ATTACHMENT C

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 16 provides aggregate tax expenditure estimates for the period from 1998-99 to 2005-06.

Table 16: Aggregate tax expenditures 1998-99 to 2005-06[(a)]

	Superannuation	Other tax expenditures	Total	Tax expenditures as a proportion of GDP
	$m	$m	$m	%
1998-99	10,100	16,091	26,191	4.4
1999-00	10,410	17,258	27,668	4.4
2000-01	9,820	20,497	30,317	4.5
2001-02	9,770	20,132	29,902	4.2
2002-03(b)	10,590	19,701	30,291	4.0
2003-04(b)	11,210	18,816	30,026	3.8
2004-05(b)	11,890	19,453	31,343	3.7
2005-06(b)	12,550	20,336	32,886	3.7

(a) Preliminary estimates only — final estimates will be published in the *2002 Tax Expenditures Statement*.
(b) Projections.

Tax expenditures as a proportion of GDP are estimated to increase from 4.4 per cent in 1998-99 to 4.5 per cent in 2000-01 and are then projected to fall to 3.7 per cent in 2005-06. The increase in total measured tax expenditures as a share of GDP largely reflects the first full year operation of the Family Tax Benefit (a tax exempt payment). The subsequent decline reflects the impact from the policy decision to remove accelerated depreciation for plant and equipment. Further detail on tax expenditures will be provided in the *2002 Tax Expenditures Statement*.