	2.7	0.7	0.1	0.5	4.2	21.0	0.1	2.0	2.2	23.2

(a) Figures up to and including 1998-99 are based on the old Commonwealth Budget Sector cash accounting framework. Figures from 1999-2000 are on a Commonwealth general government GFS basis, consistent with the Uniform Presentation Framework (UPF). As a result, the category 'Dividends and other' now includes many large items that were netted off revenue in outcomes prior 1999-2000, namely 'Receipts from sales of goods and services' (around \$3 billion from 1999-2000), 'Receipts from sales of non-financial assets' (around \$2.5 billion in 1999-2000 and 2000-01 and around \$1.7 billion in 2001-02), 'Other receipts' (around \$3 billion from 1999-2000) and 'GST receipts related to purchases/sales' (around \$2 billion from 2000-01).

(b) The total for the individuals category also includes refunds.

(c) The total for the income tax category also includes refunds, PRRT and other withholding tax.

(d) Petroleum products excise includes crude oil and liquid petroleum gas (LPG) excise, but excludes the DFR offset to revenue, which is now classified as an expense.

(e) Other excise comprises excise from beer, potable spirits and tobacco.

(f) This item also includes the wine equalisation tax and the luxury car tax from 2000-01.

(g) Consistent with GFS reporting standards, FBT is no longer classified as an income tax.

(h) The total for 'other taxation revenue' also includes agricultural levies and other taxes.

(i) Estimates.

Table E3: Major categories of revenue as a proportion of total revenue (cash basis)^(a)

	Taxation revenue															Non-taxation revenue			
	Income tax							Other taxation revenue								Total tax revenue %	Interest %	Dividends and other %	Total non-tax revenue %
	Individuals							Excises					Total other tax (h) %						
	Gross PAYGW %	Gross other %	Gross PPS %	Total (b) %	Companies %	Super funds %	Total (c) %	Petroleum products (d) %	Other (e) %	Total excises %	Customs duty %	Sales tax(f) %		FBT (g) %					
1990-91	44.8	11.6	1.7	51.2	14.4	1.1	68.0	8.2	2.4	10.6	3.4	9.5	1.3	27.1	95.0	3.4	1.6	5.0	
1991-92	46.8	9.8	1.7	49.9	14.4	1.2	67.4	7.7	2.5	10.1	3.5	9.7	1.4	26.6	94.1	3.2	2.7	5.9	
1992-93	47.7	8.8	1.8	50.0	13.7	1.6	67.6	7.7	2.5	10.2	3.5	9.7	1.4	26.5	94.1	2.6	3.3	5.9	
1993-94	46.8	8.6	1.9	50.2	12.6	1.2	65.9	8.5	2.2	10.7	3.2	10.3	1.4	27.4	93.3	2.0	4.6	6.7	
1994-95	46.1	8.6	2.0	49.5	14.1	1.7	66.9	8.5	2.3	10.9	3.1	10.5	2.5	28.8	95.7	1.6	2.7	4.3	
1995-96	46.4	8.3	1.8	49.6	15.0	1.3	67.7	8.4	2.1	10.6	2.6	10.6	2.5	27.9	95.6	1.2	3.2	4.4	
1996-97	46.7	9.0	1.7	50.7	14.6	2.0	69.2	8.1	2.1	10.1	2.5	10.2	2.4	26.9	96.0	0.9	3.1	4.0	
1997-98	48.0	8.8	1.8	51.7	14.2	2.3	69.6	8.0	1.9	9.9	2.7	10.3	2.3	26.9	96.5	0.8	2.6	3.5	
1998-99	48.6	8.9	1.9	52.4	14.2	2.7	70.3	7.5	1.8	9.3	2.5	10.4	2.2	26.0	96.4	0.5	3.2	3.6	
1999-00	46.1	8.1	1.9	49.5	14.7	2.3	68.0	6.9	1.6	8.5	2.3	9.4	2.0	22.8	90.9	0.6	8.5	9.1	
2000-01(i)	46.6	8.2	0.0	47.8	18.9	2.9	72.0	7.8	4.1	11.9	2.9	1.2	2.1	18.9	90.9	0.8	8.3	9.1	
2001-02(ii)	48.1	9.4	0.0	50.6	17.4	2.8	72.5	7.7	4.0	11.7	3.0	0.5	2.1	18.1	90.6	0.6	8.8	9.4	

(a) Figures up to and including 1998-99 are based on the old Commonwealth Budget Sector cash accounting framework. Figures from 1999-2000 are on a Commonwealth general government GFS basis, consistent with the Uniform Presentation Framework (UPF). As a result, the category 'Dividends and other' now includes many large items that were netted off revenue in outcomes prior 1999-2000, namely 'Receipts from sales of goods and services' (around \$3 billion from 1999-2000), 'Receipts from sales of non-financial assets' (around \$2.5 billion in 1999-2000 and 2000-01 and around \$1.7 billion in 2001-02), 'Other receipts' (around \$3 billion from 1999-2000) and 'GST receipts related to purchases/sales' (around \$2 billion from 2000-01).

(b) The total for the individuals category also includes refunds.

(c) The total for the income tax category also includes refunds, PRRT and other withholding tax.

(d) Petroleum products excise includes crude oil and liquid petroleum gas (LPG) excise, but excludes the DFR offset to revenue, which is now classified as an expense.

(e) Other excise comprises excise from beer, potable spirits and tobacco.

(f) This item also includes the wine equalisation tax and the luxury car tax from 2000-01.

(g) Consistent with GFS reporting standards, FBT is no longer classified as an income tax.

(h) As well as excises, customs duty, sales tax and FBT, 'other taxation revenue' includes agricultural levies and other taxes.

(i) Estimates.