TAX EXPENDITURES

This attachment 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, reduced 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. For this reason, and noting their direct impact on the fiscal balance, these concessions are generally called 'tax expenditures'.

Table 4.17 contains estimates of aggregate tax expenditures for the period from 2004-05 to 2011-12. These estimates are consistent with tax expenditure data reported in the *2007 Tax Expenditures Statement*. Changes in GDP forecasts are reflected in the revised estimates of tax expenditures as a proportion of GDP.

Table 4.17: Aggregate tax expenditures 2004-05 to 2011-12

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	4.5
2008-09 (proj)	27,466	25,036	52,502	4.3
2009-10 (proj)	29,391	27,498	56,889	4.5
2010-11 (proj)	31,807	29,945	61,752	4.7
2011-12 (proj)	33,908	31,206	65,114	4.8

Updated tax expenditure estimates will be published in the *2008 Tax Expenditures Statement*, which will be released by 31 January 2009. This will include estimates for GST tax expenditures.

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