Appendix A: GST Revenue

GST REVENUE

The goods and services tax (GST) is levied on a broad range of goods and services across the economy at a rate of 10 per cent. Some goods and services (such as basic food, education and health services) are GST-*free*. For some other goods and services (such as financial supplies and residential accommodation), GST does not apply to the final sale, however the GST that has been paid on the inputs is not refundable.

The introduction of the GST was part of *The New Tax System*, which included reduced personal and company taxes, a reduction in petroleum and diesel excise, the abolition of wholesale sales tax and the abolition of a range of State taxes.

Table A1: Reconciliation of GST revenue (accrual estimates)

	2001-02 $m	2002-03 $m	2003-04 $m	2004-05 $m
GST revenue at 2001-02 Budget	**27,480**	**29,170**	**30,830**	**32,600**
Changes from 2001-02 Budget to MYEFO				
Effect of policy decisions	-50	0	0	0
Effect of parameter and other variations	150	0	0	0
Total variations	100	0	0	0
GST revenue at 2001-02 MYEFO	**27,580**	**29,170**	**30,830**	**32,600**
Changes from MYEFO to 2002-03 Budget				
Effect of policy decisions	50	128	236	244
Effect of parameter and other variations	0	392	244	246
Total variations	50	520	480	490
GST Revenue at 2002-03 Budget	**27,630**	**29,690**	**31,310**	**33,090**

Estimated GST revenue in 2001-02 has been revised up by $50 million since the MYEFO estimate. The decision to defer the introduction of the car rental business GST credit measure accounts for the increase in the estimate. This measure was previously expected to take effect in the second half of 2001-02 but is now expected to be implemented in the first half of 2002-03.

Estimated GST revenue in 2002-03 has been revised upwards by around $520 million since the *Mid-Year Economic and Fiscal Outlook 2001-02* (MYEFO). This is primarily due to the impact of higher levels of tax liabilities recognised but not expected to be paid in 2002-03, consistent with strong growth in the underlying GST revenue base, and new policy decisions including new base protection measures to enhance compliance.

As is the case in 2002-03, it is expected that there will continue to be tax liabilities recognised but not paid in each of the forward years. This influence is expected to increase the estimate by about $310 million in 2002-03, and $210 million in 2003-04 and 2004-05.

Additional base protection measures to strengthen the ATO's compliance and enforcement efforts are expected to add about $180 million to GST revenue in 2002-03, growing to $244 million in 2004-05. The revenue measures are reported in the section below.

GST Revenue Measures

The Government has taken a series of decisions in considering the appropriate level of funding for the ATO. The Government's consideration was framed in the context of an independent output pricing review, which recommended that additional funding was required for the ATO to undertake its required tax administration functions, including the administration of the GST, and to secure the taxation revenue base. Further details are provided in *Budget Paper No. 2*.

As noted in Chapter 1 of this Paper, the Commonwealth and the States have agreed to fund additional GST base protection measures. These measures will strengthen the ATO's compliance and enforcement efforts. The estimated increase in GST revenue from these measures is shown in Table A2.

Table A2: GST revenue measures since the 2001-02 Budget (accrual)

	2002-03 $m	2003-04 $m	2004-05 $m	2005-06 $m
GST administration — increase in base GST administration funding	90.0	95.0	100.0	105.0
Small business (GST) field services	90.0	141.0	144.0	150.0
Total Impact of GST revenue measures	180.0	236.0	244.0	255.0

GST administration — increase in base GST administration funding

Revenue ($m)

	2002-03	2003-04	2004-05	2005-06
Australian Taxation Office:	90.0	95.0	100.0	105.0

Explanation

The Government will provide additional funding for the ATO to manage greater than anticipated GST workloads, and the States will reimburse the Commonwealth. The additional funding was agreed by the Commonwealth and the States at the Ministerial Council meeting of 22 March 2002. This funding is expected to generate an increase in GST revenue to be provided to the States.

Further details may be found in Chapter 1 of this Paper and in the Treasurer's press release of 22 March 2002. See also the related expense measures in the Treasury portfolio in *Budget Paper No. 2*.

Small business (goods and services tax) field services

Revenue ($m)

	2002-03	2003-04	2004-05	2005-06
Australian Taxation Office:	90.0	141.0	144.0	150.0

Explanation

The Government will provide additional funding for the ATO to enhance small business (goods and services tax) field services and compliance capabilities. The independent pricing review identified this area as warranting further investment. The additional funding will provide resources sufficient for the ATO to undertake compliance activities and field services comparable to international benchmarks and best practices.

The additional funding was agreed by the Commonwealth and the States at the Ministerial Council meeting of 22 March 2002. The enhanced services and compliance capabilities are expected to generate an increase in GST revenue to be provided to the States.

Further details may be found in Chapter 1 of this Paper and in the Treasurer's press release of 22 March 2002. See also the related expense measures in the Treasury portfolio in *Budget Paper No. 2*.