

STATEMENT 5: REVENUE

This statement contains details of the estimates of Australian Government revenue.

The revenue estimates have been revised up since the *Pre-Election Economic and Fiscal Outlook 2007 (2007 PEFO)*, mainly because of strong employment and wage growth, corporate profits and other business income flowing in part from the significantly higher terms of trade. This has been partly offset by reductions in capital gains tax and higher borrowing costs for business.

The Government will provide personal income tax cuts of \$46.7 billion over four years from 2008-09.

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STATEMENT 5: REVENUE

OVERVIEW

Relative to the *Pre-Election Economic and Fiscal Outlook 2007* (2007 PEFO), total revenue for 2008-09 is expected to be higher. Stronger growth in nominal incomes, partly due to a strong rise in the terms of trade, is expected to increase taxation revenue from individuals' income and company profits. Additional revenue will be raised from policy decisions such as the deferral of income tax cuts for those earning over \$180,000. These gains are partially offset by global financial market turbulence, which are expected to reduce capital gains tax (CGT) collections, and increase borrowing costs.

Revenue estimates for 2007-08 and 2008-09, together with projections for the period from 2009-10, are provided in Table 1.

Table 1: Total Australian Government general government revenue^(a)

	Actual	Estimates		Projections		
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Total taxation revenue (\$b)	262.5	286.4	299.2	317.0	329.3	344.1
Real growth on						
previous year (%) ^(b)	3.8	5.7	0.9	3.2	1.4	1.9
Per cent of GDP	25.1	25.4	24.3	24.7	24.6	24.4
Non-taxation revenue (\$b)	15.5	17.4	20.2	20.0	21.5	22.8
Real growth on						
previous year (%) ^(b)	-0.1	9.0	12.0	-3.8	5.2	3.5
Per cent of GDP	1.5	1.5	1.6	1.6	1.6	1.6
Total revenue (\$b)	278.0	303.8	319.5	336.9	350.9	366.9
Real growth on						
previous year (%) ^(b)	3.6	5.9	1.6	2.8	1.6	2.0
Per cent of GDP	26.6	26.9	25.9	26.2	26.2	26.1

(a) The revenue estimates in this statement include GST revenue, which is collected by the Australian Government and provided to the States and Territories. A discussion of GST revenue is also provided in Budget Paper No. 3, *Australia's Federal Relations 2008-09*.

(b) Real growth is calculated using the consumer price index (CPI).

Information on the effect on the revenue estimates and the tax-to-GDP ratio of accounting for GST in the revenue estimates for the first time is provided in this statement in Box 5.

VARIATIONS IN THE REVENUE ESTIMATES SINCE THE 2007-08 BUDGET

Table 2 is a reconciliation of this budget's revenue estimates with those at the 2007-08 Budget and the 2007 PEFO.

Table 2: Reconciliation of total Australian Government general government revenue estimates from the 2007-08 Budget and the 2007 PEFO

	Estimates		Projections	
	2007-08	2008-09	2009-10	2010-11
	\$m	\$m	\$m	\$m
Revenue at 2007-08 Budget	246,761	260,726	274,614	287,312
Changes between 2007-08 Budget and MYEFO				
Effect of policy decisions	-225	-6,659	-9,963	-14,604
Effect of parameter and other variations	5,349	9,975	14,088	14,801
Total variations	5,124	3,316	4,125	197
Revenue at 2007-08 MYEFO	251,885	264,042	278,739	287,509
Changes between MYEFO and PEFO				
Effect of policy decisions	-2	24	-1	-1
Effect of parameter and other variations	-11	-31	-35	-38
Total variations	-13	-7	-35	-40
Revenue at 2007 PEFO (as published)	251,871	264,035	278,703	287,469
Adjustment to recognise GST	43,530	46,650	48,990	51,620
Revenue at 2007 PEFO (includes GST)	295,401	310,685	327,693	339,089
Changes between PEFO and 2008-09 Budget				
Effect of policy decisions	239	2,352	4,098	6,370
Effect of parameter and other variations				
Taxation	6,721	3,627	3,829	4,148
Non-taxation	1,470	2,801	1,299	1,255
Total variations	8,430	8,779	9,227	11,772
Revenue at 2008-09 Budget	303,831	319,464	336,920	350,862

Variations to total revenue for 2007-08 and 2008-09

Since 2007 PEFO, estimated total revenue for 2007-08 has been revised up by \$8.4 billion.

Of this, taxation revenue parameter and other variations contribute \$6.7 billion mainly from individuals, companies and superannuation funds. The revisions for individuals largely reflect stronger than anticipated growth in employment and individuals' non-wage income. Companies were only revised up owing to greater than expected revenue from Australian Taxation Office (ATO) audit activities, while superannuation funds had higher earnings in the 2006-07 income year. This has been partly offset by a recent slowing in taxation collections, particularly for companies and superannuation funds relating to lower earnings growth in the 2007-08 income year, reflecting, in part, global financial market turbulence.

Non-taxation revenue has been revised up by \$1.4 billion owing mainly to greater interest revenue.

Total revenue for 2008-09 has been revised up by \$8.8 billion since the 2007 PEFO.

Policy decisions taken since the 2007 PEFO contribute \$2.4 billion to the overall revision in 2008-09.

Taxation revenue parameter and other variations have contributed \$3.6 billion to the revision. Taxation revenue is expected to be subject to the powerful opposing forces confronting the economy. Individuals' incomes, including from unincorporated businesses and property, are expected to grow strongly. Company profits are forecast to be higher, reflecting further strong rises in commodity prices. This is partly offset by recent falls in share prices, which are expected to reduce capital gains, and higher interest expenses for business. Revisions to superannuation funds have detracted significantly from revenue as earnings decline.

Non-taxation revenue has been revised up by \$3.0 billion in 2008-09. This reflects a \$0.8 billion increase in the RBA dividend and an increase in both Future Fund earnings and interest received by the Australian Office of Financial Management on its investments

Box 1: Opposing forces on revenue

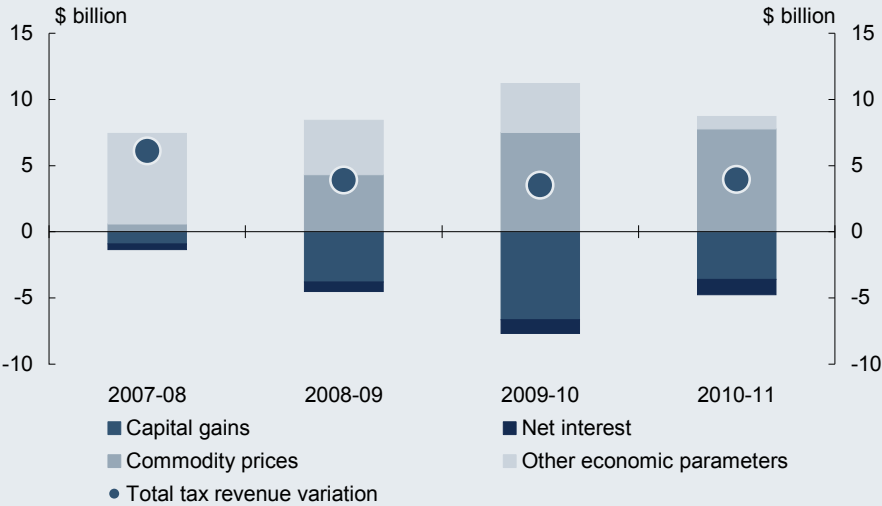
Since 2007 PEFO, there have been opposing economic forces acting on the revenue estimates.

Large rises in Australia’s non-rural commodity prices have provided further stimulus to nominal incomes, especially for mining and related companies. Upward revisions in other economic parameters, in particular, compensation of employees, unincorporated business and property income, and consumption, have also been positive for revenue.

Opposing those influences are the higher net interest rate environment weighing on business profits and the decline in recent months in the value of share markets, due to global financial market uncertainty, reducing CGT revenue. Most of the net interest impact flows from non-financial corporations experiencing higher interest rates on borrowings and higher funding costs placing pressure on the margins of financial corporations.

The impact of these conflicting forces on tax revenue is illustrated in Chart A, which provides a summary of changes in taxation revenue estimates since 2007 PEFO by the main sources of those changes.

Chart A: Changes in taxation revenue by source since 2007 PEFO^{(a)(b)}



(a) Commodity prices only reflect the direct impact on company tax and the petroleum resource rent tax.

(b) Data excludes GST.

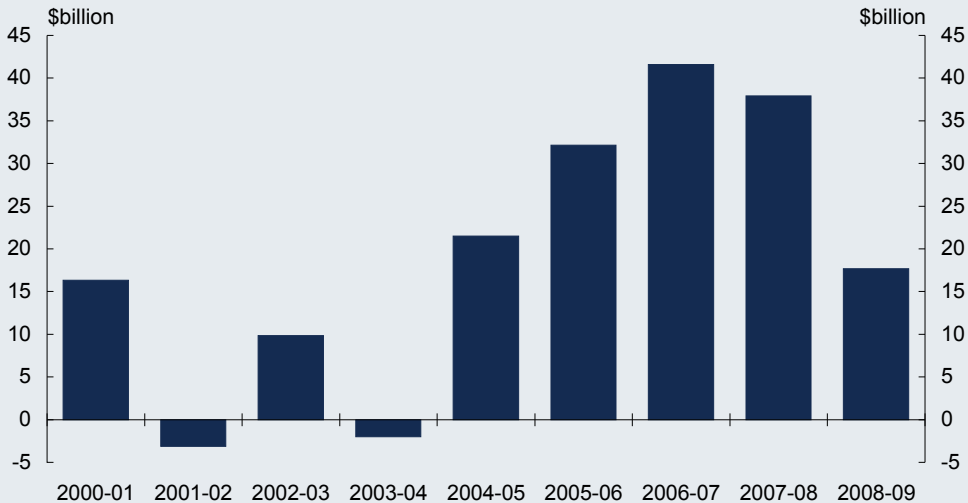
Source: Treasury estimates.

In 2008-09, the direct gain to revenue from higher commodity prices is more than offset by the loss to revenue from lower CGT and higher net interest costs.

Hence, the Government has obtained significantly less revenue benefit from recent economic outcomes and tax collections, and the updated economic outlook over the forward estimates than in recent years, as shown in Chart B.

Box 1: Opposing forces on revenue (continued)**Chart B: Total parameter and other variations to taxation revenue^{(a)(b)}**

Change MYEFO to Budget

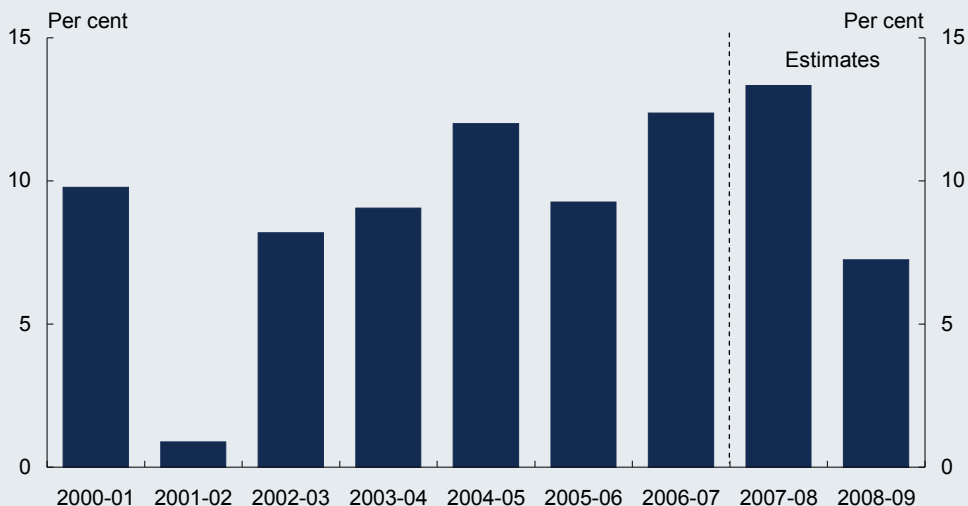


(a) Variation over four years.

(b) For consistency across years, data excludes GST.

Source: Treasury estimates.

Annual growth in underlying tax revenue (which excludes the impact of policy decisions) has also slowed significantly compared to recent years, primarily as CGT is forecast to fall in 2008-09 (see Chart C).

Chart C: Underlying taxation revenue growth^(a)

(a) For consistency across years, data excludes GST.

Source: Treasury estimates.

Effect of policy decisions

Policy decisions since the 2007 PEFO are expected to increase taxation revenue by \$2.4 billion in 2008-09 and \$19.7 billion over the forward years.

These policy decisions are targeted at improving productivity and the fairness and integrity of the tax system. The decisions build on election commitments to defer income tax cuts for higher income earners and improve funding for ATO compliance activity which lead to savings of over \$6 billion.

As part of its examination of expenditures, the Government has decided to abolish or improve the operation of a range of tax expenditures generating savings of \$8.7 billion by 2011-12. Together, these measures will contribute to a fairer tax system, a more productive economy and a fairer return for the use of Australia's non-renewable resources.

Major policy decisions in the Budget include:

- The Government's election commitment to defer the income tax cuts to those earning over \$180,000 will provide savings of \$5.3 billion over the forward estimates period, which will be diverted to the Government's other priorities.
- Increased excise on 'other excisable beverages' (including 'ready-to-drinks') on and from 27 April 2008 will result in an ongoing gain to revenue, estimated to be \$3.1 billion over the forward estimates period, which will help fund increased investment in preventative health.
- Increasing the migration program by providing an additional 31,000 skilled stream places and 6,500 family stream places, estimated to increase revenue by \$2.9 billion over the forward estimates.
- Removing the current exemption of condensate from the crude oil excise which will result in an ongoing gain to revenue, estimated to be \$2.5 billion from Budget night and over the forward estimates period.
- Increasing funding for compliance activities by the Australian Taxation Office, estimated to increase revenue by \$2.0 billion over the forward estimates.
- Aligning the period over which capital expenditure on in-house computer software is depreciated with computer hardware, from 2.5 years to 4 years, with an ongoing gain to revenue estimated to be \$1.3 billion over the forward estimates period.
- Tightening the fringe benefits tax (FBT) exemption that applies to the private use of business property on an employer's premises by excluding meals under a salary sacrifice arrangement. This measure will have an ongoing gain to revenue, estimated to be \$730 million over the forward estimates period.

- Tightening the FBT exemption for certain employer provided work-related items (including laptop computers, personal digital assistants and tools of trade) by ensuring the exemption only applies where these items are used primarily for work purposes. This measure will have an ongoing gain to revenue, estimated to be \$650 million over the forward estimates period.
- Introducing an integrity measure in relation to the goods and services tax and sales of real property which will result in an ongoing gain to revenue, estimated to be \$620 million over the forward estimates period.
- Increasing the luxury car tax, providing additional revenue of \$555 million over the forward estimates.
- Increasing the passenger movement charge, increasing revenue collections by the Australian Customs Service by \$459 million over the forward estimates. The increase will contribute to offsetting the cost of a range of aviation security initiatives that until now have not been cost recovered.
- Reducing the withholding tax on certain distributions of Australian managed funds to foreign residents with effect from 1 July 2008, at a cost of \$630 million over the forward estimates.
- Increasing the Medicare levy surcharge thresholds, at a cost to revenue of \$660 million over the forward estimates.
- Other measures in the Budget will increase revenue by \$763 million. These include a number of measures to improve productivity, and the fairness and integrity of the tax system, including:
 - removing or reducing tax concessions such as those for capital protected borrowings, the entrepreneurs' tax offset and better targeting the concessions for prescribed private funds; and
 - improved targeting of tax relief by better means testing of government support and by tightening eligibility for dependency tax offsets.

Table 3: Revenue policy decisions since the 2007 PEFO

	2007-08	2008-09	2009-10	2010-11	2011-12	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Personal income tax cuts – better targeting	-	-	1,150.0	2,000.0	2,160.0	5,310.0
Excise and customs duty – increased rates on 'other excisable beverages'	97.9	640.1	716.0	799.3	892.6	3,145.9
Migration program – 37,500 place increase for 2008-09	0.0	321.8	580.0	860.6	1,159.9	2,922.3
Crude oil excise – condensate	93.8	564.0	635.4	625.7	625.7	2,544.6
Increased funding for the ATO compliance dividend	-	105.0	295.0	785.0	795.0	1,980.0
Depreciation of computer software	-	15.0	300.0	681.0	318.0	1,314.0
Fringe benefits tax – meal cards	-	110.0	165.0	205.0	250.0	730.0
Fringe benefits tax – exemption for eligible work-related items	-	50.0	140.0	205.0	255.0	650.0
GST and the sale of real property – integrity measure	-	90.0	150.0	175.0	205.0	620.0
Increasing the luxury car tax	-	130.0	140.0	140.0	145.0	555.0
Increase in the passenger movement charge	-	106.3	111.2	117.7	124.1	459.3
A final withholding tax on certain distributions of Australian managed investment trusts to foreign residents	-	-60.0	-125.0	-210.0	-235.0	-630.0
Personal income tax – increasing the Medicare surcharge thresholds	-	-	-195.0	-235.0	-230.0	-660.0
Other measures	46.9	280.1	34.9	220.4	180.9	763.2
Total impact of revenue measures	238.6	2,352.3	4,097.5	6,369.7	6,646.2	19,704.3

Effect of parameter and other variations

In addition to new policy decisions, revisions to expected revenue are driven by recent economic outcomes and tax collections, and the updated economic outlook. The revenue variations discussed in this section stem from those parameter and other variations. That is, they explicitly exclude the impact of new policy decisions on revenue.

The revenue forecasts are based on the forecasts of economic activity presented in Statement 2, with changes in nominal incomes having consequent impacts on expected taxation revenue. The key economic parameters that influence revenue are shown in Table 4.

Analysis of the sensitivity of the taxation revenue estimates to changes in the economic outlook is provided in Statement 3.

Table 4: Key revenue parameters^(a)

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	%	%	%	%	%
Revenue parameters at 2008-09 Budget					
Nominal gross domestic product (non-farm)	7.7	8.9	4 1/4	4 1/4	5 1/4
<i>Change since PEFO</i>	0.8	2.3	0.0	0.0	na
Compensation of employees (non-farm)(b)	7.9	6.2	5 1/4	5 1/4	5 1/4
<i>Change since PEFO</i>	0.3	-0.1	0.0	0.0	na
Corporate gross operating surplus(c)	6.2	16.4	2	1 1/2	5 1/4
<i>Change since PEFO</i>	0.0	9.2	0.3	0.2	na
Unincorporated business income	6.6	4.1	5 1/4	5 1/4	5 1/4
<i>Change since PEFO</i>	6.3	1.4	0.0	0.0	na
Property income(d)	15.0	12.3	5 1/4	5 1/4	5 1/4
<i>Change since PEFO</i>	1.2	1.9	0.0	0.0	na
Consumption subject to GST	7.2	5.4	5 1/4	5 1/4	5 1/4
<i>Change since PEFO</i>	0.7	-0.3	0.0	0.0	na

(a) Current prices, per cent change on previous year.

(b) Compensation of employees measures total remuneration earned by employees.

(c) Corporate GOS is an Australian National Accounts measure of company profits.

(d) Property income measures income derived from rent, dividends and interest.

na Data not available.

Parameter and other variations have contributed \$6.7 billion in 2007-08 and \$3.6 billion in 2008-09 to tax revenue since the 2007 PEFO. While parameter and other variations have increased taxes overall, there have been opposing influences acting on the revenue estimates.

Tax revenue has been boosted by stronger forecasts of growth in nominal non-farm GDP, which has been revised up 0.8 and 2.3 percentage points in 2007-08 and 2008-09 respectively from the 2007 PEFO estimates. All components of nominal income have been revised, reflecting upward revisions to compensation of employees, unincorporated business and property income, company profits and consumption in 2007-08.

Gross income tax withholding revenue is expected to be around \$1.3 billion higher in both 2007-08 and 2008-09, largely as a result of higher forecast growth in compensation of employees in 2007-08 (up 0.3 percentage points) primarily due to strong growth in wages.

Upward revisions in 2007-08 and 2008-09 to forecast growth in property income and unincorporated business income, the principal components of individuals' non-wage and salary earnings, have contributed significantly to upward revisions to tax revenue from gross other individuals' income of just over \$2 billion in each of those years. Mitigating these factors are lower expectations for CGT following the recent decline in the share market and fewer forecast high value asset realisations in the 2007-08 income year (on which tax is paid in 2008-09) compared with the 2006-07 income year.

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Taxation revenue from superannuation funds in 2007-08 is expected to be \$1.6 billion higher than forecast in the 2007 PEFO, as balancing payments related to the earnings of superannuation funds in 2006-07 have been unusually strong, primarily reflecting more taxable contributions. Better wage and employment outcomes (compensation of employees) have increased taxable superannuation contributions, offset partly by weaker other income in 2007-08, including capital gains.

Lower expectations for earnings on realised capital gains following, in part, from the recent falls in share markets is expected to reduce superannuation fund tax revenue in 2008-09, down \$1.8 billion on the 2007 PEFO estimate, mitigated slightly by increased contributions from higher wage and other earnings.

Forecast company tax revenue has increased by \$1.2 billion in 2007-08 as ATO audits have resulted in greater than expected revenue from amended tax assessments related to previous income years. Little, if any, of this additional revenue is expected to be collected in 2007-08 as taxpayers may dispute these assessments (this accounts for most of the difference between the increase in accrual taxation revenue and cash taxation receipts in 2007-08). Previous experience suggests that revenue will be collected over a number of years as disputes are settled. Without this additional revenue from audits, company tax in 2007-08 would have been weaker than previously forecast, reflecting slowing profit growth, including from global financial market turbulence.

Significant increases in the prices of coal and iron ore are primarily responsible for the large upward revision to corporate GOS in 2008-09 (up 9.2 percentage points). Offsetting the influence of commodity prices on taxable company profits, companies are expected to realise less income from capital gains as a result of lower share prices and accrue less net interest income (as non-financial corporations experience higher interest rates on borrowings and higher funding costs place pressure on financial corporations margins). Taking into account all of these influences, forecast company tax is expected to be \$1.7 billion higher in 2008-09.

Estimated revenue from the petroleum resource rent tax (PRRT) has decreased by around \$200 million in 2007-08, as lower than expected extraction of oil and related fuels more than offset the rise in the oil price since 2007 PEFO (up A\$15 per barrel). In 2008-09, PRRT is expected to increase by around \$500 million as the higher forecast oil price (up A\$37 per barrel) more than offsets the impact of lower production expectations and an increase in deductible production and exploration costs.

Forecast goods and services tax (GST) revenue has increased by around \$500 million in 2007-08, largely reflecting higher than expected growth in consumption subject to the GST in late 2007. For 2008-09, the decrease in forecast revenue of around \$400 million primarily reflects GST refunds of around \$500 million expected to be paid following the Federal Court of Australia decision in *KAP Motors Pty Ltd v Commissioner of Taxation* [2008] FCA 159, as well as slower growth in consumption subject to GST and private dwelling investment (down 4.4 percentage points) relative to the 2007 PEFO forecasts.

In 2007-08 and 2008-09, revenue from excise duty has been revised up by around \$100 million and \$400 million respectively, on the back of stronger growth in demand for diesel, tobacco and other refined petroleum products. Overall, demand for fuels continues to grow despite rising prices, but strong business demand and substitution away from petrol engines in the consumer market is particularly supporting diesel excise revenue. Revenue from excise on other refined petroleum products is also increasing from the substitution away from petrol and diesel towards blends containing biofuels.

Customs duty revenue estimates have remained largely unchanged in 2007-08 and 2008-09, although this reflects offsetting movements in revenue components. The relative strength of the Australian dollar and increasing use of bilateral free trade agreements has resulted in a downward revision in the general and textiles, clothing and footwear categories of customs duty revenue. This decline is partly offset by increased importation of products that incur excise-equivalent customs duty, in particular refined petroleum products and beer.

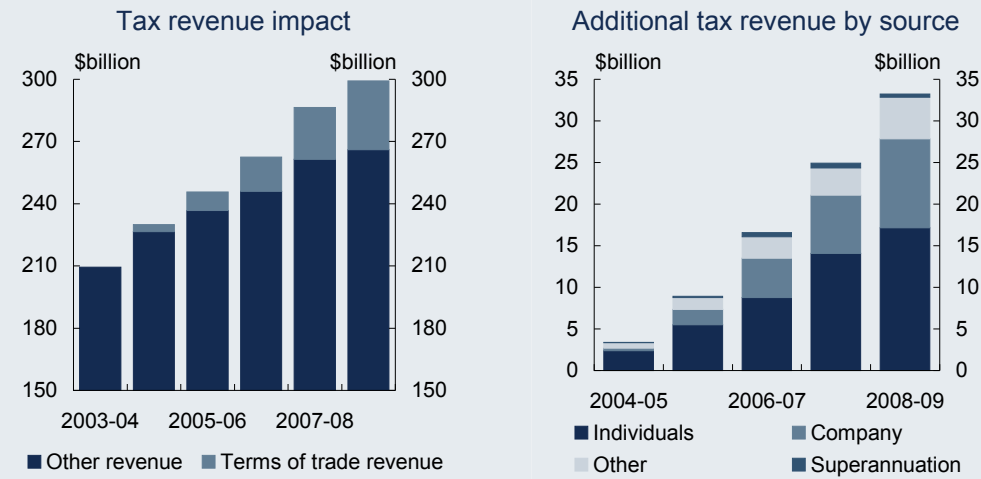
Forecast non-tax revenue has been revised up by \$1.5 billion in 2007-08 and \$2.8 billion in 2008-09. In 2008-09, this reflects an \$814 million increase in the projected RBA dividend largely reflecting additional realised capital gains since 2007 PEFO. The RBA dividend in 2007-08 was impacted by the appreciation in the exchange rate. Dividend payments from the RBA can vary significantly from year to year due to movements in interest rates and the exchange rate. There has also been an increase in Future Fund interest earnings, partly offset by a reduction in estimated Future Fund dividends due to revisions to the Fund's forecast portfolio. In addition there has been an increase in interest received by the Australian Office of Financial Management on its investments.

Box 2: Effect of terms of trade increases on tax revenue

The tax revenue implications of the terms of trade boom flow from the impact of the boom on the nominal economy, which is discussed in Box 9 in Statement 2. Overall, the level of GDP is estimated to be around \$100 billion or 9 per cent higher in 2008-09 as a result of the terms of trade boom. These estimates provide broad orders of magnitude only and are sensitive to the rate, and composition, of growth assumed for the Australian economy without the terms of trade boom.

The terms of trade boom is estimated to generate \$87 billion in tax revenue over the five years to the end of 2008-09, with \$33 billion of that in 2008-09 alone (see Chart A). The terms of trade boom is estimated to contribute 11 per cent of tax revenue in 2008-09. These estimates are not a good guide to the effect of the terms of trade increase over the projection years, especially as key commodity prices are assumed to retrace some of their recent gains in the projection period.

Chart A: Tax revenue



Source: Final budget outcomes and Treasury estimates.

Source: Treasury estimates.

The higher tax revenue has been driven primarily by higher income tax collected from individuals and companies, and higher CGT revenue.

Table A: Composition of tax revenue gain

	2004-05	2005-06	2006-07	2007-08	2008-09	Cumulative
	\$b	\$b	\$b	\$b	\$b	\$b
Company tax	0.3	1.8	4.7	7.0	10.7	24.6
Individuals and other withholding taxation	2.4	5.5	8.8	14.1	17.1	47.9
Superannuation taxation	0.0	0.1	0.5	0.6	0.4	1.7
Goods and services tax	0.4	1.0	1.8	2.3	3.5	8.9
Excise and customs duties	0.3	0.5	0.8	1.0	1.5	4.0
Total taxation revenue	3.4	8.9	16.6	24.9	33.2	87.0

Source: Treasury estimates.

Box 2: Effect of terms of trade increases on tax revenue (continued)

The revenue collected from companies is estimated to be \$24.6 billion higher over 2004-05 to 2008-09. In 2008-09, the terms of trade boom is estimated to have contributed \$10.7 billion, or 14 per cent, of revenue from company tax. The increase reflects higher levels of company profits flowing from higher bulk commodity prices. Company profits are estimated to be around 20 per cent, or \$51 billion higher, in 2008-09 than would have been the case without the terms of trade boom. Mining companies receive higher revenue from commodity prices, boosting their profits and lifting investment. Companies that supply goods and services to the mining industry also benefit from stronger earnings, while many other companies gain indirectly as incomes flow through to other parts of the economy. Company tax revenue does not increase concurrently with higher company profits as companies pay some of their tax in the year following that in which profits are earned. Hence, significant revenue will be collected from companies in 2009-10 as a result of the higher company profits in 2008-09.

The revenue collected from individuals is estimated to be \$47.9 billion higher over the period, with \$17.1 billion of that in 2008-09. Most of this change reflects higher income tax withholding payments from individuals, due to higher average wages and employment. In 2008-09, non-farm average weekly earnings and employment are estimated to be higher by 6½ per cent and 2 per cent respectively due to the terms of trade boom. Individuals are also assumed to receive higher dividend payments as companies pass on to shareholders part of their increased profits.

The revenue collected from superannuation funds is estimated to be \$1.7 billion higher over the period, reflecting higher taxable contributions made to superannuation funds. Contributions are assumed to have risen with higher nominal wages and employment. Superannuation funds will have benefited from higher dividend income, which tends to reduce their net tax payable given that excess franking credits for tax paid by companies and trusts are refundable.

The revenue collected from other taxes would also rise as higher incomes allow people to consume more taxable goods and services. Revenue from the GST, and excise and customs duties are estimated to increase by \$8.9 billion and \$4.0 billion respectively over 2004-05 to 2008-09. Any increase in revenue from the GST would result in an equal increase in grants to the States.

The revenue collected from CGT on individuals, companies and superannuation funds is estimated to be \$7.3 billion higher over 2004-05 to 2008-09 with the terms of trade boom, reflecting higher asset prices. Companies are assumed to retain part of their higher earnings which should result in the value of the Australian share market being higher than would otherwise have been the case, while higher incomes and increases in migration are assumed to increase the demand for housing and hence house prices.

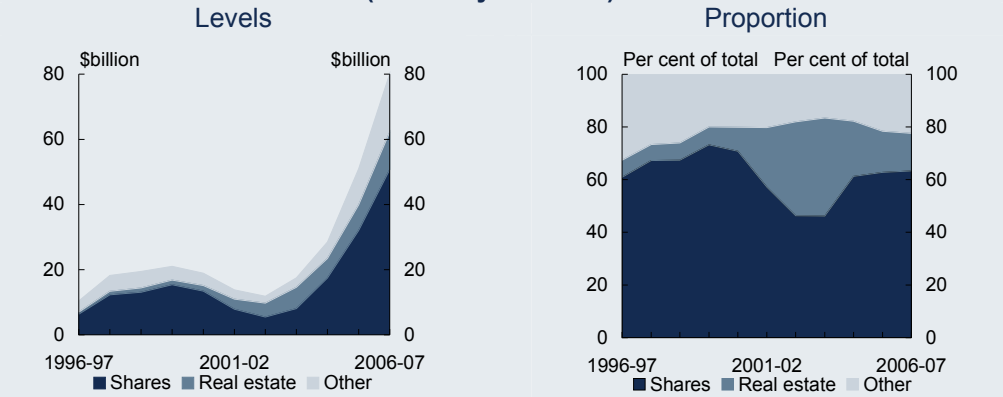
Box 3: Capital gains tax

Capital gains tax (CGT) is a significant, yet volatile, component of individuals, companies and superannuation funds income taxes. Tax payable on net capital gains was \$11.4 billion (1.1 per cent of GDP) in 2005-06, a 64 per cent increase on 2004-05. Early data indicates that CGT has grown to almost \$17 billion in 2006-07.

Income from capital gains can be broken into three broad sources from tax returns: shares, real estate and other assets, as shown in Chart A. Companies and superannuation funds derive a large proportion of their capital gains from shares, while individuals derive a significant proportion of their capital gains from both shares and real estate.

Compositional shifts in capital gains can occur over time as prices change at different rates across asset markets. From the mid-1990s through to around 2000, share markets generally grew strongly and this led to an increasing proportion of capital gains being derived from shares. In the first few years of the 2000s, house prices grew strongly while share markets slowed, resulting in real estate becoming more significant as a source of capital gains. In the last few years, the share market again grew more strongly than house prices, leading to a higher proportion of capital gains being derived from shares.

Chart A: Total capital gains income by asset type (income-year basis)^(a)



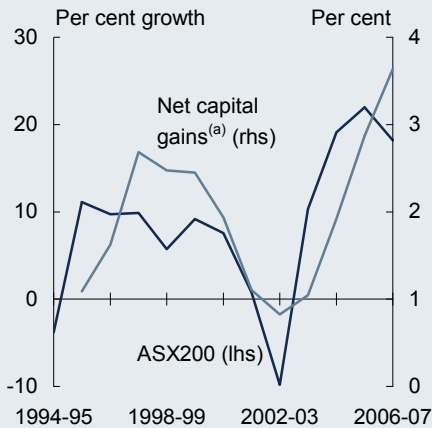
(a) This data is sourced from the CGT schedule, which taxpayers are generally required to complete if their net capital gains in that year are more than \$10,000. On average, over 90 per cent of all capital gains by value are reported in the CGT schedule.

Source: ATO *Taxation Statistics* and Treasury estimates for 2006-07.

Box 3: Capital gains tax (continued)

In recent years, capital gains from shares and real estate have not always moved in line with changes in Australian shares and house prices, respectively. Capital gains income is also affected by the length of time assets are held, when assets are disposed of and the availability of capital losses to offset capital gains. Charts B and C compare capital gains as a percentage of the total capital stock with the relevant price. Capital gains from shares generally move with changes in Australian share prices, but there is significant uncertainty regarding the timing of the gains. As real estate assets tend to be turned over less frequently than shares, capital gains from real estate tends to follow the trend in house prices rather than year to year movements.

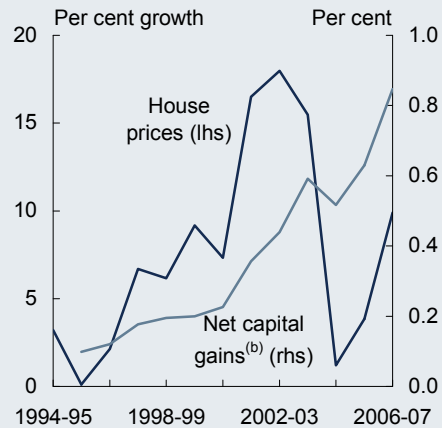
Chart B: Capital gains from shares and share prices



(a) Per cent of total market capitalisation.

Source: RBA Bulletin, ATO *Taxation Statistics* and Treasury estimates for 2006-07.

Chart C: Capital gains from real estate and house prices



(b) Per cent of total capital stock.

Source: ABS cat. no. 6416, ATO *Taxation Statistics* and Treasury estimates for 2006-07.

The CGT estimates in this Budget are shown in Table A and assume some decline in CGT receipts in 2008-09 and 2009-10, reflecting recent falls in the share market and a forecast slowing in house price growth from 2008-09. There is often a lag of up to one year between an asset being sold and when CGT is assessed and collected.

Table A: Capital gains tax forecasts (cash basis)

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	\$b	\$b	\$b	\$b	\$b
Capital gains tax receipts	17.4	15.7	14.2	15.4	17.0
Revisions since 2007 PEFO	-0.9	-3.8	-6.6	-3.6	na

Source: Treasury estimates.

CASH RECEIPTS

Total receipts are expected to be \$8.2 billion lower than revenue in 2007-08, including \$7.8 billion in taxation receipts, and \$6.5 billion lower than revenue in 2008-09, including \$6.6 billion in taxation receipts. Tax receipts are generally driven by the same factors as revenue. However, there will generally be some differences, such as from compliance activity, new tax debts arising and the repayment or write off of past tax debts. These differences will exist for all revenue heads and vary between years.

Since 2007 PEFO the difference between revenue and receipts has been revised up significantly for 2007-08. The increase largely reflects an unusually strong rise in company debt, which has been caused by the issuing of amended assessments and penalties following ATO audits, relating to a number of income years. It is expected that receipts from these audits will be generated across a number of years. The gap between revenue and receipts is expected to fall as receivables growth returns to a more standard level in 2008-09, increasing slightly over the projection years with growth more in line with underlying receipts.

Table 5 provides a reconciliation of the Budget's receipts estimates with those at the 2007 PEFO.

Table 5: Reconciliation of total Australian government general government receipt estimates from the 2007 PEFO

	Estimates		Projections	
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Receipts at 2007 PEFO	289,915	304,687	321,556	332,603
Per cent of GDP	25.9	25.5	25.8	25.6
Changes between PEFO and 2008-09 Budget				
Effect of policy decisions	180	2,302	4,007	6,190
Effect of parameter and other variations				
Taxation	4,228	2,962	3,084	3,344
Non-taxation	1,298	3,009	1,447	1,568
Total variations	5,706	8,274	8,538	11,102
Receipts at 2008-09 Budget	295,622	312,961	330,095	343,705
Per cent of GDP	26.2	25.4	25.7	25.7

Since 2007 PEFO, total receipts have been revised up by \$5.7 billion in 2007-08.

Taxation receipts account for \$4.4 billion of the revision, with higher receipts from individuals and superannuation funds, partly mitigated by lower receipts from companies. Taxation receipts from individuals largely reflect stronger than anticipated growth in employment and individuals' non-wage income, while superannuation funds had higher earnings in the 2006-07 income year. This has been partly offset by a recent slowing in earnings growth in the 2007-08 income year for companies and superannuation funds.

Since 2007 PEFO, total receipts have been revised up by \$8.3 billion in 2008-09.

Taxation receipts have been revised up by \$3.0 billion from parameter and other variations reflecting the expected continued strength in individuals' incomes and higher forecast company profits, reflecting further strong rises in commodity prices. This is partly offset by recent falls in share prices reducing capital gains and higher interest expenses for business.

As outlined in the Government's fiscal strategy in Statement 1: Budget Overview, the Government is banking rather than spending revisions to taxation receipts in 2008-09.

Further information on the difference between the accrual and cash taxation estimates is in Appendix F: Taxation revenue recognition.

REVENUE ESTIMATES BY REVENUE HEAD

The revenue estimates for 2007-08 and 2008-09 are constructed using the outcomes for 2006-07, information on revenue collections in the year to date and the revised economic forecasts for 2007-08 and 2008-09. Revenue estimates for the projection years — 2009-10 to 2011-12 — are based mainly on underlying trends in economic parameters and take no account of cyclical influences on economic activity. Following the practice adopted in the 2006-07 and 2007-08 Budgets, this Budget incorporates a technical assumption that the prices of key non-rural commodities will retrace some of their recent gains over the first two years of the projection period.

Table 6: Australian Government general government revenue

	Actual	Estimates		Projections		
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m	\$m	\$m
Individuals and other withholding taxes						
Gross income tax withholding	107,809	114,610	117,410	124,180	131,740	136,750
Gross other individuals	26,952	30,130	31,300	31,500	32,990	33,740
less: Refunds	17,147	19,640	22,010	23,130	24,720	24,800
Total individuals and withholding taxation	117,614	125,100	126,700	132,550	140,010	145,690
Fringe benefits tax	3,754	3,900	4,110	4,190	4,260	4,140
Superannuation funds	7,879	11,710	9,750	10,450	11,140	12,400
Company tax	58,538	66,480	73,490	80,770	82,520	86,460
Petroleum resource rent tax	1,594	1,840	2,920	3,470	2,830	2,790
Income taxation revenue	189,378	209,030	216,970	231,430	240,760	251,480
Sales taxes						
Goods and services tax	41,208	44,370	46,900	49,960	52,680	55,560
Wine equalisation tax	651	670	680	690	710	730
Luxury car tax	365	440	580	610	630	650
Other sales taxes	60	-20	0	0	0	0
Total sales taxes	42,284	45,460	48,160	51,260	54,020	56,940
Excise duty						
Petrol	7,128	6,700	6,970	6,890	6,820	6,860
Diesel	6,197	6,700	6,860	7,100	7,350	7,610
Other fuel products	803	1,060	1,210	1,380	1,570	1,700
Crude oil and condensate	525	470	1,060	1,070	1,100	1,110
Beer	1,826	1,880	1,910	1,960	2,020	2,080
Potable spirits	208	200	190	190	190	190
Other excisable beverages(a)	665	850	1,430	1,610	1,790	2,010
Tobacco	5,382	5,530	5,550	5,590	5,630	5,660
Total excise duty revenue	22,734	23,390	25,180	25,790	26,470	27,220
Customs duty						
Textiles, clothing and footwear	932	950	990	760	520	560
Passenger motor vehicles	1,253	1,360	1,450	1,160	790	820
Excise-like goods	2,204	2,410	2,540	2,710	2,860	3,010
Other imports	1,485	1,500	1,560	1,620	1,680	1,740
less: Refunds and drawbacks	230	230	240	240	240	240
Total customs duty revenue	5,644	5,990	6,300	6,010	5,610	5,890
Other indirect taxation						
Agricultural levies	608	577	595	398	342	353
Other taxes	1,862	1,935	2,031	2,070	2,141	2,202
Other indirect taxation revenue	2,470	2,512	2,625	2,467	2,483	2,555
Indirect taxation revenue	73,132	77,352	82,265	85,527	88,583	92,605
Taxation revenue	262,511	286,382	299,235	316,957	329,343	344,085
Sales of goods and services						
Dividends	5,064	5,369	5,699	5,898	6,177	6,401
Interest received	2,999	2,904	4,637	3,863	3,882	3,950
Other non-taxation revenue	3,921	5,195	6,041	6,511	7,684	8,899
Other non-taxation revenue	3,520	3,982	3,852	3,691	3,776	3,587
Non-taxation revenue	15,504	17,449	20,229	19,963	21,518	22,837
Total revenue	278,015	303,831	319,464	336,920	350,862	366,922

(a) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

Total revenue is expected to increase by \$25.8 billion in 2007-08, 9.3 per cent growth on revenue in 2006-07. Driving this growth are strong increases in taxes from companies and superannuation funds, which are expected to grow by 14 per cent and 54 per cent respectively.

In 2008-09, total revenue is forecast to increase by \$15.6 billion, an increase of 5.1 per cent. Strong growth in commodity prices boosting company tax and PRRT and interest and dividend earnings from the Australian Government's investments underlie this growth.

Income Tax Revenue

Gross income tax withholding

Estimated revenue from gross income tax withholding in 2007-08 is expected to increase by \$6.8 billion, principally reflecting the level of employment significantly expanding the tax base and partially offset by tax cuts. In 2008-09, slowing employment growth and the effect of increases in tax thresholds are expected to slow growth in income taxation revenue, which is expected to increase by \$2.8 billion.

Over the projection period, trend growth in employment and wages should see modest growth in gross income tax withholding, reduced by the continued impact of announced tax cuts.

The Government has, subject to economic conditions, committed to an aspirational tax goal of reducing the number of personal income tax rates from four to three by 2013-14. As a first step towards this goal the government has set aside \$6 billion for this purpose. In addition to gross income tax withholding, this allowance includes impacts on revenue related to gross other individuals, individuals' refunds and fringe benefits tax.

Gross other individuals

Gross revenue from other individuals is expected to increase by \$3.2 billion in 2007-08, reflecting the strength of small unincorporated business earnings and the lagged collection of capital gains realised in the 2006-07 income year. The 2006-07 income year includes an unusually high number of large capital gains events.

In 2008-09, revenue from other individuals is expected to increase by \$1.2 billion, reflecting tax cuts and a slowdown in non-wage income growth, including a decline in the value of capital gains realised in 2007-08.

Further out, unincorporated business income growth is projected to slow, growing in line with nominal GDP, and capital gains are expected to again contribute to revenue growth.

Income tax refunds for individuals

Refunds for individuals are expected to increase by \$2.5 billion in 2007-08, reflecting the strong labour outcomes of 2006-07. Workers who are engaged in salary work for only a part-year have tax withheld at a full-year rate, typically resulting in over payment of tax through the year.

Statement 5: Revenue

In 2008-09 individuals' refunds are expected to increase by a further \$2.4 billion, reflecting both the continued strength in labour market conditions and stronger growth in non-wage income in 2007-08. The increased value of offsets and deductions is also expected to continue contributing to growth in individuals' refunds.

Growth over the projection period largely follows fluctuations in individuals' income tax payments, growing throughout the period.

Medicare levy

Revenue from the Medicare levy is expected to increase by \$200 million in 2007-08, and by \$210 million in 2008-09. Movements in revenue from the Medicare levy are generally consistent with growth in personal taxable income, mitigated in part by increases in the Medicare levy and surcharge thresholds.

Fringe benefits tax

Revenue from FBT is expected to increase by \$150 million in 2007-08, reflecting stronger labour market outcomes largely offset by a reduction in the take up of fringe benefits taxable forms of remuneration.

FBT is expected to grow by \$210 million in 2008-09, and remain largely unchanged over the forward estimates period as the reduction in the take up of fringe benefits taxable forms of remuneration continues.

Superannuation funds

Taxation revenue from superannuation funds is expected to increase by \$3.8 billion in 2007-08, principally reflecting unusually high balancing payments relating to the 2006-07 income year.

Superannuation funds achieved unusually strong growth in taxable contributions and net capital gains in 2006-07. With strong labour market outcomes and superannuation changes, taxable contributions have grown strongly and increased the funds available for investment. Superannuation funds also benefited from the pace of growth in share prices in 2006-07.

Revenue from superannuation funds is expected to fall by \$2 billion in 2008-09 in line with the recent performance of both the domestic and many overseas share markets. Recent market developments are expected to lead to lower capital gains tax revenue and an increase in capital losses.

Over the projection period, growth in revenue from superannuation funds is projected to return to modest levels, reflecting more moderate employment and wage outcomes and a gradual recovery in realised capital gains.

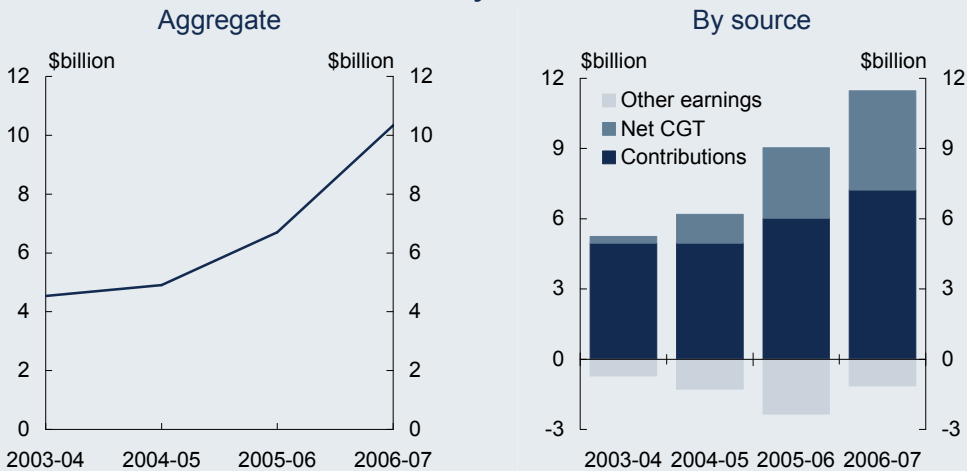
While the abolition of the superannuation surcharge extinguishes future liabilities from accruing, allowance has been made in relation to liabilities which accrued prior to

1 July 2005. Revenue from the superannuation surcharge is expected to decrease by \$260 million in 2007-08, and a further \$40 million in 2008-09.

Box 4: Growth in revenue from superannuation funds

The revenue collected from superannuation funds has grown strongly since 2004-05 (see Chart A). Revenue from superannuation funds, excluding the superannuation surcharge, grew by 39 per cent in the 2005-06 income year and 54 per cent in the 2006-07 income year. The revenue growth reflects strength in realised net capital gains earned by superannuation funds and higher taxable net contributions made to superannuation funds.

Chart A: Revenue from superannuation funds
Income-year basis



Source: ATO *Taxation Statistics* and Treasury estimate for 2006-07.

Net capital gains realised by superannuation funds are generally taxed at an effective rate of 10 per cent. Between 2003-04 and 2006-07, the CGT collected from superannuation funds is estimated to have risen over fourteen-fold to \$4 billion, primarily due to higher realised capital gains on shares and more superannuation funds realising capital gains. Box 3 provides more information on capital gains tax.

A 15 per cent tax rate generally applies to contributions made by employers and contributions made by the self-employed or others where the fund has been advised that the individual is intending to claim a deduction. Over 90 per cent of taxable contributions are made by employers, including contributions made under the superannuation guarantee, award and salary sacrifice arrangements.

Box 4: Growth in revenue from superannuation funds (continued)

Taxable contributions grew strongly in 2005-06 and 2006-07. In 2006-07, the estimated tax collected from contributions, excluding taxable contributions transferred to pooled superannuation trusts or life insurance companies, was around \$7.2 billion.

Strong labour market outcomes and superannuation changes have been supportive of growth in taxable contributions to superannuation. The ageing of the Australian workforce will also tend to support strong growth in contributions as older workers, on average, make higher voluntary contributions.

Other deductions, rebate and tax offsets are allocated to other earnings for simplicity and many of these deductions relate to earning investment income. Other earnings typically decreases tax collected given that unused franking credits on company distributions are refundable and superannuation funds are allowed credits for any foreign tax paid on foreign income. In 2006-07, other earnings are estimated to have reduced the amount of tax collected from superannuation funds by about \$1.1 billion.

Company and other related income taxation

Company income taxation

Company income tax revenue is expected to increase by \$7.9 billion in 2007-08, growth of 13.6 per cent on the 2006-07 outcome. Company tax revenues are received partly with a lag to the year in which the income is earned, so the continued strength in revenues in 2007-08 partly reflects the strength in corporate income in 2006-07. Underpinning this strength is strong capital gains income, and lower depreciation expenses, reducing offsets against companies' taxable income. Audit activity by the ATO relating to previous income years has raised additional one-off revenue in 2007-08.

Growth in company tax is expected to moderate slightly in 2008-09, increasing by \$7.0 billion, following weaker growth in corporate income in 2007-08 (due to more moderate growth in corporate operating incomes and a substantial slowdown in capital gains income), mitigated by the forecast strong increase in the terms of trade in 2008-09.

Company income taxation revenue over the projection years, 2009-10 to 2011-12, incorporates a technical assumption that the prices of key non-rural commodities will retrace some of their recent gains over the first two years of the projection period.

Petroleum resource rent tax

Estimated revenue from PRRT is expected to increase by \$250 million in 2007-08, as sales revenue mirrors the increase in the crude oil price (in Australian dollar terms), with deductions from costs carried forward from previous years moderating the

impact on tax revenue. The rising price for oil appears to have led to increased exploration activity by extractors, a deductible cost under the PRRT regime designed to reduce the risk associated with exploration activity.

In 2008-09 petroleum resource rent tax revenue is expected to increase by \$1.1 billion, reflecting recent rises in the price of oil and related energy resources.

Further out, the production levels of some new fields are expected to see them commence payment of PRRT, lifting revenue before the general decline in production volumes as older fields mature sees expected revenue begin to decline.

Sales taxation revenue

Goods and services tax

GST revenue is expected to increase by \$3.2 billion in 2007-08 on the back of strong growth in nominal household consumption subject to GST, particularly in the first half of the financial year. In line with the expected slowing in growth in consumption and continued moderate private dwelling investment, a smaller increase in GST revenue of \$2.5 billion in 2008-09 is expected.

The decision of the Federal Court of Australia in *KAP Motors Pty Ltd v Commissioner of Taxation* [2008] FCA 159 is expected to result in around \$500 million of refunds that reduce GST revenue in 2008-09.

Over the forward estimates period, GST is expected to grow at a moderate pace, in line with the assumed trend growth in nominal consumption.

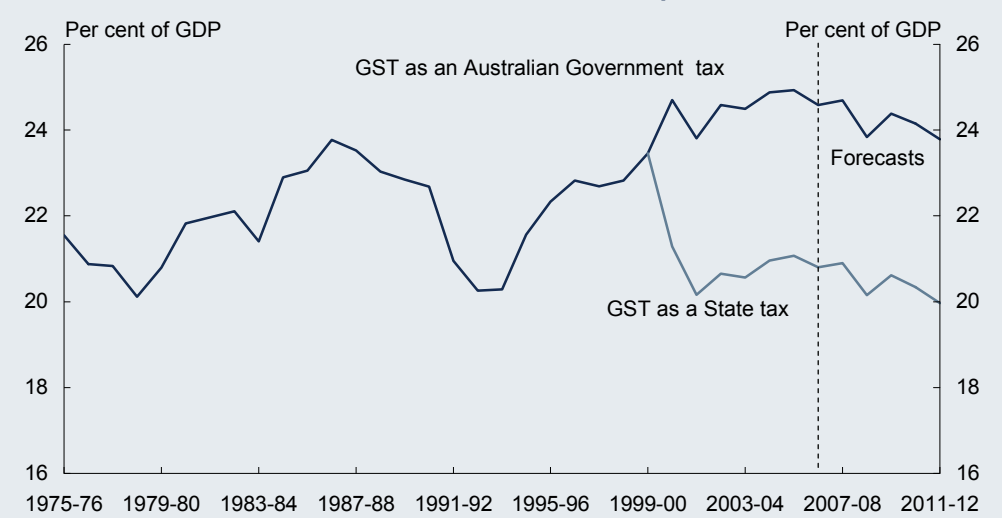
In accordance with the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, the Commonwealth administers the GST on behalf of the States and GST revenue is paid to the States.

Box 5: Reporting the GST as an Australian Government tax

The 2008-09 Budget is the first to record the GST in accordance with the reporting standards specified in the *Charter of Budget Honesty Act 1998*, the Australian Bureau of Statistics' *Government Finance Statistics (GFS)* and Australian Accounting Standards (AAS). This budget records the GST as an Australian Government tax – previous budgets recorded it as a state government tax.

The reclassification of the GST results in an increase in reported tax revenue by the amount of the GST for all years since its introduction in 2000-01 and increases the Australian Government's tax-to-GDP ratio, as shown in Chart A. (There is a similar increase in grants to the States and Territories on the expense side of the budget.) On average, the GST adds 3.8 percentage points per year to the reported tax-to-GDP ratio since its introduction.

Chart A: Australian Government tax receipts-to-GDP ratio



The reclassification of GST also results in small changes to the amount of GST reported compared with the numbers published in previous budget documents. A reconciliation of the differences for revenue and receipts is provided in Table A.

Non-general interest charge (non-GIC) penalties are primarily penalties paid by taxpayers who fail to lodge their returns on time. GST-related non-GIC penalties are retained by the Commonwealth rather than paid to the States because the definition of GST receipts, which was agreed with the States and legislated, does not include them. The GFS standard requires that penalties relating to a particular tax are to be recorded together with that tax so GST-related non-GIC penalties are now reported as part of GST. Previously they were reported in the 'other taxes' category because there was no GST in the Commonwealth accounts to report it with. GST-related non-GIC penalties have been explicitly identified only since 2004-05.

Box 5: Reporting the GST as an Australian Government tax (continued)

GST collected through normal business transactions by Commonwealth agencies but which has not yet been remitted to the ATO is now recorded as GST cash receipts. These amounts are now considered GST once they have entered the Commonwealth general government sector. Previously, amounts were only recognised as GST receipts once they had been received by the ATO.

Information about GST payments to the States is provided in Budget Paper No. 3, *Australia's Federal Relations 2008-09*.

Table A: Reconciliation of GST outcomes

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Previous GST revenue	23,854	27,389	31,257	34,121	35,793	38,884	41,006
<i>plus</i> GST non-GIC penalties	na	na	na	na	182	234	202
Revenue at 2008-09 Budget	23,854	27,389	31,257	34,121	35,975	39,118	41,208
 Previous GST receipts	 23,777	 26,898	 30,699	 33,195	 35,063	 37,442	 39,560
<i>plus</i> Commonwealth agency adjustment	-202	-75	14	-126	79	-144	-34
<i>plus</i> GST non-GIC penalties	na	na	na	na	45	44	87
Receipts at 2008-09 Budget	23,575	26,822	30,713	33,069	35,187	37,342	39,614

Other sales taxes

Other sales taxes include the luxury car tax and wine equalisation tax and residual liabilities and disputed amounts related to the abolished wholesale sales tax.

Revenue from other sales taxes is expected to grow by \$14 million in 2007-08 and by a further \$170 million in 2008-09.

For the luxury car tax this reflects the impact of the increase in the luxury car tax rate from 1 July 2008. Wine equalisation tax revenue is expected to rise moderately throughout the forecast and projection periods reflecting the balance of slow volumes growth and moderate price growth.

Excise and customs revenue**Excise duty**

In 2008-09, revenue from excise duty on refined petroleum products is expected to increase by \$580 million, following an increase of \$330 million in 2007-08.

Despite rising pump prices for refined petroleum products, demand continues to grow. The strong performance of the business (and particularly mining) sector is supporting growth in demand for diesel, as is the increased demand for diesel fuelled passenger vehicles. Longer term, demand for gasoline appears to be declining,

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reflecting consumer substitution to more fuel-efficient vehicles and blends containing biofuels.

Crude oil excise revenue is expected to decline in 2007-08 by \$55 million, reflecting the gradual decline in volumes from (generally) older fields and the lower progressive tax rate these lower volumes incur. The policy decision to remove the crude oil excise exemption on condensate production is expected to increase revenue in 2008-09 by \$590 million.

Estimated revenue from other excisable goods (other excise) is expected to increase by \$380 million in 2007-08 and by \$620 million in 2008-09. This reflects a general trend towards declining volumes of consumption of both tobacco and alcohol being more than offset by the policy decision to increase the excise rate on pre-mixed alcoholic beverages.

Customs duty

Customs duty revenue is expected to increase by \$350 million in 2007-08, reflecting strong import demand for excise-like products and passenger motor vehicles. Increased importation of automotive components has also played a significant role in this increase.

Growth of customs revenue is expected to slow as household nominal consumption and domestic demand ease, partly offset by the effect of a higher exchange rate on import prices.

Growth in customs duty revenue in the projection years is dominated by the impact of the tariff rate reductions scheduled to occur on 1 January 2010, leading to the declines in revenue in the first two projection years even as the value of imports continues to increase.

Other taxation revenue

Revenue from agricultural levies is expected to remain relatively constant in 2008-09 but will decline from 2009-10 primarily due to the scheduled cessation of the Dairy Industry Restructure Package levy in 2009.

Non-taxation revenue

Non-taxation revenue is expected to increase by \$2.8 billion (up 15.9 per cent) in 2008-09 largely reflecting an increase in dividends from the RBA. This increase is mainly due to an increase in the RBA dividend, which largely reflects that the RBA has realised higher capital gains on its portfolio than in the previous year. Also, the RBA dividend paid in 2007-08 was impacted by the appreciation in the exchange rate.

APPENDIX A: REVENUE AND RECEIPTS FORWARD ESTIMATES

Table A1: Australian Government general government revenue (accrual basis)

	Actual	Estimates		Projections		
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m	\$m	\$m
Individuals and other withholding taxes						
Gross income tax withholding	107,809	114,610	117,410	124,180	131,740	136,750
Gross other individuals	26,952	30,130	31,300	31,500	32,990	33,740
less: Refunds	17,147	19,640	22,010	23,130	24,720	24,800
Total individuals and withholding taxation	117,614	125,100	126,700	132,550	140,010	145,690
Fringe benefits tax	3,754	3,900	4,110	4,190	4,260	4,140
Superannuation funds	7,879	11,710	9,750	10,450	11,140	12,400
Company tax	58,538	66,480	73,490	80,770	82,520	86,460
Petroleum resource rent tax	1,594	1,840	2,920	3,470	2,830	2,790
Income taxation revenue	189,378	209,030	216,970	231,430	240,760	251,480
Sales taxes						
Goods and services tax	41,208	44,370	46,900	49,960	52,680	55,560
Wine equalisation tax	651	670	680	690	710	730
Luxury car tax	365	440	580	610	630	650
Other sales taxes	60	-20	0	0	0	0
Total sales taxes	42,284	45,460	48,160	51,260	54,020	56,940
Excise duty						
Petrol	7,128	6,700	6,970	6,890	6,820	6,860
Diesel	6,197	6,700	6,860	7,100	7,350	7,610
Other fuel products	803	1,060	1,210	1,380	1,570	1,700
Crude oil and condensate	525	470	1,060	1,070	1,100	1,110
Beer	1,826	1,880	1,910	1,960	2,020	2,080
Potable spirits	208	200	190	190	190	190
Other excisable beverages(a)	665	850	1,430	1,610	1,790	2,010
Tobacco	5,382	5,530	5,550	5,590	5,630	5,660
Total excise duty revenue	22,734	23,390	25,180	25,790	26,470	27,220
Customs duty						
Textiles, clothing and footwear	932	950	990	760	520	560
Passenger motor vehicles	1,253	1,360	1,450	1,160	790	820
Excise-like goods	2,204	2,410	2,540	2,710	2,860	3,010
Other imports	1,485	1,500	1,560	1,620	1,680	1,740
less: Refunds and drawbacks	230	230	240	240	240	240
Total customs duty revenue	5,644	5,990	6,300	6,010	5,610	5,890
Other indirect taxation						
Agricultural levies	608	577	595	398	342	353
Other taxes	1,862	1,935	2,031	2,070	2,141	2,202
Other indirect taxation revenue	2,470	2,512	2,625	2,467	2,483	2,555
Indirect taxation revenue	73,132	77,352	82,265	85,527	88,583	92,605
Taxation revenue	262,511	286,382	299,235	316,957	329,343	344,085
Sales of goods and services	5,064	5,369	5,699	5,898	6,177	6,401
Dividends	2,999	2,904	4,637	3,863	3,882	3,950
Interest received	3,921	5,195	6,041	6,511	7,684	8,899
Other non-taxation revenue	3,520	3,982	3,852	3,691	3,776	3,587
Non-taxation revenue	15,504	17,449	20,229	19,963	21,518	22,837
Total revenue	278,015	303,831	319,464	336,920	350,862	366,922

(a) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

Table A2: Australian Government general government receipts (cash basis)

	Actual	Estimates		Projections		
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
Individuals and other withholding taxes						
Gross income tax withholding	107,119	113,790	116,530	123,230	130,740	135,690
Gross other individuals	25,797	28,800	29,950	30,100	31,530	32,190
less: Refunds	17,145	19,640	22,010	23,130	24,720	24,800
Total individuals and withholding taxation	115,770	122,950	124,470	130,200	137,550	143,080
Fringe benefits tax	3,761	3,860	4,020	4,100	4,170	4,050
Superannuation funds	8,211	11,740	9,730	10,430	11,120	12,370
Company tax	57,100	62,800	71,720	78,670	80,060	83,550
Petroleum resource rent tax	1,510	1,710	2,630	3,380	2,950	2,760
Income taxation receipts	186,353	203,060	212,570	226,780	235,850	245,810
Sales taxes						
Goods and services tax	39,614	42,788	45,368	48,365	50,989	53,788
Wine equalisation tax	650	660	670	680	700	720
Luxury car tax	364	440	580	610	630	650
Other sales taxes	-6	0	0	0	0	0
Total sales taxes	40,621	43,888	46,618	49,655	52,319	55,158
Excise duty						
Petrol	7,139	7,020	6,840	6,760	6,680	6,720
Diesel	6,207	6,700	6,860	7,100	7,350	7,610
Other fuel products	792	1,060	1,210	1,380	1,570	1,700
Crude oil and condensate	525	400	1,050	1,060	1,100	1,110
Beer	1,829	1,880	1,910	1,960	2,020	2,080
Potable spirits	209	200	190	190	190	190
Other excisable beverages(a)	666	850	1,430	1,610	1,790	2,010
Tobacco	5,382	5,530	5,550	5,590	5,630	5,660
Total excise duty receipts	22,749	23,640	25,040	25,650	26,330	27,080
Customs duty						
Textiles, clothing and footwear	928	950	990	760	520	560
Passenger motor vehicles	819	960	1,050	830	560	590
Excise-like goods	2,204	2,410	2,540	2,710	2,860	3,010
Other imports	1,482	1,490	1,550	1,610	1,670	1,730
less: Refunds and drawbacks	370	370	380	380	380	380
Total customs duty receipts	5,063	5,440	5,750	5,530	5,230	5,510
Other indirect taxation						
Agricultural levies	608	577	595	398	342	353
Other taxes	1,999	1,930	2,071	2,136	2,071	2,355
Total other indirect taxation receipts	2,607	2,508	2,666	2,534	2,413	2,708
Indirect taxation receipts	71,039	75,476	80,074	83,368	86,292	90,457
Taxation receipts	257,392	278,536	292,644	310,148	322,142	336,267
Sales of goods and services	4,802	5,340	5,694	5,913	6,155	6,373
Dividends	3,197	2,904	4,637	3,863	3,932	4,000
Interest received	3,731	5,102	5,865	6,381	7,568	8,770
Other non-taxation receipts(b)	3,462	3,740	4,121	3,790	3,909	3,607
Non-taxation receipts	15,192	17,086	20,316	19,946	21,563	22,751
Total receipts	272,584	295,622	312,961	330,095	343,705	359,018

(a) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

(b) These numbers are lower than previously published, reflecting the move to GFS reporting. Other non-taxation receipts no longer include GST input credits received by general government, worth \$3.6 billion in 2006-07.

APPENDIX B: CHANGES SINCE 2007 PEFO

Table B1: Reconciliation of 2007-08 general government revenue (accrual basis)

	Estimates		Change on PEFO	
	PEFO \$m	Budget \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	113,329	114,610	1,281	1.1
Gross other individuals	28,110	30,130	2,020	7.2
less: Refunds	19,792	19,640	-152	-0.8
Total individuals and withholding taxation	121,648	125,100	3,452	2.8
Fringe benefits tax	3,970	3,900	-70	-1.8
Superannuation funds	10,130	11,710	1,580	15.6
Company tax	65,250	66,480	1,230	1.9
Petroleum resource rent tax	2,060	1,840	-220	-10.7
Income taxation revenue	203,058	209,030	5,972	2.9
Sales taxes				
Goods and services tax	43,760	44,370	610	1.4
Wine equalisation tax	680	670	-10	-1.5
Luxury car tax	400	440	40	10.0
Other sales taxes	0	-20	-20	0.0
Total sales taxes	44,840	45,460	620	1.4
Excise duty				
Petrol	7,110	6,700	-410	-5.8
Diesel	6,400	6,700	300	4.7
Other fuel products	980	1,060	80	8.2
Crude oil and condensate	340	470	130	38.2
Beer	1,890	1,880	-10	-0.5
Potable spirits	210	200	-10	-4.8
Other excisable beverages(a)	740	850	110	14.9
Tobacco	5,420	5,530	110	2.0
Total excise duty revenue	23,090	23,390	300	1.3
Customs duty				
Textiles, clothing and footwear	1,000	950	-50	-5.0
Passenger motor vehicles	1,360	1,360	0	0.0
Excise-like goods	2,340	2,410	70	3.0
Other imports	1,540	1,500	-40	-2.6
less: Refunds and drawbacks	230	230	0	0.0
Total customs duty revenue	6,010	5,990	-20	-0.3
Other indirect taxation				
Agricultural levies	589	577	-11	-1.9
Other taxes	1,812	1,935	123	6.8
Total other indirect taxation revenue	2,400	2,512	112	4.6
Indirect taxation revenue	76,340	77,352	1,012	1.3
Taxation revenue	279,399	286,382	6,983	2.5
Sales of goods and services	5,191	5,369	178	3.4
Dividends	2,707	2,904	197	7.3
Interest received	4,656	5,195	539	11.6
Other non-taxation revenue	3,447	3,982	534	15.5
Non-taxation revenue	16,002	17,449	1,447	9.0
Total revenue	295,401	303,831	8,431	2.9

(a) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

Table B2: Reconciliation of 2008-09 general government revenue (accrual basis)

	Estimates		Change on PEFO	
	PEFO	Budget		
	\$m	\$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	115,988	117,410	1,422	1.2
Gross other individuals	29,140	31,300	2,160	7.4
less: Refunds	21,833	22,010	177	0.8
Total individuals and withholding taxation	123,295	126,700	3,406	2.8
Fringe benefits tax	4,100	4,110	10	0.2
Superannuation funds	11,590	9,750	-1,840	-15.9
Company tax	71,849	73,490	1,641	2.3
Petroleum resource rent tax	2,380	2,920	540	22.7
Income taxation revenue	213,214	216,970	3,757	1.8
Sales taxes				
Goods and services tax	46,910	46,900	-10	0.0
Wine equalisation tax	700	680	-20	-2.9
Luxury car tax	410	580	170	41.5
Other sales taxes	0	0	0	0.0
Total sales taxes	48,020	48,160	140	0.3
Excise duty				
Petrol	7,030	6,970	-60	-0.9
Diesel	6,580	6,860	280	4.3
Other fuel products	1,130	1,210	80	7.1
Crude oil and condensate	170	1,060	890	523.5
Beer	1,940	1,910	-30	-1.5
Potable spirits	210	190	-20	-9.5
Other excisable beverages(a)	840	1,430	590	70.2
Tobacco	5,450	5,550	100	1.8
Total excise duty revenue	23,350	25,180	1,830	7.8
Customs duty				
Textiles, clothing and footwear	1,060	990	-70	-6.6
Passenger motor vehicles	1,450	1,450	0	0.0
Excise-like goods	2,480	2,540	60	2.4
Other imports	1,600	1,560	-40	-2.5
less: Refunds and drawbacks	240	240	0	0.0
Total customs duty revenue	6,350	6,300	-50	-0.8
Other indirect taxation				
Agricultural levies	599	595	-5	-0.8
Other taxes	1,906	2,031	125	6.5
Total other indirect taxation revenue	2,505	2,625	120	4.8
Indirect taxation revenue	80,225	82,265	2,040	2.5
Taxation revenue	293,440	299,235	5,795	2.0
Sales of goods and services	5,322	5,699	377	7.1
Dividends	4,017	4,637	620	15.4
Interest received	4,440	6,041	1,602	36.1
Other non-taxation revenue	3,467	3,852	385	11.1
Non-taxation revenue	17,245	20,229	2,984	17.3
Total revenue	310,685	319,464	8,779	2.8

(a) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

Table B3: Reconciliation of 2007-08 general government receipts (cash basis)

	Estimates		Change on PEFO	
	PEFO \$m	Budget \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	112,729	113,790	1,061	0.9
Gross other individuals	27,140	28,800	1,660	6.1
less: Refunds	19,792	19,640	-152	-0.8
Total individuals and withholding taxation	120,078	122,950	2,872	2.4
Fringe benefits tax	3,880	3,860	-20	-0.5
Superannuation funds	10,120	11,740	1,620	16.0
Company tax	63,830	62,800	-1,030	-1.6
Petroleum resource rent tax	1,950	1,710	-240	-12.3
Income taxation receipts	199,858	203,060	3,202	1.6
Sales taxes				
Goods and services tax	42,397	42,788	391	0.9
Wine equalisation tax	670	660	-10	-1.5
Luxury car tax	390	440	50	12.8
Other sales taxes	0	0	0	0.0
Total sales taxes	43,457	43,888	431	1.0
Excise duty				
Petrol	7,070	7,020	-50	-0.7
Diesel	6,400	6,700	300	4.7
Other fuel products	980	1,060	80	8.2
Crude oil and condensate	340	400	60	17.6
Beer	1,890	1,880	-10	-0.5
Potable spirits	210	200	-10	-4.8
Other excisable beverages(a)	740	850	110	14.9
Tobacco	5,420	5,530	110	2.0
Total excise duty receipts	23,050	23,640	590	2.6
Customs duty				
Textiles, clothing and footwear	1,000	950	-50	-5.0
Passenger motor vehicles	960	960	0	0.0
Excise-like goods	2,340	2,410	70	3.0
Other imports	1,530	1,490	-40	-2.6
less: Refunds and drawbacks	370	370	0	0.0
Total customs duty receipts	5,460	5,440	-20	-0.4
Other indirect taxation				
Agricultural levies	589	577	-11	-1.9
Other taxes	1,700	1,930	231	13.6
Total other indirect taxation receipts	2,288	2,508	219	9.6
Indirect taxation receipts	74,255	75,476	1,221	1.6
Taxation receipts	274,113	278,536	4,423	1.6
Sales of goods and services	5,188	5,340	152	2.9
Dividends	2,692	2,904	212	7.9
Interest received	4,475	5,102	626	14.0
Other non-taxation receipts(b)	3,447	3,740	293	8.5
Non-taxation receipts	15,802	17,086	1,283	8.1
Total receipts	289,915	295,622	5,706	2.0

(a) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

(b) These numbers are lower than previously published, reflecting the move to GFS reporting. Other non-taxation receipts no longer include GST input credits received by general government, worth \$3.6 billion in 2006-07.

Table B4: Reconciliation of 2008-09 general government receipts (cash basis)

	Estimates		Change on PEFO	
	PEFO \$m	Budget \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	115,338	116,530	1,192	1.0
Gross other individuals	28,050	29,950	1,900	6.8
less: Refunds	21,833	22,010	177	0.8
Total individuals and withholding taxation	121,554	124,470	2,916	2.4
Fringe benefits tax	4,010	4,020	10	0.2
Superannuation funds	11,560	9,730	-1,830	-15.8
Company tax	70,229	71,720	1,491	2.1
Petroleum resource rent tax	2,230	2,630	400	17.9
Income taxation receipts	209,584	212,570	2,986	1.4
Sales taxes				
Goods and services tax	45,386	45,368	-18	0.0
Wine equalisation tax	690	670	-20	-2.9
Luxury car tax	400	580	180	45.0
Other sales taxes	0	0	0	na
Total sales taxes	46,476	46,618	142	0.3
Excise duty				
Petrol	6,990	6,840	-150	-2.1
Diesel	6,580	6,860	280	4.3
Other fuel products	1,130	1,210	80	7.1
Crude oil and condensate	170	1,050	880	517.6
Beer	1,940	1,910	-30	-1.5
Potable spirits	210	190	-20	-9.5
Other excisable beverages(a)	840	1,430	590	70.2
Tobacco	5,450	5,550	100	1.8
Total excise duty receipts	23,310	25,040	1,730	7.4
Customs duty				
Textiles, clothing and footwear	1,060	990	-70	-6.6
Passenger motor vehicles	1,050	1,050	0	0.0
Excise-like goods	2,480	2,540	60	2.4
Other imports	1,590	1,550	-40	-2.5
less: Refunds and drawbacks	380	380	0	0.0
Total customs duty receipts	5,800	5,750	-50	-0.9
Other indirect taxation				
Agricultural levies	599	595	-5	-0.8
Other taxes	1,794	2,071	277	15.4
Total other indirect taxation receipts	2,394	2,666	273	11.4
Indirect taxation receipts	77,980	80,074	2,095	2.7
Taxation receipts	287,563	292,644	5,081	1.8
Sales of goods and services	5,338	5,694	356	6.7
Dividends	4,017	4,637	620	15.4
Interest received	4,158	5,865	1,706	41.0
Other non-taxation receipts(b)	3,611	4,121	510	14.1
Non-taxation receipts	17,124	20,316	3,193	18.6
Total receipts	304,687	312,961	8,274	2.7

(a) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

(b) These numbers are lower than previously published, reflecting the move to GFS reporting. Other non-taxation receipts no longer include GST input credits received by general government, worth \$3.6 billion in 2006-07.

APPENDIX C: REVENUE AND RECEIPTS HISTORY AND FORECASTS

Table C1: Australian Government revenue (accrual basis)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	(est) \$m	(est) \$m	(proj) \$m	(proj) \$m	(proj) \$m
Individuals and other withholding taxes												
Gross income tax withholding	75,614	79,822	84,640	90,095	98,250	103,811	107,809	114,610	117,410	124,180	131,740	136,750
Gross other individuals	13,426	17,237	18,314	21,010	24,003	25,859	26,952	30,130	31,300	31,500	32,990	33,740
less: Refunds	10,989	10,637	11,651	12,325	13,734	15,239	17,147	19,640	22,010	23,130	24,720	24,800
Total individuals and other withholding	78,051	86,422	91,303	98,779	108,519	114,431	117,614	125,100	126,700	132,550	140,010	145,690
Fringe benefits tax	3,741	4,032	3,154	3,642	3,476	4,084	3,754	3,900	4,110	4,190	4,260	4,140
Superannuation funds	5,286	4,171	4,896	5,785	6,410	6,705	7,879	11,710	9,750	10,450	11,140	12,400
Company tax	35,136	27,133	33,365	36,337	43,106	48,987	58,538	66,480	73,490	80,770	82,520	86,460
Petroleum resource rent tax	2,388	1,306	1,715	1,165	1,465	1,991	1,594	1,840	2,920	3,470	2,830	2,790
Income taxation revenue	124,602	123,064	134,432	145,709	162,974	176,198	189,378	209,030	216,970	231,430	240,760	251,480
Sales taxes												
Goods and services tax	23,854	27,389	31,257	34,121	35,975	39,118	41,208	44,370	46,900	49,960	52,680	55,560
Wine equalisation tax	528	648	673	705	693	657	651	670	680	690	710	730
Luxury car tax	172	220	261	336	302	331	365	440	580	610	630	650
Other sales taxes(a)	1,276	-77	-39	-38	-13	-19	60	-20	0	0	0	0
Total sales taxes	25,830	28,180	32,153	35,122	36,957	40,086	42,284	45,460	48,160	51,260	54,020	56,940
Excise duty												
Petroleum and other fuel products	11,921	12,400	12,920	13,220	13,682	13,711	14,128	14,460	15,040	15,370	15,740	16,170
Crude oil and condensate	526	393	417	309	668	362	525	470	1,060	1,070	1,100	1,110
Other excise	6,572	6,837	7,450	7,539	7,631	7,854	8,082	8,460	9,080	9,350	9,630	9,940
Total excise duty	19,019	19,630	20,787	21,068	21,981	21,927	22,734	23,390	25,180	25,790	26,470	27,220
Customs duty	4,606	5,214	5,573	5,622	5,548	4,988	5,644	5,990	6,300	6,010	5,610	5,890
Other indirect taxation												
Agricultural levies	451	550	586	603	584	610	608	577	595	398	342	353
Other taxes	1,426	1,625	1,683	1,835	1,899	1,908	1,862	1,935	2,031	2,070	2,141	2,202
Total other indirect taxation revenue	1,877	2,175	2,269	2,438	2,483	2,518	2,470	2,512	2,625	2,467	2,483	2,555
Indirect taxation revenue	51,332	55,198	60,781	64,250	66,969	69,518	73,132	77,352	82,265	85,527	88,583	92,605
Taxation revenue	175,933	178,262	195,214	209,959	229,943	245,716	262,510	286,382	299,235	316,957	329,343	344,085

Table C1: Australian Government revenue (accrual basis) (continued)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	(est) \$m	(est) \$m	(proj) \$m	(proj) \$m	(proj) \$m
Interest received	1,105	1,188	1,185	1,304	1,621	2,437	3,921	5,195	6,041	6,511	7,684	8,899
Dividends and other	8,889	10,895	10,371	10,781	10,834	12,649	11,582	12,254	14,187	13,452	13,834	13,939
Non-taxation revenue	9,994	12,083	11,556	12,085	12,455	15,086	15,504	17,449	20,229	19,963	21,518	22,837
Total revenue	185,927	190,345	206,769	222,044	242,398	260,802	278,014	303,831	319,464	336,920	350,862	366,922

(a) 'Other sales taxes' includes wholesale sales tax which was abolished in 2000-01.

Table C2: Major categories of revenue as a proportion of gross domestic product (accrual basis)

	Gross ITW			Refunds	Income tax						Indirect taxation revenue						Total tax revenue	Total non-tax revenue	Total revenue
	%	Gross other ind.	%		Total ind. & w/holding	FBT	Super funds	Companies	PRRT	Total income tax	Sales tax(a)	Excise duty	Customs duty	Other tax	Total indirect tax				
1999-00	12.6	2.2	1.7	13.1	0.6	0.6	3.8	0.2	18.3	2.4	2.2	0.6	0.3	5.5	23.8	2.1	25.9		
2000-01	11.0	1.9	1.6	11.3	0.5	0.8	5.1	0.3	18.1	3.7	2.8	0.7	0.3	7.4	25.5	1.4	27.0		
2001-02	10.8	2.3	1.4	11.7	0.5	0.6	3.7	0.2	16.7	3.8	2.7	0.7	0.3	7.5	24.2	1.6	25.9		
2002-03	10.8	2.3	1.5	11.7	0.4	0.6	4.3	0.2	17.2	4.1	2.7	0.7	0.3	7.8	25.0	1.5	26.5		
2003-04	10.7	2.5	1.5	11.7	0.4	0.7	4.3	0.1	17.3	4.2	2.5	0.7	0.3	7.6	25.0	1.4	26.4		
2004-05	10.9	2.7	1.5	12.1	0.4	0.7	4.8	0.2	18.2	4.1	2.4	0.6	0.3	7.5	25.6	1.4	27.0		
2005-06	10.7	2.7	1.6	11.8	0.4	0.7	5.1	0.2	18.2	4.1	2.3	0.5	0.3	7.2	25.4	1.6	27.0		
2006-07	10.3	2.6	1.6	11.2	0.4	0.8	5.6	0.2	18.1	4.0	2.2	0.5	0.2	7.0	25.1	1.5	26.6		
2007-08 est	10.2	2.7	1.7	11.1	0.3	1.0	5.9	0.2	18.5	4.0	2.1	0.5	0.2	6.9	25.4	1.5	26.9		
2008-09 est	9.5	2.5	1.8	10.3	0.3	0.8	6.0	0.2	17.6	3.9	2.0	0.5	0.2	6.7	24.3	1.6	25.9		
2009-10 proj	9.7	2.5	1.8	10.3	0.3	0.8	6.3	0.3	18.0	4.0	2.0	0.5	0.2	6.7	24.7	1.6	26.2		
2010-11 proj	9.8	2.5	1.8	10.5	0.3	0.8	6.2	0.2	18.0	4.0	2.0	0.4	0.2	6.6	24.6	1.6	26.2		
2011-12 proj	9.7	2.4	1.8	10.3	0.3	0.9	6.1	0.2	17.9	4.0	1.9	0.4	0.2	6.6	24.4	1.6	26.1		

(a) 'Sales taxes' includes wholesale sales tax which was abolished in 2000-01.

Table C3: Major categories of revenue as a proportion of total revenue (accrual basis)

	Income tax										Indirect taxation revenue										Total tax revenue %	Total non-tax revenue %						
	Gross ITW		Refunds		Total ind. & w/holding		FBT		Super funds		Companies		PRRT		Total income tax		Sales tax(a)		Excise duty				Customs duty		Other tax		Total indirect tax	
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%			%	%	%	%	%	%
1999-00	48.6	8.5	6.5	50.6	2.2	2.3	14.8	0.7	70.7	9.4	8.4	2.3	1.0	21.1	91.8	8.2												
2000-01	40.7	7.2	5.9	42.0	2.0	2.8	18.9	1.3	67.0	13.9	10.2	2.5	1.0	27.6	94.6	5.4												
2001-02	41.9	9.1	5.6	45.4	2.1	2.2	14.3	0.7	64.7	14.8	10.3	2.7	1.1	29.0	93.7	6.3												
2002-03	40.9	8.9	5.6	44.2	1.5	2.4	16.1	0.8	65.0	15.6	10.1	2.7	1.1	29.4	94.4	5.6												
2003-04	40.6	9.5	5.6	44.5	1.6	2.6	16.4	0.5	65.6	15.8	9.5	2.5	1.1	28.9	94.6	5.4												
2004-05	40.5	9.9	5.7	44.8	1.4	2.6	17.8	0.6	67.2	15.2	9.1	2.3	1.0	27.6	94.9	5.1												
2005-06	39.8	9.9	5.8	43.9	1.6	2.6	18.8	0.8	67.6	15.4	8.4	1.9	1.0	26.7	94.2	5.8												
2006-07	38.8	9.7	6.2	42.3	1.4	2.8	21.1	0.6	68.1	15.2	8.2	2.0	0.9	26.3	94.4	5.6												
2007-08 est	37.7	9.9	6.5	41.2	1.3	3.9	21.9	0.6	68.8	15.0	7.7	2.0	0.8	25.5	94.3	5.7												
2008-09 est	36.8	9.8	6.9	39.7	1.3	3.1	23.0	0.9	67.9	15.1	7.9	2.0	0.8	25.8	93.7	6.3												
2009-10 proj	36.9	9.3	6.9	39.3	1.2	3.1	24.0	1.0	68.7	15.2	7.7	1.8	0.7	25.4	94.1	5.9												
2010-11 proj	37.5	9.4	7.0	39.9	1.2	3.2	23.5	0.8	68.6	15.4	7.5	1.6	0.7	25.2	93.9	6.1												
2011-12 proj	37.3	9.2	6.8	39.7	1.1	3.4	23.6	0.8	68.5	15.5	7.4	1.6	0.7	25.2	93.8	6.2												

(a) 'Sales taxes' includes wholesale sales tax which was abolished in 2000-01.

Table C4: Australian Government receipts (cash basis)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	(est) \$m	(est) \$m	(proj) \$m	(proj) \$m	(proj) \$m
Individuals and other withholding taxes												
Gross income tax withholding	75,009	78,983	84,134	89,638	97,304	103,120	107,119	113,790	116,530	123,230	130,740	135,690
Gross other individuals	13,226	16,290	17,436	19,935	22,554	24,895	25,797	28,800	29,950	30,100	31,530	32,190
less: Refunds	10,989	10,637	11,651	12,325	13,734	15,244	17,145	19,640	22,010	23,130	24,720	24,800
Total individuals and other withholding	77,246	84,636	89,919	97,247	106,123	112,770	115,770	122,950	124,470	130,200	137,550	143,080
Fringe benefits tax	3,492	3,632	3,459	3,590	3,703	4,049	3,761	3,860	4,020	4,100	4,170	4,050
Superannuation funds	4,800	4,373	4,840	5,551	6,248	6,368	8,211	11,740	9,730	10,430	11,120	12,370
Company tax	31,582	27,230	32,752	36,101	40,404	48,960	57,100	62,800	71,720	78,670	80,060	83,550
Petroleum resource rent tax	2,379	1,361	1,712	1,168	1,459	1,917	1,510	1,710	2,630	3,380	2,950	2,760
Income taxation receipts	119,498	121,233	132,681	143,658	157,937	174,063	186,353	203,060	212,570	226,780	235,850	245,810
Sales taxes												
Goods and services tax	23,575	26,822	30,713	33,069	35,187	37,342	39,614	42,788	45,368	48,365	50,989	53,788
Wine equalisation tax	524	640	669	704	682	656	650	660	670	680	700	720
Luxury car tax	171	220	261	335	298	322	364	440	580	610	630	650
Other sales taxes(a)	1,234	-75	-72	-48	-10	-16	-6	0	0	0	0	0
Total sales taxes	25,503	27,607	31,571	34,060	36,157	38,304	40,621	43,888	46,618	49,655	52,319	55,158
Excise duty												
Petroleum and other fuel products	11,919	12,386	12,866	13,231	13,608	13,655	14,138	14,780	14,910	15,240	15,600	16,030
Crude oil and condensate	526	393	417	309	668	337	525	400	1,050	1,060	1,100	1,110
Other excise	6,572	6,837	7,450	7,539	7,612	7,822	8,086	8,460	9,080	9,350	9,630	9,940
Total excise duty	19,017	19,616	20,733	21,079	21,888	21,814	22,749	23,640	25,040	25,650	26,330	27,080
Customs duty	4,584	4,625	4,982	5,038	5,012	4,488	5,063	5,440	5,750	5,530	5,230	5,510
Other indirect taxation												
Agricultural levies	451	550	586	603	584	610	608	577	595	398	342	353
Other taxes	1,219	1,535	1,578	1,655	1,740	1,936	1,999	1,930	2,071	2,136	2,071	2,355
Total other indirect taxation receipts	1,670	2,085	2,164	2,258	2,324	2,546	2,607	2,508	2,666	2,534	2,413	2,708
Indirect taxation receipts	50,775	53,932	59,450	62,435	65,380	67,152	71,039	75,476	80,074	83,368	86,292	90,457
Taxation receipts	170,273	175,165	192,132	206,092	223,317	241,215	257,392	278,536	292,644	310,148	322,142	336,267

Table C4: Australian Government receipts (cash basis) (continued)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	(est) \$m	(est) \$m	(proj) \$m	(proj) \$m	(proj) \$m
Interest received	1,140	918	982	1,056	1,400	2,325	3,731	5,102	5,865	6,381	7,568	8,770
Dividends and other(b)	11,391	11,412	11,439	10,574	11,226	12,363	11,461	11,984	14,452	13,565	13,995	13,981
Non-taxation receipts	12,531	12,330	12,421	11,630	12,625	14,688	15,192	17,086	20,316	19,946	21,563	22,751
Total receipts	182,804	187,495	204,553	217,723	235,943	255,903	272,584	295,622	312,961	330,095	343,705	359,018

(a) 'Other sales taxes' includes wholesale sales tax which was abolished in 2000-01.

(b) These numbers are lower than previously published, reflecting the move to GFS reporting. Other non-taxation receipts no longer include GST input credits received by general government, worth \$3.6 billion in 2006-07.

Table C5: Major categories of receipts as a proportion of gross domestic product (cash basis)^(a)

[illegible]

Table C5: Major categories of receipts as a proportion of gross domestic product (cash basis)^(a) (continued)

	Income tax				Indirect taxation receipts												Total receipts	Total non-tax receipts(d)	Total tax receipts	Total receipts %
	Gross ITW %	Gross other ind.(b) %	Refunds %	Total ind. & w/holding %	Total FBT %	Super funds %	Companies %	PRRT %	Total income tax %	Sales tax(c) %	Excise duty %	Customs duty %	Other tax %	Total indirect tax %						
1998-99	12.4	2.2	1.7	12.8	0.5	0.6	0.1	17.5	2.5	2.2	0.6	0.0	5.3	22.8	2.2	25.1				
1999-00	12.6	2.1	1.7	12.9	0.6	0.6	0.2	18.1	2.4	2.2	0.6	0.2	5.4	23.5	2.3	25.7				
2000-01	10.9	1.9	1.6	11.2	0.5	0.7	0.3	17.3	3.7	2.8	0.7	0.2	7.4	24.7	1.8	26.5				
2001-02	10.7	2.2	1.4	11.5	0.5	0.6	0.2	16.5	3.8	2.7	0.6	0.3	7.3	23.8	1.7	25.5				
2002-03	10.8	2.2	1.5	11.5	0.4	0.6	0.2	17.0	4.0	2.7	0.6	0.3	7.6	24.6	1.6	26.2				
2003-04	10.7	2.4	1.5	11.6	0.4	0.7	0.1	17.1	4.0	2.5	0.6	0.3	7.4	24.5	1.4	25.9				
2004-05	10.8	2.5	1.5	11.8	0.4	0.7	0.2	17.6	4.0	2.4	0.6	0.3	7.3	24.9	1.4	26.3				
2005-06	10.7	2.6	1.6	11.7	0.4	0.7	0.2	18.0	4.0	2.3	0.5	0.3	6.9	24.9	1.5	26.5				
2006-07	10.2	2.5	1.6	11.1	0.4	0.8	0.1	17.8	3.9	2.2	0.5	0.2	6.8	24.6	1.5	26.0				
2007-08 est	10.1	2.6	1.7	10.9	0.3	1.0	0.2	18.0	3.9	2.1	0.5	0.2	6.7	24.7	1.5	26.2				
2008-09 est	9.5	2.4	1.8	10.1	0.3	0.8	0.2	17.3	3.8	2.0	0.5	0.2	6.5	23.8	1.7	25.4				
2009-10 proj	9.6	2.3	1.8	10.1	0.3	0.8	0.3	17.7	3.9	2.0	0.4	0.2	6.5	24.2	1.6	25.7				
2010-11 proj	9.8	2.4	1.8	10.3	0.3	0.8	0.2	17.6	3.9	2.0	0.4	0.2	6.4	24.1	1.6	25.7				
2011-12 proj	9.6	2.3	1.8	10.2	0.3	0.9	0.2	17.5	3.9	1.9	0.4	0.2	6.4	23.9	1.6	25.5				

(a) Figures prior to 1999-2000 were originally reported on the old Commonwealth Budget Sector accounting framework. These figures have now been recast to be consistent with the Australian Government general government GFS basis.

(b) Gross other individuals' includes amounts previously collected under the Prescribed Payments System and Reportable Payments System between 1983-84 and 1999-00.

(c) 'Sales taxes' includes wholesale sales tax which was abolished in 2000-01.

(d) These numbers are lower than previously published, reflecting the move to GFS reporting. Other non-taxation receipts no longer include GST input credits received by general government, worth \$3.6 billion in 2006-07.

Table C6: Major categories of receipts as a proportion of total receipts (cash basis)^(a)

	Income tax										Indirect taxation receipts										Total tax receipts %	Total non-tax receipts(d) %																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
	Gross ITW %	Gross other ind.(b) %	Refunds %	Total ind. & w/holding			Super funds	Companies	PRRT	Total income tax	Sales tax(c)	Excise duty	Customs duty	Other tax	Total indirect tax																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				

Table C6: Major categories of receipts as a proportion of total receipts (cash basis)^(a) (continued)

	Income tax										Indirect taxation receipts										Total non-tax receipts(d)	%
	Gross ITW	Gross other ind.(b)	Refunds	Total ind. & w/holding	FBT	Super funds	Companies		PRRT	Total income tax	Sales tax(c)	Excise duty	Customs duty	Other		Total indirect tax						
							%	%						%	%		%	%				
1998-99	49.4	8.6	6.8	51.2	2.2	2.6		13.6	0.3	69.8	10.0	8.9	2.4	0.0	21.3	91.1	8.9					
1999-00	48.8	8.0	6.6	50.3	2.2	2.3		14.7	0.7	70.2	9.4	8.5	2.3	0.8	20.9	91.1	8.9					
2000-01	41.0	7.2	6.0	42.3	1.9	2.6		17.3	1.3	65.4	14.0	10.4	2.5	0.9	27.8	93.1	6.9					
2001-02	42.1	8.7	5.7	45.1	1.9	2.3		14.5	0.7	64.7	14.7	10.5	2.5	1.1	28.8	93.4	6.6					
2002-03	41.1	8.5	5.7	44.0	1.7	2.4		16.0	0.8	64.9	15.4	10.1	2.4	1.1	29.1	93.9	6.1					
2003-04	41.2	9.2	5.7	44.7	1.6	2.5		16.6	0.5	66.0	15.6	9.7	2.3	1.0	28.7	94.7	5.3					
2004-05	41.2	9.6	5.8	45.0	1.6	2.6		17.1	0.6	66.9	15.3	9.3	2.1	1.0	27.7	94.6	5.4					
2005-06	40.3	9.7	6.0	44.1	1.6	2.5		19.1	0.7	68.0	15.0	8.5	1.8	1.0	26.2	94.3	5.7					
2006-07	39.3	9.5	6.3	42.5	1.4	3.0		20.9	0.6	68.4	14.9	8.3	1.9	1.0	26.1	94.4	5.6					
2007-08 est	38.5	9.7	6.6	41.6	1.3	4.0		21.2	0.6	68.7	14.8	8.0	1.8	0.8	25.5	94.2	5.8					
2008-09 est	37.2	9.6	7.0	39.8	1.3	3.1		22.9	0.8	67.9	14.9	8.0	1.8	0.9	25.6	93.5	6.5					
2009-10 proj	37.3	9.1	7.0	39.4	1.2	3.2		23.8	1.0	68.7	15.0	7.8	1.7	0.8	25.3	94.0	6.0					
2010-11 proj	38.0	9.2	7.2	40.0	1.2	3.2		23.3	0.9	68.6	15.2	7.7	1.5	0.7	25.1	93.7	6.3					
2011-12 proj	37.8	9.0	6.9	39.9	1.1	3.4		23.3	0.8	68.5	15.4	7.5	1.5	0.8	25.2	93.7	6.3					

(a) Figures prior to 1999-2000 were originally reported on the old Commonwealth Budget Sector accounting framework. These figures have now been recast to be consistent with the Australian Government general government GFS basis.

(b) Gross other individuals' includes amounts previously collected under the Prescribed Payments System and Reportable Payments System between 1983-84 and 1999-00.

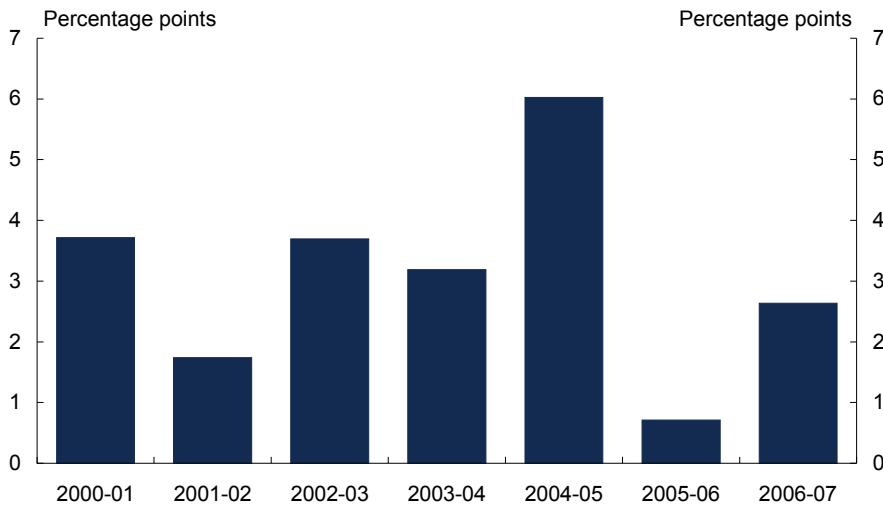
(c) 'Sales taxes' includes wholesale sales tax which was abolished in 2000-01.

(d) These numbers are lower than previously published, reflecting the move to GFS reporting. Other non-taxation receipts no longer include GST input credits received by general government, worth \$3.6 billion in 2006-07.

APPENDIX D: FORECAST PERFORMANCE

The Government's revenue forecasts, like all forecasts, are subject to a margin of error. Since 2000-01, revenue forecasts have tended to under-predict the revenue outcomes – Chart D1. For example, the 2006-07 Budget forecast taxation revenue to grow in 2006-07 by 4.4 per cent, compared to the outcome of 7.0 per cent, a forecast error of 2.6 percentage points.

Chart D1: Budget forecast error on taxation revenue growth (excluding GST)



The revenue forecasting error may be split into three underlying sources: errors in the forecasts of the economy underpinning the forecasts; errors in translating the economy to revenue forecasts; and miscellaneous factors such as post-budget government policy decisions, court decisions regarding tax law interpretation, changes in ATO compliance activities and their success, and revisions to historical economic data. Note that there may also be secondary errors relating to the timing of the payments of tax: even if the forecasts were accurate, revenue may be recorded in the fiscal year before or after it was expected.

Chart D2 shows the relationship between forecast errors of the economy and for tax revenue over recent years. The dotted lines in Chart D2 represent a theoretical range for the relationship between the economic and revenue forecasting errors.

- Nominal non-farm GDP has been chosen as a broad indicator of the economic forecasts. Not all tax revenues are closely linked to GDP – capital gains tax for example – and some of the sources of error described above are independent of economic conditions. So the relationship in the chart will only be approximate. The lines assume a revenue forecasting error of plus or minus 0.5 per cent if there is zero error on the economic forecasts.

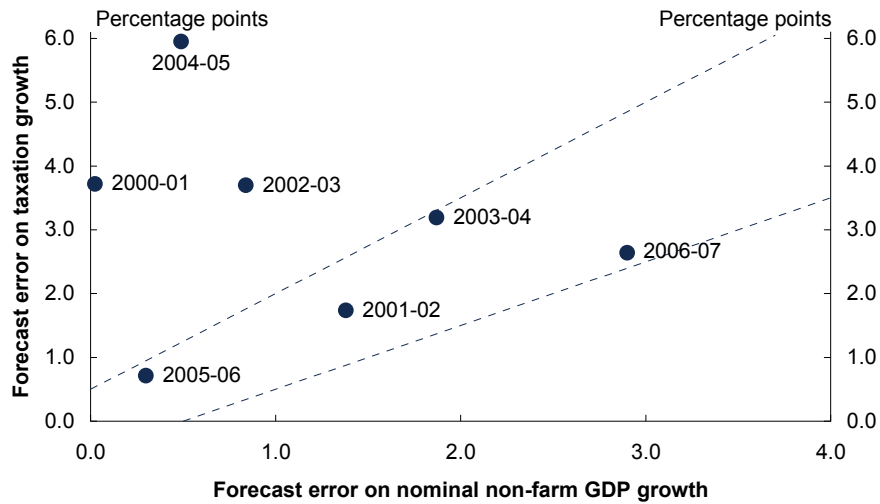
Statement 5: Revenue

- On average, economic forecasting errors will be magnified in the forecasting errors for revenue growth due to the progressive nature of personal income tax. The lower and upper lines assume aggregate elasticities (of revenue with respect to nominal non-farm GDP) of 1.0 and 1.5 respectively, which are consistent with theoretical modes of the tax system after broadly allowing for uncertainties such as capital gains tax and the timing of payments.

Broadly, points below this range represent forecasts of tax revenue growth that were too high given the economic growth forecasts and points above the range represent too low forecasts of revenue growth given the economic growth forecasts.

- For example, in 2002-03 nominal GDP growth turned out to be around $\frac{3}{4}$ of a percentage point higher than forecast but growth in tax revenue was almost 4 percentage points higher than forecast – higher than the around 1 percentage point error that the rule of thumb suggests should theoretically be associated with an economic forecasting error of that magnitude.

Chart D2: Budget forecast errors on nominal non-farm GDP growth and taxation revenue growth (excluding GST)



The lower line combines a base error of -0.5 per cent with an elasticity of 1.0, and the upper line combines a base error of +0.5 per cent with an elasticity of 1.5.

Part of the forecast errors in 2001-02 and 2002-03 should be partially offsetting, due to uncertainties regarding the timing of company tax during the reduction in the company tax rate from 36 per cent to 30 per cent in two stages between 1999-2000 and 2001-02.

Over the last seven years, revenue has been most seriously under-estimated in 2000-01, 2002-03 and 2004-05, pointing to problems with revenue forecasting methodology in those years. In recent years, forecasting methodology has been improved: see Box 5.2 in the 2007-08 Budget, Box 5.2 in the 2006-07 Budget and Box 5.1 in the 2005-06 Budget. While the number of observations is small, the revenue forecast outcomes in 2005-06 and 2006-07 illustrate the benefits of the improved forecasting methodology.

APPENDIX E: DESCRIPTION OF THE REVENUE HEADS

INCOME TAXATION

Individuals and other withholding taxation

These revenue heads broadly cover all personal income tax. A schedule of the personal income tax rates for the period covered in this budget is provided in Table E1.

Gross income tax withholding

The bulk of gross income tax withholding (ITW) revenue arises from the pay-as-you-go (PAYG) withholding system, under which taxes are withheld from wage and salary income.

ITW also includes all other withholding taxes levied on natural resource payments, dividends, interest and royalties paid to non-residents, payments to Australian Indigenous groups for the use of land for mineral exploration and mining, and amounts withheld because no tax file number or Australian business number was quoted — these taxes are often withheld from companies, rather than individuals. It also includes applicable Medicare levy revenue.

Gross other individuals

Gross revenue from other individuals consists of income tax paid by individuals other than that collected through the PAYG withholding system, and includes applicable Medicare levy revenue. It comprises:

- PAYG instalments paid directly by individuals — that is, not withheld by employers; and
- debit assessments on income tax returns (which arise when tax credits are insufficient to meet the final tax liability, requiring taxpayers to make an additional payment for the difference).

Taxpayers in this category derive their income from many sources, including:

- profits from small unincorporated businesses, primary production and investment activities;
- wages and salaries (when PAYG withholding credits are insufficient to meet the tax liability on assessment); and
- capital gains.

Income tax refunds for individuals

A final assessment of the income tax liabilities of individual taxpayers is normally made on the basis of returns lodged after the end of each financial year. Refunds from the ATO are made where tax credits to an individual exceed their final liability on assessment.

Medicare levy

The amount of Medicare levy paid is based on an individual's taxable income and is normally calculated at 1.5 per cent of taxable income, but this rate may vary depending on circumstances. An individual may be exempt from the levy or may pay a reduced levy if the taxpayer has a low income. Individuals and families on higher incomes who do not have an appropriate level of private hospital cover may also have to pay the Medicare levy surcharge, which is calculated at an additional 1 per cent of taxable income.

Table E1: Personal income tax rates^(a)

	From 1 July 2007		From 1 July 2008		From 1 July 2009		From 1 July 2010	
	Taxable income	Per cent	Taxable income	Per cent	Taxable income	Per cent	Taxable income	Per cent
Residents								
	\$0–\$6,000	Nil	\$0–\$6,000	Nil	\$0–\$6,000	Nil	\$0–\$6,000	Nil
	\$6,001–\$30,000	15	\$6,001–\$34,000	15	\$6,001–\$35,000	15	\$6,001–\$37,000	15
	\$30,001–\$75,000	30	\$34,001–\$80,000	30	\$35,001–\$80,000	30	\$37,001–\$80,000	30
	\$75,001–\$150,000	40	\$80,001–\$180,000	40	\$80,001–\$180,000	38	\$80,001–\$180,000	37
	> \$150,000	45	> \$180,000	45	> \$180,000	45	> \$180,000	45
Non-residents								
	\$0–\$30,000	29	\$0–\$34,000	29	\$0–\$35,000	29	\$0–\$37,000	29
	\$30,001–\$75,000	30	\$34,001–\$80,000	30	\$35,001–\$80,000	30	\$37,001–\$80,000	30
	\$75,001–\$150,000	40	\$80,001–\$180,000	40	\$80,001–\$180,000	38	\$80,001–\$180,000	37
	> \$150,000	45	> \$180,000	45	> \$180,000	45	> \$180,000	45
Medicare levy for singles(b)								
	\$0–\$17,309	Nil	\$0–\$17,309	Nil	\$0–\$17,309	Nil	\$0–\$17,309	Nil
	\$17,310–\$20,363	10% of > \$17,309	\$17,310–\$20,363	10% of > \$17,309	\$17,310–\$20,363	10% of > \$17,309	\$17,310–\$20,363	10% of > \$17,309
	> \$20,363	1.5	> \$20,363	1.5	> \$20,363	1.5	> \$20,363	1.5
Low Income Tax Offset		Amount		Amount		Amount		Amount
	\$0–\$30,000	\$750	\$0–\$30,000	\$1,200	\$0–\$30,000	\$1,350	\$0–\$30,000	\$1,500
	\$30,001–\$48,750	less 4% of > \$30,000	\$30,001–\$60,000	less 4% of > \$30,000	\$30,001–\$63,750	less 4% of > \$30,000	\$30,001–\$67,500	less 4% of > \$30,000
	> \$48,750	Nil	> \$60,000	Nil	> \$63,750	Nil	> \$67,500	Nil

(a) These standard income tax rates can be offset by a range of concessional arrangements, including the senior Australians tax offset, the spouse tax offset, the low income tax offset and the mature age worker tax offset.

(b) These standard Medicare levy rates apply to singles. Different concessional and penalty rates apply in certain circumstances.

Fringe benefits tax

Fringe benefits tax is payable by employers on the value of certain non-cash benefits that have generally been provided to their employees. From 1 April 2006, fringe benefits tax has been levied at 46.5 per cent of the grossed-up taxable value of benefits, as calculated under the fringe benefits tax rules.

Taxation on superannuation funds

These taxes cover all income taxes generally paid by superannuation funds on behalf of their members on their contributions and earnings. Complying funds are currently subject to a 15 per cent tax rate while non-complying funds pay a 47 per cent rate.

Superannuation funds taxation

Superannuation funds are taxed generally at a concessional rate of 15 per cent in relation to taxable contributions received, realised capital gains and investment income. Only two-thirds of a capital gain is included in assessable income if the asset is held for at least 12 months.

Life insurers and retirement savings account (RSA) providers also conduct superannuation functions. Tax on superannuation contributions, realised capital gains and investment income in life insurers and RSA providers is levied at the same rates as applies to superannuation funds but is paid through the company income tax system.

Superannuation surcharge

The superannuation surcharge was abolished with effect from 1 July 2005 and does not apply after the 2004-05 financial year. However, assessments of surcharge and amended assessments continue to be issued in respect of the 2004-05 and earlier financial years. Interest will still accrue on any surcharge debt an individual has incurred.

Company and other related income taxation

These revenue heads broadly cover all income taxes paid by corporate type entities.

Company income taxation

Company income taxation is levied at a rate of 30 per cent on all income earned by companies, including incorporated and unincorporated associations, limited partnerships and some corporate unit trusts and public trading trusts.

Generally, every resident company that derives assessable income (including capital gains), whether sourced within or outside of Australia, and every non-resident company that derives assessable income from Australian sources is required to pay company tax. Other companies, such as credit unions and friendly society companies have various other tax rates.

Petroleum resource rent tax

Petroleum resource rent tax is levied at a rate of 40 per cent on taxable profit in respect of offshore petroleum projects other than some of the North-West Shelf production areas, which are subject to excise (included in excise on petroleum and other fuel products) and royalties. The amount paid is deductible from a company's taxable income when determining its company tax liability.

INDIRECT TAXATION

Sales taxes

Goods and services tax

The GST is a broad-based, indirect tax levied at a rate of 10 per cent on most goods and services consumed in Australia. The GST is estimated to be levied on around 60 per cent of total household consumption with key exclusions being basic food items, health care, child care, rent and education. Exports are not consumed in Australia and therefore are exempt from the GST.

In accordance with the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, the Australian Government administers the GST on behalf of the States and Territories which receive GST revenues.

Wine equalisation tax

All wines, meads, perries, ciders and sakes are subject to wine equalisation tax (WET). Unlike alcohol excises, the wine equalisation tax is an *ad valorem* tax. It is calculated at a rate of 29 per cent of the final wholesale price or, in certain other permitted circumstances, of a nominal wholesale value calculated as 50 per cent of the retail price, or alternatively at the average wholesale price for identical wine.

From 1 July 2006, a rebate has been payable on the first \$500,000 in wine equalisation tax paid annually by any producer or producer group. This rebate was initially introduced on 1 October 2004, covering the first \$290,000 in wine equalisation tax paid.

Luxury car tax

The luxury car tax currently applies at a rate of 25 per cent for every dollar over the luxury car threshold; however this rate will increase to 33 per cent with effect from 1 July 2008. The current luxury car threshold is \$57,123. The threshold is indexed annually using the motor vehicle purchase component of the CPI, which is composed of observed price movements for new vehicles sold in Australia. If the change in the motor vehicle purchase component of the CPI is negative, the threshold is not reduced.

Excise and customs duty

Excise duty

The major categories of excisable products are petroleum and other fuel products, crude oil, oils and lubricants, tobacco and alcoholic beverages (other than wine). Equivalent duties on identical imported products are imposed through, and reported under, customs duty.

Petroleum and other fuel excise includes excise on petrol (gasoline), diesel, fuel ethanol, biodiesel, aviation gasoline, aviation kerosene, fuel oil, heating oil and kerosene. It is imposed at specific rates per litre of product.

- Petrol includes unleaded petrol and lead replacement petrol (which replaced leaded petrol but is taxed at the unleaded petrol rate).
- All revenue from excise duty on aviation gasoline and aviation kerosene contributes to the funding of aviation activities undertaken by the Civil Aviation Safety Authority. The rates of excise applying to aviation fuels are adjusted, as necessary, depending on the funding requirements of those activities.

Crude oil excise provides a return to the community for the exploitation of its natural resources. The crude oil excise regime applies to:

- crude oil production from offshore fields in the North-West Shelf production licence areas that are not subject to petroleum resource rent tax; and
- crude oil production from onshore fields and fields in coastal waters.

On and from 14 May 2008, condensate production from petroleum fields located in the North West Project area and onshore Australia will be subject to crude oil excise.

The rate of excise varies according to the quantity sold, the sale price, and the dates of discovery and development of the oil field.

Other excise is derived from beer, spirits, other alcoholic beverages (other than wine) and tobacco products.

- For beer, spirits and other alcoholic beverages, excise is imposed on the alcohol content. The excise rate on commercial beer in containers greater than 48 litres (draught beer) is lower than for other commercial beer.
 - Beer for personal consumption (non-commercial beer) brewed in commercial facilities attracts duty at a reduced rate, equivalent to 7 per cent of the applicable beer excise.
- Excise is imposed on a *per stick* basis for cigarettes that do not exceed 0.8 grams (actual tobacco content) and on a *per kilogram* basis for other tobacco products.

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Wine is not subject to excise, but is subject to the wine equalisation tax.

Excise indexation

The rates of duty for alcohol and tobacco products are adjusted every August and February in line with half-yearly consumer price index (CPI) movements (Table E2). If the change in the CPI is negative, the excise rate is not reduced. Instead the decline is carried forward to be set off against the next positive CPI movement.

Table E2: Excise rates^(a)

Commodity	Rates applying from 1 Feb 2007 \$	Rates applying from 1 Aug 2007 \$	Rates applying from 1 Feb 2008 \$	Rates applying from 27 Apr 2008 \$
Petroleum and other fuel products (per litre)				
Gasoline	0.38143	0.38143	0.38143	0.38143
Diesel	0.38143	0.38143	0.38143	0.38143
Ethanol and Biodiesel	0.38143	0.38143	0.38143	0.38143
Blends of the above	0.38143	0.38143	0.38143	0.38143
Aviation gasoline	0.02854	0.02854	0.02854	0.02854
Aviation kerosene	0.02854	0.02854	0.02854	0.02854
Other Petroleum Products	0.38143	0.38143	0.38143	0.38143
Greases (per kilogram)	0.05449	0.05449	0.05449	0.05449
Oils and lubricants, excluding greases (per litre)	0.05449	0.05449	0.05449	0.05449
Beer (per litre of alcohol over 1.15 per cent)				
Draught beer, low strength	6.54	6.63	6.74	6.74
Draught beer, mid strength	20.55	20.82	21.17	21.17
Draught beer, high strength	26.89	27.24	27.70	27.70
Other beer, low strength	32.78	33.21	33.77	33.77
Other beer, mid strength	38.20	38.70	39.36	39.36
Other beer, high strength	38.20	38.70	39.36	39.36
Non-commercial, low strength	2.30	2.33	2.37	2.37
Non-commercial, mid and high strength	2.66	2.69	2.74	2.74
Other beverages, not exceeding				
10 per cent alcohol content (per litre of alcohol)	38.20	38.70	39.36	66.67
Potable spirits (per litre of alcohol)				
Brandy	60.42	61.21	62.25	62.25
Other spirits, exceeding 10 per cent alcohol content	64.72	65.56	66.67	66.67
Cigarettes, cigars and tobacco (tobacco content of 0.8 grams or less per stick)	0.24031	0.24343	0.24757	0.24757
Tobacco products (per kilogram)	300.39	304.30	309.47	309.47

(a) The rate of excise on crude oil and condensate is not provided in this table as it varies according to the quantity sold, the sale price, and the dates of discovery and development of the oil field.

Customs duty

Customs duty is imposed as a percentage of the value of the imported good and/or on a volumetric basis (where duty is applied per unit of quantity) for excise-equivalent products. In general, other dutiable goods attract a general tariff rate of 5 per cent.

Tariffs on passenger motor vehicles and textile, clothing and footwear account for around one-third of the total duty collected. Approximately 40 per cent of customs duty revenue is derived from duty imposed on imports of petroleum products, tobacco, beer and spirits, which is akin to excise duty on these items.

Table E3: Tariff rates

	Applying from 11 May 2005 Per cent	Applying from 1 January 2010 Per cent	Applying from 1 January 2015 Per cent
General tariff	5	5	5
Passenger motor vehicles(a)	10	5	5
Textiles, clothing and footwear			
Clothing and finished textiles	17.5	10	5
Cotton sheeting, fabric, carpet and footwear	10	5	5
Sleeping bags, table linen and footwear parts	7.5	5	5
Tariff concession order			
Consumer goods	0	0	0
Other (business inputs)	0	0	0

(a) This category includes new passenger vehicles, off-road, second hand cars and parts. Some motor vehicles under this category are currently subject to 5 per cent tariff rate, and used vehicles are subject to an additional impost of \$12,000.

Other taxation

Agricultural levies

Agricultural levies and charges are used to fund industry activities, such as research and development, marketing and promotion, residue testing, and animal health programs.

The need for a levy is usually identified by the industry itself and the levy is generally collected at the first point of sale of the primary produce or point of further processing.

All levies and charges are paid into the Consolidated Revenue Fund without deduction and then disbursed to fund the relevant program.

Other taxes

The major contributors to this category are the passenger movement charge and import processing and depot charges administered by the Australian Customs Service.

Other contributors include broadcasting licence fees, which are payable by all commercial radio and television licensees and are calculated as a percentage of licensees' gross earning for the previous year. Other taxes also include the superannuation guarantee charge and the universal service obligation levy.

NON-TAXATION REVENUE

Sales of goods and services

This category consists of revenue from the direct provision of goods and services by the Australian Government general government sector, including reimbursement of GST administration costs received from the States and Territories.

Dividends

The main sources of dividends are the Australian Government's business enterprises, the RBA and the Future Fund. Dividend payments from the RBA can be volatile, as they are sensitive to movements in interest rates and the exchange rate.

Interest

Interest from other governments

This category mainly consists of revenue from the States for interest on general purpose and specific purpose borrowings.

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

The Australian Government 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 other sources

This item includes interest income on Australian Government cash balances and on other financial assets including assets held by the Future Fund. It excludes swap transactions entered into as part of the Australian Government's debt management strategy, as they are reported separately in the statement of other economic flows under Government Finance Statistics standard. The Australian Office of Financial Management is responsible for the management and reporting of the Australian Government's net debt portfolio.

Other sources of non-taxation revenue

Other non-taxation revenue includes petroleum royalties paid by producers operating in the Timor Sea and the North-West Shelf oil and gas fields, child support trust revenue (collected by the Child Support Agency) and seigniorage from circulation coin production.

APPENDIX F: TAXATION REVENUE RECOGNITION

There are different methods of accounting for taxation revenue. Each method of revenue recognition results in estimates and outcomes that may be significantly different to those produced using other methods.

Accrual accounting was introduced by the Australian Government for the 1999-2000 Budget. Before then, all estimates and outcomes were reported only on a cash basis. Cash recognition still plays a role in budgeting and outcomes reporting, with both accrual and cash taxation estimates and outcomes reported in the budget papers. Furthermore, there are also different methods for recognising accrual revenue.

This appendix provides an explanation of the different revenue recognition methods that apply to the various taxation revenue heads.

Revenue recognition methods

Cash recognition

Under cash recognition, which is also referred to as receipts recognition, taxation receipts are accounted for at the time a taxation payment is received by the relevant authority. The receipt may be a different amount than the taxation liability and result in a subsequent amended (refund or debit) assessment. The payment may also be received in a period different from that to which the taxation liability relates.

Cash recognition is an integral part of an accrual accounting framework because of its use in the cash flow statement and to provide additional information about the structure of taxation. Cash data are also available over a much longer period – accrual data are only available since 1999-2000 – and are therefore often used for time series analysis.

Accrual revenue recognition

The AAS and GFS standards for accrual accounting (refer to Appendix A in Statement 3 for an explanation of these reporting standards) require that taxation revenue be recognised in the reporting period in which the underlying economic transaction occurs, such as when the taxpayer earns the income that is subsequently subject to taxation. This is known as the Economic Transactions Method (ETM). However, the standards permit reporting using an alternative approach when there is an inability to reliably measure taxation revenues using the ETM approach.

Currently, ETM revenue has been determined not to be a reliable measure for several significant revenue heads – individuals and other withholding taxation, company income taxation and superannuation taxation. These revenue heads, which collectively account for the majority of total revenue, are recognised using the Taxation Liability Method (TLM) rather than ETM.

Under TLM, taxation revenue is accounted for at the time a taxpayer makes a payment or self assessment or when an assessment of a taxation liability is raised by the relevant authority. This method retains some elements of cash revenue recognition – for example, revenue is recognised when cash payment occurs if it is prior to an assessment being raised.

The point of revenue recognition under ETM and TLM can sometimes be in different periods – for example, a taxation return for the 2007-08 income year lodged in October 2008, and which results in a new taxation liability or a refund, would be recognised in the 2007-08 financial year under ETM and in the 2008-09 financial year under TLM. In this case, ETM requires that outcomes for 2007-08 include an estimation of liabilities or revenue relating to activities in 2007-08 that are likely to be identified in subsequent periods. TLM outcomes do not incorporate this estimation, as only currently identified taxation liabilities are reported. Consequently, aggregate TLM revenue outcomes are usually known with relative certainty, although there can be estimation issues involved in allocating aggregate amounts between different heads of revenue.

In addition, AAS and GFS treat prior period adjustments for revised estimates to ETM revenue outcomes differently. GFS requires that a time series of outcomes is maintained, such that prior year outcomes are continually adjusted as new information comes to light. This is consistent with the AAS treatment of changes in accounting policy or correction of errors which are recast in prior periods. In contrast, AAS requires that prior period adjustments as a result of revised estimates are not back-cast, and instead are reflected in the current period results. This difference in treatment reflects the different purpose in each of the standards:

- GFS ETM data may be more accurate over the long term, and may therefore be better for economic analysis, but have the disadvantage of constantly being revised; whereas
- AAS ETM outcomes are finalised at the end of each financial year (although, as noted above, changes in accounting policy and corrections of errors are recast in prior periods), and this greater level of certainty may be better for budgeting and reporting.

History of accrual revenue recognition

From 1999-2000 to 2005-06, all accrual taxation revenue has been recognised in the Budget on a TLM basis. From the 2006-07 Budget, ETM revenue recognition has been adopted for all revenue heads where the ETM revenue can be reliably estimated. This generally occurs where the economic activity, the identification of the liability and the receipt of the payment all occur with little or no lag – and consequently, the ETM and TLM (and cash) recognition methods produce relatively consistent results.

TLM revenue recognition continues to be used where ETM estimates are considered unreliable. At present, this is limited to individuals and other withholding taxation, company income taxation and superannuation taxation, but this will be reviewed periodically. ETM estimates and outcomes are inherently more volatile for these revenue heads, mainly because they incorporate the estimation of significant levels of liabilities likely to be identified in future periods. This additional level of estimation would increase the likelihood of differences between the revenue estimates and outcomes, with consequent impacts on the budget balances. This greater level of uncertainty would make the implementation of fiscal policy more problematic than if these revenue heads continue to be recognised using TLM.

Differences between the accrual and cash taxation revenue estimates

Table F1: Estimates of taxation revenue on an accrual and cash basis

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	\$b	\$b	\$b	\$b	\$b
Taxation revenue (accrual)	286.4	299.2	317.0	329.3	344.1
Taxation receipts (cash)	278.5	292.6	310.1	322.1	336.3
Difference (accrual less cash)	7.8	6.6	6.8	7.2	7.8
<i>Memorandum items:</i>					
ACIS(a)	0.4	0.4	0.3	0.2	0.2
Net receivables	3.1	1.9	2.2	2.6	3.0
Other	4.4	4.3	4.3	4.4	4.6
Total	7.8	6.6	6.8	7.2	7.8

(a) Automotive Competitiveness and Investment Scheme.

Automotive Competitiveness and Investment Scheme

The Automotive Competitiveness and Investment Scheme (ACIS) operates by providing customs duty credits to exporters of Australian automotive products. The credits can be offset against future customs duty on specific imports.

Under accrual accounting, an expense is recognised when the ACIS credits are issued. Later, specified imports generate a customs duty liability and customs duty accrual revenue is recognised. Under cash accounting no cash payments are made upon the issue of ACIS credits and when ACIS credits are used to offset the customs duty liability on specified imports no customs duty cash is received. Therefore accrual accounting recognises the gross customs duty liability generated by all imports and cash accounting recognises the (smaller) net amount of customs duty cash received after the use of ACIS credits. As such, the accounting treatment of ACIS credits accounts for \$400 million of the difference between the accrual and cash estimates in 2008-09.

Other

This category consists of other timing differences between the recognition of accrual revenue and cash receipts as well as instances where revenue has been recognised but payment is no longer expected to be received. For example:

- *receivables* arise where taxation liabilities are recognised in one period, but the taxpayer is not expected to pay the liability until a later period;
- *remissions* occur where taxation liabilities are recognised, but circumstances are taken into account and the Commissioner of Taxation reduces the amount of various penalties and interest required to be paid;
- a taxation liability may be *written-off* where the previously recognised revenue is no longer expected to be received; and
- a *credit amendment* may be issued where a taxation assessment is amended (for example, where a court decision leads to a change in the interpretation of the taxation laws).

APPENDIX G: TAX EXPENDITURES

This appendix contains an overview of the cost of tax expenditures provided to taxpayers through the tax system.

Tax expenditures provide a benefit to a specified activity or class of taxpayer. They can be delivered as a tax exemption, tax deduction, tax offset, concessional tax rate or deferral of a tax liability. The Government can use tax expenditures to allocate resources to different activities or taxpayers in much the same way that it can use direct expenditure programmes.

The data reported in this appendix are consistent with tax expenditure data reported in the *2007 Tax Expenditures Statement* published in January 2008. The data does not include the impact on tax expenditures of decisions made in this Budget, and does not include tax expenditures related to GST (which will be included in the next tax expenditures statement consistent with the Government's move to report GST as an Australian Government tax in this Budget).

Care needs to be taken when analysing tax expenditure data: see Section 2.1 of the *2007 Tax Expenditures Statement* for a detailed discussion.

Table G1 contains estimates of total tax expenditures for the period 2004-05 to 2011-12.

Table G1: Aggregate tax expenditures

Year	Superannuation \$m	Other tax expenditures \$m	Total \$m	Tax expenditure as a proportion of GDP (%)
2004-05 (est)	17,353	20,718	38,071	4.2
2005-06 (est)	23,065	23,376	46,441	4.8
2006-07 (est)	24,985	25,135	50,120	4.8
2007-08 (proj)	26,845	24,565	51,410	4.6
2008-09 (proj)	27,466	25,036	52,502	4.3
2009-10 (proj)	29,391	27,498	56,889	4.4
2010-11 (proj)	31,807	29,945	61,752	4.6
2011-12 (proj)	33,908	31,206	65,114	4.6

Table G1 shows that, in the *2007 Tax Expenditures Statement*, measured tax expenditures as a proportion of GDP were projected to fall from 4.8 per cent in 2006-07 to 4.6 per cent in 2007-08 and 4.4 per cent by 2009-10, mainly as a result of the impact of personal income tax rate cuts.

Table G2 is a list of the major tax expenditures in 2007-08.

Table G2: Major tax expenditures 2007-08

Tax expenditure	Estimate \$m
Large positive tax expenditures	
Superannuation — concessional taxation of superannuation entity earnings	13,600
Superannuation — concessional taxation of employer contributions	10,150
Capital gains tax discount for individuals and trusts	6,870
Exemption of Family Tax Benefit, Parts A and B, including expense equivalent	2,480
Superannuation — capital gains tax discount for funds	1,550
Application of statutory formula to value car benefits	1,490
Concessional taxation of non-superannuation termination benefits	1,400
Tax offset for recipients of certain social security benefits, pensions or allowances	1,200
Exemption from interest withholding tax on widely held debentures	1,030
Senior Australians' Tax Offset	1,010
Exemption of certain income support benefits, pensions or allowances	1,000
Exemption of 30 per cent private health insurance refund, including expense equivalent	1,000
Concessional rate of excise levied on aviation gasoline and aviation turbine fuel	905
Deduction for gifts to approved donees	870
Superannuation — deduction and concessional taxation of certain personal contributions	780
Income tax exemption for municipal authorities and other local governing bodies	770
Exemption from excise for 'alternative fuels'	750
Exemption from the Medicare levy for residents with a taxable income below a threshold	670
Large negative tax expenditures	
Customs duty	-3,682
Higher rate of excise levied on cigarettes with less than 0.8 grams of tobacco	-1,375
Accelerated depreciation allowance for plant and equipment	-800