

## STATEMENT 5: REVENUE

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

Since the 2008-09 Budget, taxation receipts have been revised down by \$173 billion (or 14 per cent of total taxes) over the four years 2008-09 to 2011-12 as the global recession has significantly affected the Australian economic outlook and income. This includes \$60 billion of downward revisions since the February 2009 *Updated Economic and Fiscal Outlook* (UEFO).

Adding in the 2012-13 year, total downward revisions to taxation receipts since last budget would be around \$210 billion over the five years from 2008-09.

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### OVERVIEW

Total revenue is expected to be significantly lower across the forward estimates than in the *Updated Economic and Fiscal Outlook (UEFO)*. The deterioration in revenue is more pronounced in the estimates years as the full brunt of the global recession and associated deterioration in Australia's terms of trade and economic outlook are felt. Towards the end of the forward estimates period the projected recovery in the economy provides for some moderation in the downward revisions to revenue.

A summary of the revenue estimates and projections is provided in Table 1.

**Table 1: Australian Government general government revenue**

	Actual	Estimates			Projections	
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Total taxation revenue (\$b)</b>	<b>286.2</b>	<b>275.8</b>	<b>267.7</b>	<b>276.0</b>	<b>301.9</b>	<b>331.0</b>
Growth on						
previous year (%)	9.0	-3.7	-2.9	3.1	9.4	9.6
Per cent of GDP	25.3	23.1	22.7	22.6	23.2	23.9
<b>Non-taxation revenue (\$b)</b>	<b>17.5</b>	<b>20.2</b>	<b>22.9</b>	<b>18.9</b>	<b>18.9</b>	<b>18.7</b>
Growth on						
previous year (%)	12.8	15.5	13.4	-17.6	0.2	-1.2
Per cent of GDP	1.5	1.7	1.9	1.5	1.5	1.3
<b>Total revenue (\$b)</b>	<b>303.7</b>	<b>295.9</b>	<b>290.6</b>	<b>294.8</b>	<b>320.8</b>	<b>349.7</b>
Growth on						
previous year (%)	9.2	-2.6	-1.8	1.5	8.8	9.0
Per cent of GDP	26.8	24.7	24.7	24.1	24.7	25.2

### THE UNFOLDING GLOBAL CRISIS AND GOVERNMENT REVENUES

Since the 2008-09 Budget, the unfolding global financial crisis and subsequent onset of the global recession has resulted in a rapid deterioration in Australia's economic outlook. Australia's forecast economic growth has been successively revised down as the contraction in the world economy worsened and commodity and asset prices fell markedly. These changed economic circumstances have unleashed a number of adverse forces on government revenues.

The evolution of taxation receipts over the past 12 months provides insights into how the economic crisis can be expected to affect government revenues in the period ahead. The crisis has implications for the quantum of revenues, and their composition and timing.

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The deteriorating world outlook last year had its initial domestic impact chiefly on asset and commodity prices, with losses primarily contained to capital gains and company tax receipts. However, as the financial crisis deepened and countries around the world slipped into recession, expected revenue losses became far more significant and broadly based including, most recently, individuals' income tax receipts.

While downward revisions in nominal GDP have been marked, the revisions to tax receipts have been sharper. It is typically the case that tax receipts vary by a greater amount than changes in economic growth because of the progressivity of the tax system. Tax receipts play an important role in acting to 'automatically stabilise' and cushion the economy during a downturn.

In the present cycle, receipts have fallen more quickly in response to the economic and financial downturn than was the case in previous recessions. This reflects changes in the composition of tax revenues and accumulated structural changes to both the tax system and the economy.

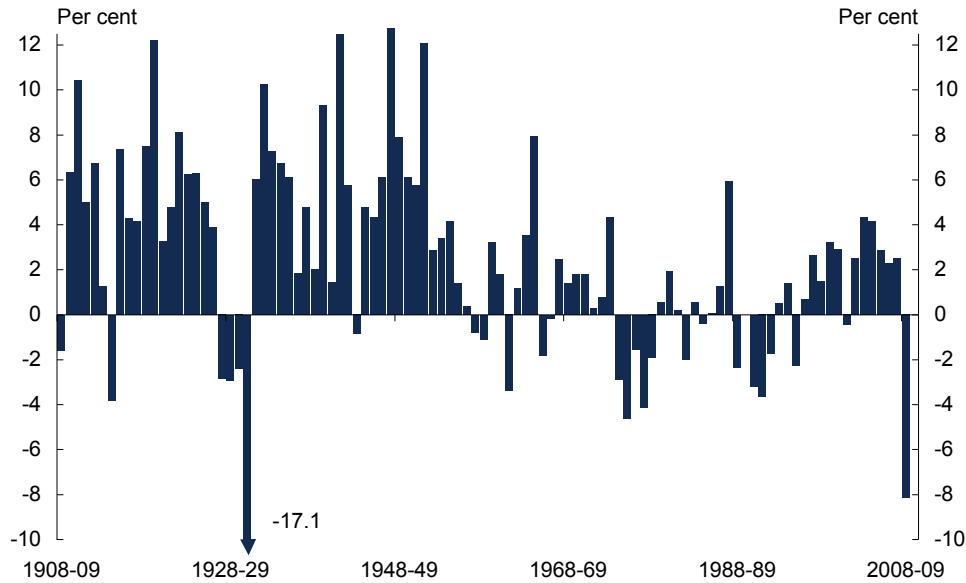
That said, while tax revenues will begin to grow again as the economy recovers, the full benefit of economic growth on revenues will be felt with some delay. Stocks of tax losses are expected to be used to offset new tax liabilities, reducing growth in taxes in the initial stages of an economic recovery.

### **REVISIONS TO THE REVENUE FORECASTS**

With successive downward revisions in economic growth have come revisions in estimated taxation receipts.

Estimated tax receipts for 2008-09 are now \$23 billion, or 8 per cent below the estimate in the 2008-09 Budget. This is currently estimated to be the largest fall in receipts compared to the budget year forecast since 1930-31 (Chart 1).

**Chart 1: Difference between receipts outcome and budget year forecast<sup>(a)</sup>**  
(per cent of the outcome<sup>1</sup>)



(a) The differences between forecasts and outcomes include post-budget measures relating to the budget year or budget measures announced but not enacted. These impacts are likely to be small in most years.

Source: Treasury estimates

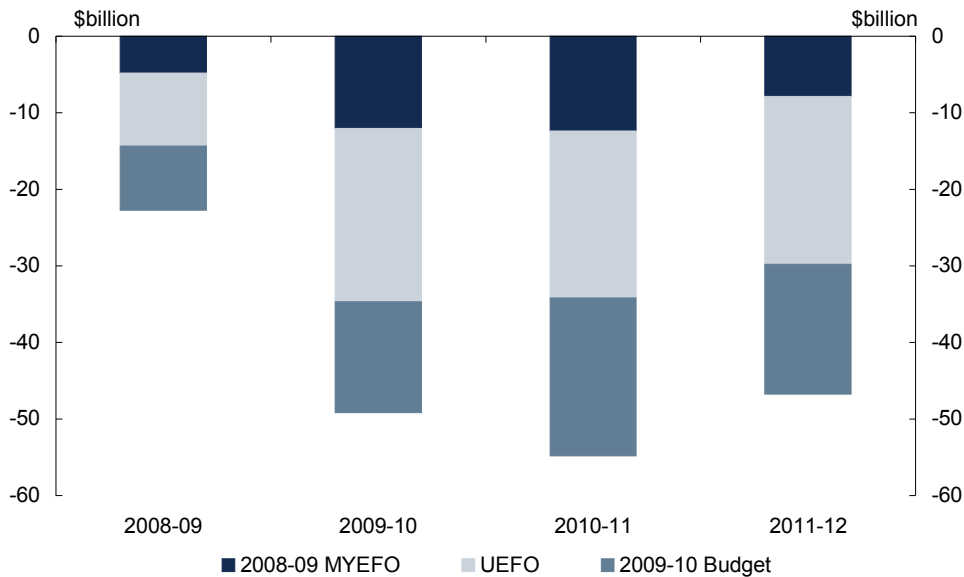
The reduction in estimated tax receipts since last year's Budget peaks in 2010-11 at \$54 billion.

In aggregate, since the 2008-09 Budget estimated taxation receipts (excluding the impact of new policy decisions) were revised down at the *Mid-Year Economic and Fiscal Outlook 2008-09* (\$37 billion over the four years 2008-09 to 2011-12), the UFO (\$76 billion) and in the 2009-10 Budget (\$60 billion) (Chart 2). In total, there has been \$173 billion of downward revisions over the four years to 2011-12, equal to 14 per cent of total taxation receipts. Company taxation and capital gains tax account for around \$90 billion and around \$30 billion, respectively, of these revisions.

1 All years except 2008-09 compare the outcome with the Budget forecast. The bar for 2008-09 compares the 2008-09 Budget forecast with the 2009-10 Budget estimate. The 2008-09 outcome will be published in the Final Budget Outcome in September.

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**Chart 2: Downward revisions to taxation receipts since the 2008-09 Budget<sup>(a)</sup>**



(a) Downward revisions are parameter and other variations only.  
Source: Treasury estimates.

This budget introduces taxation receipt estimates for 2012-13 for the first time. These estimates are considerably less than they would have been a year ago. Adding potential downward revisions to the 2012-13 estimates, the total downward revisions to taxation receipts since last budget would be around \$210 billion. The downward revisions in 2011-12 and (implicitly) 2012-13 and beyond become progressively smaller as the economy recovers and grows above trend.

These downward revisions are approaching the total upward revisions to taxes made in the three years of rapidly rising commodity prices between the 2005-06 Budget and the 2008-09 Budget.

As the full extent of the crisis unfolded through 2008-09, the outlook for tax receipts progressively deteriorated.

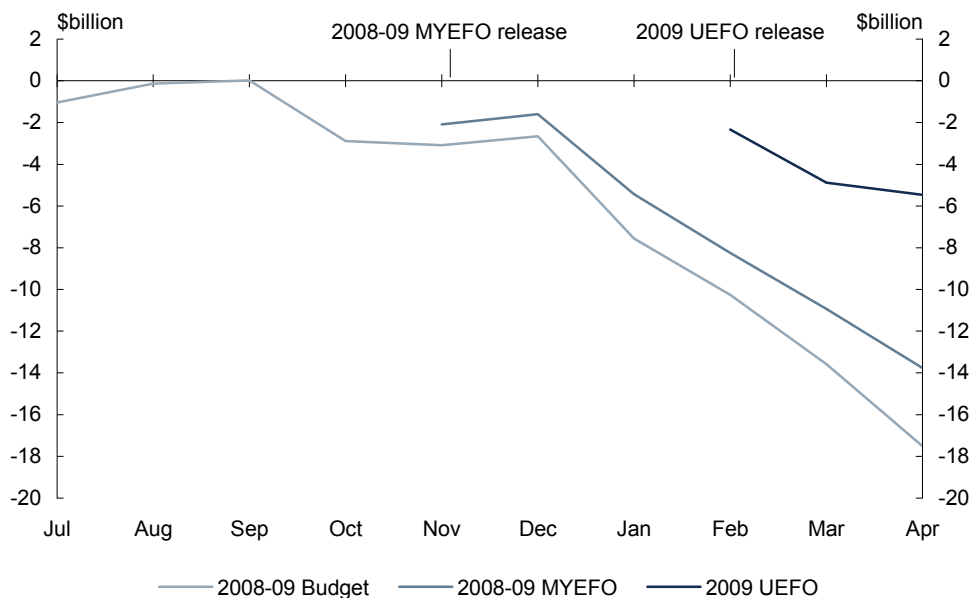
As detailed in Statement 2, the global financial crisis radically worsened with the failure of Lehman Brothers in September 2008 and the negative flow-on effects to an already weak global economy accelerated sharply. Equity prices also fell sharply through this period with the S&P ASX 200 falling below 4,000 points.

Despite this, tax collections throughout the September quarter of 2008 remained broadly in line with expectations at the time of the 2008-09 Budget (Chart 3). This was largely associated with steady employment outcomes over this period. A sudden dip in tax collections in October to below those expected at the 2008-09 Budget primarily reflected shortfalls in company tax collections and, together with the weaker economic

outlook, were a key factor in the \$37 billion in downward revisions to tax receipts made at MYEFO in November.

However, by late 2008 and early 2009 the recession deepened globally with inevitable consequences for the Australian economy. Tax collections again declined significantly from expectations early in 2009. Company tax collections continued to be below expectations but individuals' income tax collections also softened as the labour market began to deteriorate. These shortfalls in tax collections against expectations contributed substantially to the \$136 billion in downward revisions to the tax receipt estimates at UEFO and in this Budget.

**Chart 3: Divergence in 2008-09 total tax collections from expectations**



Source: Treasury estimates.

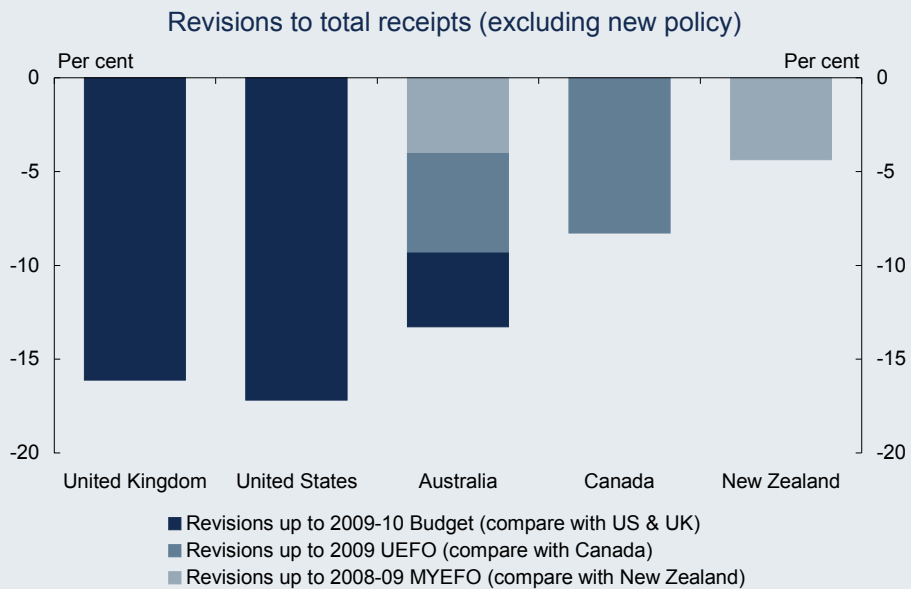
The synchronised nature of the global recession means that other countries have also substantially revised down revenue estimates over the past year (Box 1). Australia's experience compares relatively well with that in other countries, particularly given that our downturn in nominal GDP has been amplified by the fall in our terms of trade.

**Box 1: International comparisons of revisions to GDP and receipts**

In the past year, the global recession has led governments around the world to markedly revise down economic growth estimates and, in turn, sharply revise down expected government receipts.

Caution is advised when making direct comparisons across countries. The size of revisions are significantly influenced by cross-country differences in tax system structures, timing of fiscal updates and the stage of the economic cycle. In addition, the timing of the ‘budget’ year varies between countries. The closest match to Australia’s 2009-10 year has been used in the analysis, with the revision calculated by comparing the budget forecast with the last published update. Chart A shows revisions to total receipts for 2009-10 since 2008-09 Budgets in selected countries.

**Chart A: International receipts comparisons in 2009-10**



Source: National budget documents.

Since the 2008-09 Budget, Australia has revised down expected total receipts by \$47 billion (or 14 per cent) in 2009-10. New Zealand and Canada have made less significant revisions to date. However, their revisions compare closely with Australian revisions at MYEFO and UEFO respectively (which line up with the timing of New Zealand and Canada’s latest estimates). The US and UK wiped off 17 per cent and 16 per cent respectively from earlier estimates, more than Australia’s revisions in this Budget.

In all countries receipts were revised down by a larger percentage than nominal GDP. This reflects the progressivity of tax systems with automatic stabilisers cushioning economies during downturns. Also, asset price movements affect tax receipts but have little immediate impact on GDP. The US and UK had the biggest difference between GDP and tax revisions indicating a relatively greater direct impact of the global financial crisis in these countries.



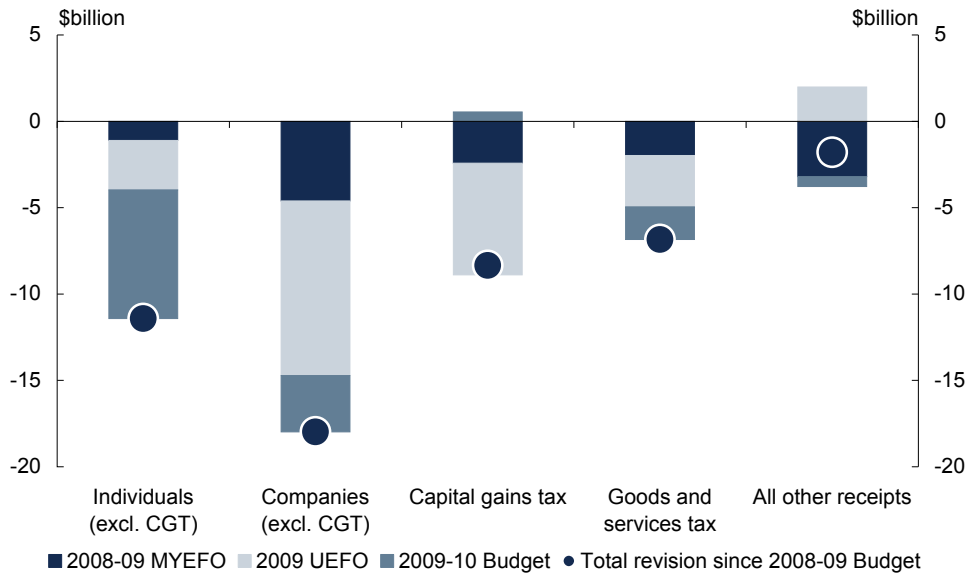
### **Progression of receipts deterioration**

Initially, the effects of the global financial crisis were seen most strongly in lower equity and commodity prices, reducing investment income and business profits, which flowed through to lower capital gains tax and company tax receipts. Prior to UEFO, downward revisions to taxation receipts included:

- CGT being revised down at the time of the 2008-09 Budget by \$15 billion (or 19 per cent) over the period 2007-08 to 2010-11 and another \$12 billion (20 per cent) at MYEFO as equity prices fell significantly from their peak in November 2007.
- Company tax (including a capital gains tax component) being revised down at MYEFO by \$29 billion, owing partly to the continued downward revisions to forecast commodity prices.

It was only as the crisis unfolded, and the extent of its impact on the outlook for real activity became increasingly evident, that business profits reduced further and consumption slowed, resulting in another reduction in company tax receipts and falls in GST collections. Later, wages and employment growth slowed, reducing collections of pay-as-you-go withholding taxes from the beginning of 2009. Therefore, the recent downward revisions to individuals' income taxes and consumption taxes have become more significant components of changes to taxation estimates. Downward revisions (across the forward estimates period) to individuals' income tax, GST and other consumption taxes account for almost three-quarters of the revisions in the taxation estimates between UEFO and the 2009-10 Budget compared with about one-third of the revisions between MYEFO and UEFO (Chart 4).

**Chart 4: Parameter and other variations to receipts in 2009-10 since the 2008-09 Budget**



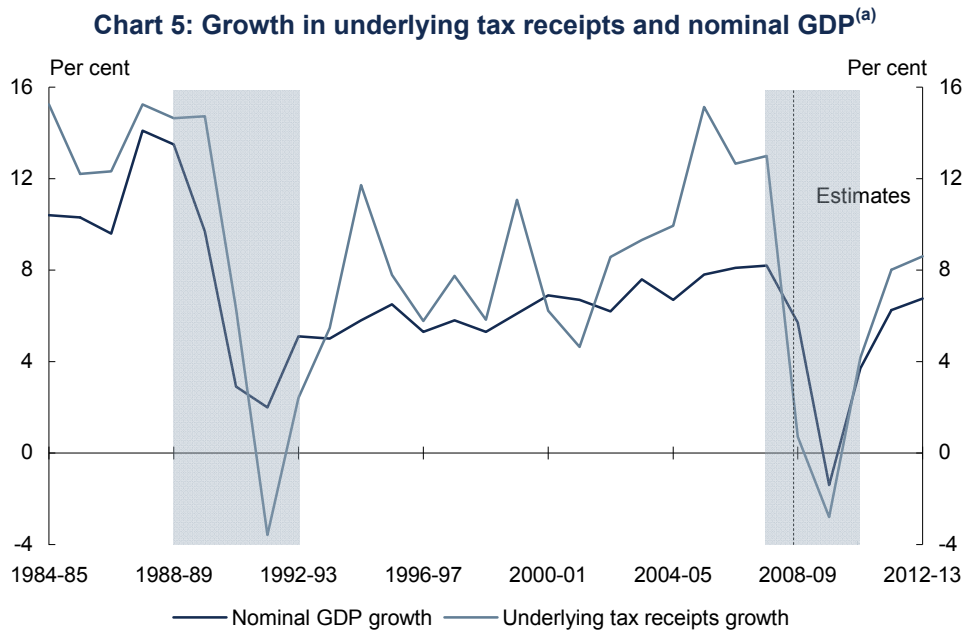
Source: Treasury estimates.

Since UEFO, downward revisions to taxation receipts from the weaker economic outlook include:

- estimated individuals' income taxation being \$31 billion lower (following a fall of \$13 billion at UEFO) between 2008-09 and 2011-12 from slower forecast growth in employment and wages;
- company taxation estimates falling a further \$11 billion over four years reflecting lower forecasts for company profits (representing 20 per cent of the total revision in this budget, compared with around two-thirds of the revision at UEFO); and
- GST and other consumption taxes down by \$7 billion (following falls of about \$11 billion at both MYEFO and UEFO) over four years owing to slower growth in consumption.

### Receipts as an automatic stabiliser

A feature of the substantial downward revisions to receipts has been the extent of the decline relative to that of economic growth. This was preceded by a period where 'underlying' revenue growth – revenue growth abstracting from policy decisions – exceeded economic growth (Chart 5). This reflects the fact that certain features of the tax system act as an 'automatic stabiliser' in the economy.



(a) The shaded areas represent periods of relative weakness in nominal GDP growth, starting from the year before the downturn.

Source: Treasury estimates.

This means that when economic conditions deteriorate, tax receipts fall by a greater percentage than the change in the economy (and vice versa in an upturn). The large reduction in tax then acts to dampen the fall in real GDP.

Consequently, as the economic outlook has weakened, tax receipt estimates have been revised down both because the forecast economy is smaller and due to the counter-cyclical nature of the tax system. For example, tax receipts are now estimated to be 3.7 per cent lower than at UEFO even though nominal GDP in 2009-10 is forecast to be 2.4 per cent lower.

The tax system has a number of key automatic stabilisers including the progressive nature of the personal income taxation, company taxation and capital gains tax.

- The progressive nature of the personal income tax system is a major stabiliser. It is progressive because an individual pays a higher proportion of their income in tax as their wage increases.
- Company tax plays a part as in economic downturns profits tend to fall much faster than economic activity, resulting in company tax falling as a share of GDP.
- CGT is also important as asset prices tend to change by more than movements in the real economy, giving it the potential to rise and fall quickly as a share of GDP. The collapse in equity prices since late 2007 has led to a sharp reduction in CGT receipts.

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Notably, taxation receipts have fallen more sharply during the early part of the downturn than in the previous two downturns, suggesting that the automatic stabilisers are now more closely aligned with changes in economic circumstances. While the lower inflation environment provides some of the explanation, more important appears to be changes in the composition of revenue and structure of the tax system, including both the higher percentage of tax receipts from CGT as well as the more contemporaneous collection of company and some individuals' tax (Box 2).

### **The recovery phase**

The Australian economy is forecast to recover in 2010-11 and then projected to grow above trend in 2011-12 and 2012-13. As this occurs, tax receipts are expected to begin to grow as the automatic stabilisers reverse their influence. The same contemporaneous relationship between growth and tax receipts that was discussed earlier (and in Box 2) is expected to lead to an earlier recovery in taxation receipts than in previous recessions. However, this effect is expected to be somewhat subdued by the effect of business and capital losses.

In a downturn an increased number of businesses report losses. These losses can be used to offset future taxable profits when business conditions recover. Hence, as the economy begins to recover, there is anticipated to be a period of continued subdued company tax growth as the stock of prior year losses is run down. CGT is expected to behave similarly as accumulated capital losses are used to offset future taxable capital gains.

In addition, the outlook for commodity prices has deteriorated significantly over the past year. The economic forecasts and projections for the terms of trade do not have it recovering to its recent record levels. This will dampen aggregate business profitability to below the levels experienced in recent years. Consequently company tax is expected to average 4½ per cent of GDP over the forward estimates, 1 percentage point below its peak in 2006-07.

Tax receipts are estimated to grow by 3½ per cent in 2010-11 but over 8 per cent in 2011-12 and 2012-13. The expected growth rates in receipts in 2011-12 and 2012-13 are at rates consistent with previous periods of above trend growth.

Revenue as a share of GDP will still be relatively subdued to the end of the forward estimates period but is expected to recover further over the medium term.

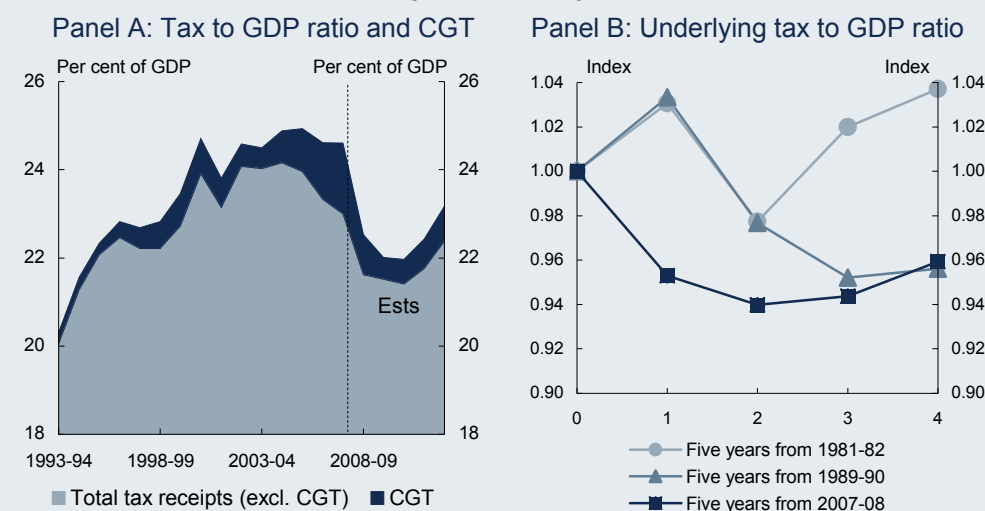
This Budget includes medium-term fiscal analysis past the usual four year forward estimates period, including taxation receipts estimates, in Statement 3.

**Box 2: Comparison with past recessions**

Tax growth has fallen more sharply during the early part of the current downturn than in the previous two downturns. This reflects the following factors.

- A decline of over 60 per cent in CGT in the face of collapsing asset prices since late 2007. CGT was only introduced in the mid-1980s and contributed a small fraction of revenues in the early 1990s, but by 2007-08 CGT had tripled from 2004-05 levels, allowing the tax-to-GDP ratio to remain stable despite large personal income tax cuts. In 2009-10, CGT is expected to fall back to around its 2004-05 level. With falling asset prices preceding the general economic slowdown, CGT receipts were moderating before the economy began slowing.
- A larger fraction of total tax being collected from company profits. A steady increase in the profit share of GDP since the early 1990s saw companies contributing around 21 per cent of tax receipts in 2007-08, compared with around 13 per cent in the 1980s and early 1990s. In recessions, company profits tend to fall earlier and by more than labour income and, with the profit share starting at a higher level, the tax system responded faster in aggregate to changes in GDP. Movements in the terms of trade have played a significant part in this effect.
- Changes to tax payment arrangements have resulted in tax being paid more contemporaneously as income is earned. This is particularly true for company tax. During the 1980s and early 1990s company tax was paid almost entirely the year after the income was earned so that tax receipts initially remained high even as national income fell, with consequent increases in the tax to GDP ratio. Company tax is now mostly paid during the year income is earned.

Consequently, unlike the first year of the previous two recessions, the tax-to-GDP ratio is expected to decrease markedly in 2008-09 and remain relatively flat during the downturn.

**Chart A: Comparison with past recessions**

Source: Treasury estimates.

## VARIATIONS IN THE REVENUE ESTIMATES SINCE THE 2008-09 BUDGET

Table 2 reconciles this budget's revenue estimates with those at the 2008-09 Budget, 2008-09 MYEFO and the UEFO.

**Table 2: Reconciliation of Australian Government general government revenue estimates from the 2008-09 Budget**

	Estimates			Projections
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
<b>Revenue at 2008-09 Budget</b>	<b>319,464</b>	<b>336,920</b>	<b>350,862</b>	<b>366,922</b>
<b>Changes between 2008-09 Budget and MYEFO</b>				
Effect of policy decisions	-100	-87	-23	0
Effect of parameter and other variations	-6,114	-12,488	-14,286	-11,382
<b>Total variations</b>	<b>-6,214</b>	<b>-12,575</b>	<b>-14,309</b>	<b>-11,382</b>
<b>Revenue at 2008-09 MYEFO</b>	<b>313,250</b>	<b>324,345</b>	<b>336,552</b>	<b>355,540</b>
<b>Changes between MYEFO and UEFO</b>				
Effect of policy decisions	-449	-1,102	5,611	5,437
Effect of parameter and other variations	-8,840	-19,241	-23,172	-24,354
<b>Total variations</b>	<b>-9,289</b>	<b>-20,343</b>	<b>-17,561</b>	<b>-18,918</b>
<b>Revenue at 2009 UEFO</b>	<b>303,960</b>	<b>304,001</b>	<b>318,991</b>	<b>336,621</b>
<b>Changes between UEFO and 2009-10 Budget</b>				
Effect of policy decisions	-2	-256	-4,990	-631
Effect of parameter and other variations	-8,019	-13,133	-19,159	-15,214
<b>Total variations</b>	<b>-8,021</b>	<b>-13,389</b>	<b>-24,149</b>	<b>-15,845</b>
<b>Revenue at 2009-10 Budget</b>	<b>295,939</b>	<b>290,612</b>	<b>294,841</b>	<b>320,776</b>

### Variations to total revenue in the estimates years

Since UEFO, estimated total revenue for 2008-09 has been revised down by \$8.0 billion, almost entirely because of parameter and other variations to taxation revenue.

Individuals' and companies income taxes and GST account for most of the revisions, reflecting lower than anticipated growth in wages in the March and June quarters and the current weakness in the economy flowing through to lower company profits and consumption.

Non-taxation revenue has been revised up by \$1.0 billion in 2008-09.

Total revenue for 2009-10 has been revised down by \$13.4 billion since the UEFO.

Policy decisions taken since the UEFO contribute \$256 million to the overall revision in 2009-10.

Revenue parameter and other variations have contributed \$13.1 billion to the revision. Most taxes are expected to fall sharply in 2009-10 with the economic contraction. Growth in individuals' incomes is expected to be weaker given the more moderate

wage growth and expected falls in employment and unincorporated business and property income. Company profits are forecast to fall dramatically, reflecting the continuing weakness in the domestic economy. Lower forecasts for consumption and dwelling investment have significantly reduced the forecast for GST and other consumption tax revenues.

Non-taxation revenue has been revised up by around \$1.4 billion in 2009-10 mainly reflecting fee revenue from the Guarantee Scheme for Large Deposits and Wholesale Funding.

Total revenue for 2010-11 has been revised down by \$24.1 billion since the UEFO, with policy decisions contributing \$5.0 billion and parameter and other variations contributing \$19.2 billion. The sharp falls in taxation revenue expected for 2010-11 are broad-based and follow on from the effect of the contraction in the economy in 2009-10.

### **Effect of policy decisions**

Policy decisions since the 2009 UEFO are expected to decrease revenue by \$256 million in 2009-10. In 2010-11 and 2011-12, policy decisions detract a further \$5.6 billion from revenues, before increasing revenues by \$3.2 billion in 2012-13. These fluctuations in the impact of policy decisions are mainly due to the change in the timing of the introduction of the Carbon Pollution Reduction Scheme (CPRS). Abstracting from the impact of the change in timing of the CPRS introduction, policy decisions increase revenue in each year from 2010-11.

The major policy decisions in the budget are targeted at improving the efficiency, fairness and integrity of the taxation system. The Government has reviewed the operation of programs delivered through the tax system to ensure that tax expenditures are cost effective, and has looked at areas where tax system integrity can be enhanced to ensure taxpayers pay the appropriate level of tax. The revenue from these changes makes a significant contribution to budget sustainability in the medium term.

Major policy decisions in the Budget include:

- Reducing the concessional contributions caps for superannuation. This will generate additional revenue of \$2.8 billion over the forward estimates.
- Providing additional funding to the Australian Taxation Office to address known risks in the taxation system that could further erode Australia's revenue base and to address risks that will emerge as Australia's economy recovers from the economic downturn and returns to growth. This will generate additional revenue of \$1.3 billion over the forward estimates.
- The replacement of the existing research and development (R&D) tax concessions with a new R&D tax credit. This will generate additional revenue of \$855 million

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over the forward estimates, as part of a package that is broadly budget neutral in the medium term.

- Tightening the non-commercial losses rules to prevent high-income individuals (those who earn \$250,000 or more) from deducting losses from activities that are unlikely to make a profit, and which are often more like hobbies or lifestyle choices, against their salary, wage and other income. This will generate additional revenue of \$700 million over the forward estimates.
- Limiting the scope of the tax exemption for the foreign employment income of Australians who work overseas for periods of 91 days or more so that this exemption only applies to aid workers (both government and non-government organisations), charitable workers, certain government employees (such as defence and police force personnel deployed overseas), and those employed on overseas projects approved by the Minister for Trade as being in the national interest. This will generate additional revenue of \$675 million over the forward estimates.
- Better targeting the concessions for employee share schemes. This will generate additional revenue of \$200 million over the forward estimates.
- Reducing the GDP adjustment for Pay As You Go (PAYG) instalments for the 2009-10 year will reduce revenue in 2009-10 by \$720 million, with this reduction recouped mainly through reduced tax refunds in 2010-11. This has no net impact on revenue over the forward estimates period.
- Increasing the Medicare levy low income thresholds to take account of changes in the consumer price index. This will reduce revenue by \$205 million over the forward estimates period.



**Table 3: Revenue policy decisions since the 2009 UEFO**

	2008-09	2009-10	2010-11	2011-12	2012-13	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Superannuation – contributing to sustainable retirement income reform by reducing the concessional contributions caps	-	625.0	640.0	720.0	825.0	2,810.0
Strategic Compliance – managing taxation compliance risks related to Australia's economic recovery	-	105.0	175.0	470.0	525.0	1,275.0
An Innovation and Higher Education Scheme for the 21st Century – Research and Development Tax Credit	-	-	55.0	400.0	400.0	855.0
Improving fairness and integrity in the tax system – tightening access to non-commercial business losses	-	-	330.0	240.0	130.0	700.0
Improving fairness and integrity in the tax system – better targeting the income tax exemption for employment income earned by Australians working overseas	-	-	215.0	225.0	235.0	675.0
Paid Parental Leave	-	-	74.3	224.3	229.3	527.9
Visa Application Charge – increase	-	86.0	95.6	106.6	114.1	402.3
Strategic compliance – promoting a level playing field for small business	-	59.5	72.2	87.2	94.5	313.4
Superannuation – payment of small and insoluble lost accounts to unclaimed monies	-	-	187.3	39.2	11.5	238.0
Improving fairness and integrity in the tax system – better targeting the concessions for Employee Share Schemes	-	10.0	90.0	60.0	40.0	200.0
Pay As You Go (PAYG) Instalments – cash flow relief for small business	-	-720.0	720.0	-	-	-
Personal Income Tax – increasing the Medicare levy low-income thresholds	-	-85.0	-40.0	-40.0	-40.0	-205.0
Migration Program – reduction in skill stream places for 2008-09	-	-117.7	-123.5	-131.6	-140.1	-512.9
Migration Program – allocation of places for 2009-10	-	-161.6	-331.8	-526.9	-738.2	-1,758.5
Carbon Pollution Reduction Scheme – revised implementation	-	-	-7,450.0	-2,990.0	988.0	-9,452.0
Other measures	-2.0	-57.3	300.9	485.5	545.9	1,273.0
<b>Total impact of revenue measures</b>	<b>-2.0</b>	<b>-256.1</b>	<b>-4,990.0</b>	<b>-630.7</b>	<b>3,220.0</b>	<b>-2,658.8</b>

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**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 economic outlook presented in Statement 2, with changes in nominal incomes and spending having consequent impacts on expected taxation revenue. The key economic parameters that influence revenue are shown in Table 4.

Two substantive changes have been made to the forward estimates methodology in this Budget. The forecast period has been extended by one year to 2010-11, and GDP is expected to grow above (rather than at) trend in the projection years. This changed methodology is explained in Statement 2.

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<sup>(a)</sup>**

	Estimates			Projections	
	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %
<b>Revenue parameters at 2009-10 Budget</b>					
Nominal gross domestic product (non-farm)	5.6	-1.4	3.9	6 1/4	6 3/4
<i>Change since 2009 UEFO</i>	-1.1	-1.4	-0.4	2	na
Compensation of employees (non-farm)(b)	6.5	1.4	3.0	6	6 1/2
<i>Change since 2009 UEFO</i>	0.5	-1.3	-2.3	3/4	na
Corporate gross operating surplus(c)	6.4	-11.2	4.7	7	7 1/4
<i>Change since 2009 UEFO</i>	-3.6	-1.4	-0.5	1 3/4	na
Unincorporated business income	0.5	-1.1	5.0	6 1/4	6 3/4
<i>Change since 2009 UEFO</i>	-1.3	-1.1	-0.3	1	na
Property income(d)	4.6	-2.2	5.6	6 1/4	6 3/4
<i>Change since 2009 UEFO</i>	-4.4	-0.7	0.4	1	na
Consumption subject to GST	2.5	-0.6	1.6	6 1/4	6 3/4
<i>Change since 2009 UEFO</i>	-0.8	-0.8	-3.7	1	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.

As a result of the deterioration in the Australian economic outlook, parameter and other variations have reduced revenue by \$8.0 billion in 2008-09 and \$13.1 billion in 2009-10 since UEFO.

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Gross income tax withholding revenue is expected to be \$2.9 billion lower than the estimate at UEFO in 2008-09 and \$6.0 billion lower in 2009-10, primarily due to slower than expected wage growth in the March and June quarters of 2009 and stronger forecast contraction in employment in 2009-10.

Property income and unincorporated business income, the principal components of individuals' earnings outside of wages and salaries, and CGT have been revised down since UEFO for 2009-10. This contributes to a \$0.5 billion decrease in forecast gross other individuals' income tax in 2009-10.

Superannuation funds tax revenue is expected to be \$270 million lower than forecast at UEFO in 2008-09 owing to refunds being claimed for losses on foreign exchange hedge transactions. With some superannuation funds appearing to have not yet claimed refunds related to lower expected 2008-09 income, 2009-10 revenue is expected to be \$610 million weaker relative to UEFO.

Hedge transactions are only half of an overall transaction involving foreign currency denominated assets. The other half of the transaction will have offsetting gains that will eventually add to superannuation fund tax revenues, but the timing of these is highly uncertain.

Company tax revenue in 2008-09 is forecast to be \$3.3 billion lower than the UEFO estimate, reflecting a weaker forecast of corporate profits and weaker than expected tax collections in the first part of 2009. Company tax revenue in 2009-10 has been revised down by \$2.8 billion since UEFO, with the forecast weaker economy leading to a sharper contraction in corporate profits.

CGT, which is a component of individuals, companies and superannuation funds income taxes, is relatively unchanged from UEFO in 2008-09. In 2009-10, CGT is forecast to increase by \$540 million compared with the UEFO estimate, on the back of a recent improvement in the share market.

GST revenue has been revised down by \$1.2 billion in 2008-09 and \$2.2 billion in 2009-10, primarily reflecting lower forecast growth in consumption subject to GST, dwelling investment and ownership transfer costs. The weakness in taxable consumption also reflects a shift in consumer spending away from discretionary purchases, which are generally taxable, towards more essential goods that have large non-taxable components (for example rent and fresh food) (Box 3).

Luxury car tax revenue has been revised down by \$60 million in 2008-09 and \$80 million in 2009-10, reflecting the impact of the downturn on demand for new motor vehicles.

Excise duty revenue has been revised up in 2008-09 by \$160 million, following stronger than expected growth in the production of unleaded petrol, blended fuels, crude oil and tobacco. These increases are partly offset by lower demand for diesel flowing from

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weakness in the mining and manufacturing sectors, which are significant consumers of diesel fuel.

Aggregate production of fuels (especially diesel) is now expected to fall in 2009-10 as the economic downturn produces a greater reduction in demand, leading to a downward revision to excises of \$1.1 billion in that year.

Customs duty revenue estimates have remained largely unchanged in 2008-09, with lower demand for imported passenger motor vehicles and general imports, offset by higher demand in the textiles, clothing and footwear, and spirits categories. However, for 2009-10, customs duty revenue has been revised down by about \$230 million, reflecting expected lower demand for cars and imports generally due to the contraction in aggregate demand.

Forecast non-tax revenue has been revised up since UEFO by \$1.0 billion in 2008-09 and \$1.4 billion in 2009-10. In 2009-10, the increase mainly reflects fee revenue from the Guarantee Scheme for Large Deposits and Wholesale Funding being revised upwards by \$0.9 billion as a result of higher than anticipated growth in guaranteed liabilities over recent months.

## **CASH RECEIPTS**

Total receipts are expected to be \$6.2 billion lower than revenue in 2008-09, almost all of which is taxation receipts, and \$8.6 billion lower than revenue in 2009-10, including \$8.3 billion in taxation receipts. While tax receipts are generally driven by the same factors as revenue, there will be differences as not all revenue raised in a given year is actually paid in that year. For example, past tax assessments may be amended as a result of compliance activity or the settlement of legal disputes and taxpayers may accrue new tax debts. These differences will exist for most revenue heads and will vary across years.

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

**Table 5: Reconciliation of total Australian government general government receipt estimates from the 2009 UEFO**

	Estimates			Projection
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
<b>Receipts at 2009 UEFO</b>	<b>297,060</b>	<b>298,067</b>	<b>307,877</b>	<b>325,812</b>
Per cent of GDP	24.6	24.7	24.2	24.4
<b>Changes between 2009 UEFO and 2009-10 Budget</b>				
Effect of policy decisions	-2	-3,094	15	528
Effect of parameter and other variations	-7,274	-12,989	-19,626	-16,116
Taxation	-8,373	-14,453	-20,672	-17,006
Non-taxation	1,099	1,464	1,046	891
<b>Total variations</b>	<b>-7,276</b>	<b>-16,084</b>	<b>-19,611</b>	<b>-15,588</b>
<b>Receipts at 2009-10 Budget</b>	<b>289,784</b>	<b>281,983</b>	<b>288,266</b>	<b>310,225</b>
Per cent of GDP	24.2	23.9	23.6	23.9

Since 2009 UEFO, total receipts have been revised down by \$7.3 billion in 2008-09.

Taxation receipts were revised down by \$8.4 billion from parameter and other variations, with lower receipts from individuals, companies and GST. Tax receipts from individuals reflect the weaker employment and wages forecasts in the second half of 2009, while companies' profits continue to fall. GST receipts reflect the lower consumption of taxable goods and services that occur as a result of decreased household incomes and increased household savings.

Since UEFO, total receipts have been revised down by \$16.1 billion in 2009-10.

Taxation receipts have been revised down by \$14.5 billion from parameter and other variations, reflecting the expected contraction in economic activity. The continued weakness in employment and wages and the expected sharp contraction in company profits (partly due to expected falls in commodity prices) are expected to have significant impacts on individuals' income tax and company tax, respectively.

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

## REVENUE ESTIMATES BY REVENUE HEAD

The revenue estimates for 2008-09 to 2010-11 are constructed using the outcomes for 2007-08, information on revenue collections in the year to date and the revised economic forecasts for 2008-09 to 2010-11. This Budget has adopted an extra forecast year to provide a more realistic growth path for an economy emerging from a period of slowdown. Revenue estimates for the projection years – 2011-12 and 2012-13 – are based mainly on underlying trends in economic parameters. A detailed explanation for

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the change in the forecast methodology for the forward estimates can be found in Statement 2.

In 2008-09, total revenue is expected to decrease by \$7.8 billion from 2007-08, a fall of 2.6 per cent. Driving this decrease is an 11 per cent (\$6.8 billion) fall in company tax revenues and 24 per cent (\$2.8 billion) fall in superannuation tax revenues.

In 2009-10 total revenue is expected to fall by a further \$5.3 billion before beginning to increase again from 2010-11 as the economy begins to recover.

**Individuals income and other withholding tax revenue**

**Table 6: Individuals income and other withholding taxation revenue**

	Actual	Estimates			Projections	
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	\$m	\$m	\$m	\$m	\$m	\$m
Individuals and other withholding taxes						
Gross income tax withholding	114,700	117,680	119,000	122,630	132,590	144,075
Gross other individuals	31,036	31,210	28,350	27,690	29,440	32,180
less: Refunds	19,601	23,200	24,640	23,780	24,840	26,815
Total individuals and withholding taxation	126,135	125,690	122,710	126,540	137,190	149,440
Fringe benefits tax	3,796	3,470	3,460	3,590	3,790	4,050
<b>Total individuals taxation</b>	<b>129,931</b>	<b>129,160</b>	<b>126,170</b>	<b>130,130</b>	<b>140,980</b>	<b>153,490</b>

**Gross income tax withholding**

Relative to 2007-08, estimated revenue from gross income tax withholding (ITW) is expected to increase by \$3.0 billion in 2008-09, growth of 2.6 per cent, principally reflecting growth in both employment and wages partially offset by the effect of the personal income tax cuts. Employers have shown a willingness to minimise redundancies, such as by using leave and reducing working hours.

In 2009-10, ITW revenue is forecast to increase by \$1.3 billion, or 1.1 per cent, with low wage growth offsetting a contraction in employment and the personal income tax cuts. In addition, ITW revenue increases as less salary is sacrificed into superannuation as a result of the reduced concessional contributions caps for superannuation.

In 2010-11, ITW revenue is expected to grow more quickly (growth of 3.1 per cent or \$3.6 billion) as the economy begins to recover, wages continue to grow moderately and employment stabilises.

Over the projection period, ITW revenue grows more strongly as the economy grows above trend. Employment and wages both grow in the projection period.

**Gross other individuals**

Gross revenue from other individuals is expected to increase by \$170 million in 2008-09 (0.6 per cent), reflecting modest growth in unincorporated business and interest

incomes mostly offset by personal income tax cuts and a sharp fall in tax from capital gains realised during 2007-08.

In 2009-10 and 2010-11, revenue from other individuals is expected to decrease by \$2.9 billion and \$0.7 billion, respectively. Tax from capital gains realised during 2008-09 is expected to continue to fall before recovering slowly the following year. With nominal GDP remaining weak in 2009-10, tax instalments from unincorporated businesses income are expected to decline markedly.

In the projection years, other individuals' revenue is expected to recover, with 6.3 per cent and 9.3 per cent growth in 2011-12 and 2012-13, supported by most forms of non-wage income and capital gains.

#### **Income tax refunds for individuals**

Refunds for individuals are expected to increase by \$3.6 billion in 2008-09, primarily reflecting personal income tax cuts and the fall in capital gains. The announcement of the tax bonus payment in February has resulted in a small additional increase in refunds as some taxpayers lodge their return earlier to receive the tax bonus.

In 2009-10 individuals' refunds are expected to increase by \$1.4 billion due to continued weakness in incomes in 2008-09, and then decline by \$0.9 billion in 2010-11 as the economy begins to recover.

Growth over the projections years is expected to be 4.5 per cent in 2011-12 and 8.0 per cent in 2012-13, largely following the growth in individuals' income tax payments.

**Table 7: Personal income tax rates(a)**

	From 1 July 2008		From 1 July 2009		From 1 July 2010		From 1 July 2011	
	Taxable income	Per cent	Taxable income	Per cent	Taxable income	Per cent	Taxable income	Per cent
<b>Residents</b>	\$0-\$6,000	Nil	\$0-\$6,000	Nil	\$0-\$6,000	Nil	\$0-\$6,000	Nil
	\$6,001-\$34,000	15	\$6,001-\$35,000	15	\$6,001-\$37,000	15	\$6,001-\$37,000	15
	\$34,001-\$80,000	30	\$35,001-\$80,000	30	\$37,001-\$80,000	30	\$37,001-\$80,000	30
	\$80,001-\$180,000	40	\$80,001-\$180,000	38	\$80,001-\$180,000	37	\$80,001-\$180,000	37
	> \$180,000	45	> \$180,000	45	> \$180,000	45	> \$180,000	45
<b>Non-residents</b>	\$0-\$34,000	29	\$0-\$35,000	29	\$0-\$37,000	29	\$0-\$37,000	29
	\$34,001-\$80,000	30	\$35,001-\$80,000	30	\$37,001-\$80,000	30	\$37,001-\$80,000	30
	\$80,001-\$180,000	40	\$80,001-\$180,000	38	\$80,001-\$180,000	37	\$80,001-\$180,000	37
	> \$180,000	45	> \$180,000	45	> \$180,000	45	> \$180,000	45
	<b>Medicare levy for singles(b)</b>	\$0-\$17,794	Nil	\$0-\$17,794	Nil	\$0-\$17,794	Nil	\$0-\$17,794
	\$17,795-\$20,934	10% of >	\$17,795-\$20,934	10% of >	\$17,795-\$20,934	10% of >	\$17,795-\$20,934	10% of >
	> \$20,934	\$17,794	> \$20,934	\$17,794	> \$20,934	\$17,794	> \$20,934	\$17,794
		1.5		1.5		1.5		1.5
<b>Low Income Tax Offset</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
	\$0-\$30,000	\$1,200	\$0-\$30,000	\$1,350	\$0-\$30,000	\$1,500	\$0-\$30,000	\$1,500
	\$30,001-\$60,000	less 4%	\$30,001-\$63,750	less 4%	\$30,001-\$67,500	less 4%	\$30,001-\$67,500	less 4%
	> \$60,000	of >	> \$63,750	of >	> \$67,500	of >	> \$67,500	of >
	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	
	Nil	Nil	Nil	Nil	Nil	Nil	Nil	

(a) This table includes legislated changes to tax rates and thresholds. The low income tax offset does not include the additional amount that will be provided under household assistance arrangements for the introduction of the Carbon Pollution Reduction Scheme from 1 July 2011.



### Fringe benefits tax

Revenue from fringe benefits tax (FBT) is expected to decline by \$330 million in 2008-09 as weakness in the economy and labour market are reflected in less remuneration being taken as fringe benefits.

FBT is expected to remain virtually unchanged in 2009-10 before increasing by \$130 million in 2010-11 as employment is expected to stabilise and wages grow more strongly. Additionally, past and future personal tax changes, especially increases in the top threshold, are expected to continue to dampen FBT growth in 2009-10 and later years.

Growth in FBT is expected to bounce back in 2011-12 by 5.6 per cent and 6.9 per cent in 2012-13 as the economy recovers.

### Company and other related income taxation revenue

**Table 8: Company and other related income taxation revenue**

	Actual	Estimates		Projections		
	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m
Company tax	64,790	57,950	54,980	55,740	62,320	67,200
Superannuation funds	11,988	9,160	7,990	9,260	10,430	11,420
Petroleum resource rent tax	1,871	1,600	1,720	1,710	1,640	1,660
<b>Total company and related income taxation</b>	<b>78,648</b>	<b>68,710</b>	<b>64,690</b>	<b>66,710</b>	<b>74,390</b>	<b>80,280</b>

The deterioration in the outlook for the global economy, lower asset prices, weaker forecasts for commodity prices and higher bad debts are expected to reduce company profits. These factors result in expected company tax revenue decreasing in 2008-09 by \$6.8 billion, or 10.6 per cent, from 2007-08.

Company taxation in 2009-10 is expected to fall a further 5.1 per cent, or \$3 billion, on the back of forecast falls in commodity prices and the flow-on effects on weaker corporate profits from low business and consumer confidence. In 2010-11, revenue growth is positive, with an increase of \$760 million, as company profits begin to recover in line with the broader economy. The carry-forward of losses that can be offset against future profits is expected to delay the recovery in company tax revenues.

Company income tax is projected to grow at 11.8 per cent and 7.8 per cent in 2011-12 and 2012-13, respectively, reflecting a projected recovery in company profit growth and capital gains, and falling bad debts. Policy measures contribute almost 5 percentage points to growth in 2011-12.

### Superannuation funds

For 2008-09, taxation revenue from superannuation funds is expected to fall by \$2.8 billion, or 23.6 per cent, from a slowdown in contributions, softening employment

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conditions, and lower earnings with recent falls in domestic and overseas share markets reducing capital gains. Some superannuation funds have made considerable losses on foreign exchange hedge transactions which are also expected to reduce tax revenues in the current year.

These hedge transactions are only half of an overall transaction involving foreign currency denominated assets. The other half of the transaction will have offsetting gains (that may currently be realised or unrealised). These gains will eventually add to superannuation fund tax revenues but the timing of this is highly uncertain.

Taxable contributions need to be constantly assessed in light of uncertainty surrounding the defined benefits scheme top-up contributions, salary sacrifice behaviour and underlying contributions.

In 2009-10, superannuation funds tax is expected to decline by \$1.2 billion, or 12.8 per cent, predominantly due to the realised foreign exchange hedging losses. In addition, taxable contributions are expected to fall through a combination of low growth in wages, weaker employment and the policy decision to reduce the concessional contributions caps for superannuation.

The recovery in superannuation tax is expected to begin in 2010-11 with 15.9 per cent growth, as the impact of foreign exchange hedging losses is exhausted and the outlook for the labour market improves. Voluntary contributions are expected to improve as equity markets recover and confidence improves.

In the projection years, superannuation funds tax is expected to continue to bounce back, showing 12.6 per cent growth and 9.5 per cent growth in 2011-12 and 2012-13 respectively, based on the assumption of a recovery in employment and corporate profits and as the stock of capital losses runs down.

While the abolition of the superannuation surcharge prevents future liabilities from accruing, a very small allowance has been made in relation to liabilities which accrued prior to 1 July 2005.

#### **Petroleum resource rent tax**

PRRT is expected to fall by \$270 million in 2008-09 from \$1.9 billion in 2007-08 largely due to the significant fall in the price of crude oil and falls in the price of other resource commodities. In 2009-10 PRRT is expected to increase by \$120 million from 2008-09, predominantly reflecting expected increases in crude oil production in some major fields.

In the years from 2010-11 to 2012-13, PRRT revenue is expected to average declines of 1.2 per cent each year. This largely reflects downward revisions to commodity prices, higher expected exploration costs, and the natural decline in crude oil reserves.

## Sales taxation revenues

Table 9: Sales taxation revenue

	Actual	Estimates			Projections	
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	\$m	\$m	\$m	\$m	\$m	\$m
Goods and services tax	44,381	43,130	43,630	45,960	48,670	51,880
Wine equalisation tax	661	700	710	730	770	830
Luxury car tax	464	390	370	360	400	430
Other sales taxes	-19	0	0	0	0	0
<b>Total sales taxes</b>	<b>45,486</b>	<b>44,220</b>	<b>44,710</b>	<b>47,050</b>	<b>49,840</b>	<b>53,140</b>

## Goods and services tax

GST revenue is expected to decrease by \$1.3 billion in 2008-09 driven by weakness in tax collections and a weaker outlook for taxable consumption growth, dwelling investment and ownership transfer costs.

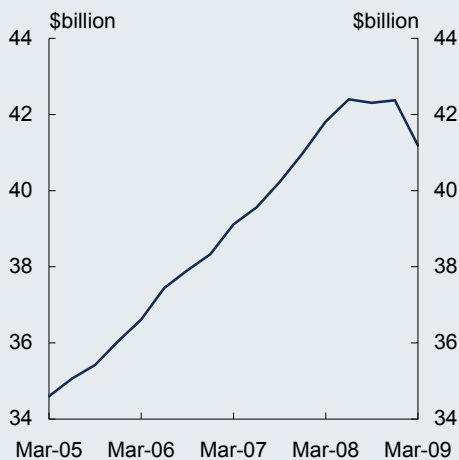
In 2009-10, GST is expected to increase by \$500 million with a rebound in dwelling investment and ownership transfer costs offsetting some further weakness in taxable consumption. GST begins to grow more strongly in 2010-11 (by \$2.3 billion) as consumption recovers in line with developments in the broader economy.

In the projection years, GST revenue is expected to grow by around 6.0 per cent in line with growth for the nominal economy and consumption.

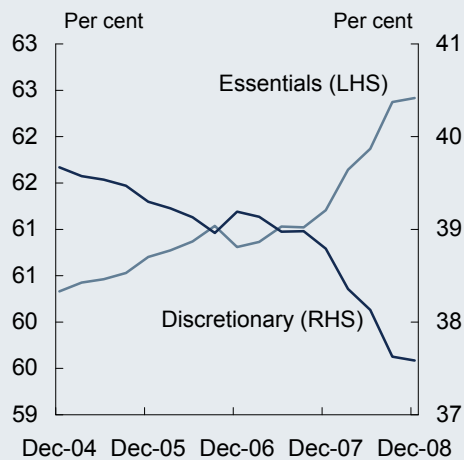
**Box 3: GST collection trends**

After a long period of strong growth driven by favourable global economic conditions, GST collections have stagnated since early 2008 and fell in early 2009 (Chart A). This weakness mainly reflects the impact of the global financial crisis, which dampened consumer spending and dwelling investment. As the recession deepened globally from late 2008, with inevitable consequences for the Australian economy, negative impacts on consumer spending appear to have intensified.

**Chart A: Net GST receipts**  
Moving annual total



**Chart B: Composition of household consumption<sup>2</sup>**



Source: Treasury estimates.

Consumption has the greatest impact on GST collections as the largest component of the GST base. Taxable consumption is estimated to account for about 80 per cent of the GST base (but represents around 60 per cent of total household consumption).

The recent weakness in taxable household consumption (ie that part of consumption subject to GST) partly reflects it growing more slowly than total household consumption. This is not surprising as consumers are spending a greater proportion on essentials, a significant proportion of which are not taxed (such as rent and fresh food) and less on discretionary goods and services that are almost all taxed (Chart B).

2 Essentials comprise food, clothing and footwear, rent and other dwelling services, electricity, gas and other fuel, health, operation of vehicles, transport services, communications, education services, insurance and other financial services. Discretionary comprises cigarettes and tobacco, alcoholic beverages, purchase of vehicles, recreation and culture, hotels, cafes and restaurants, furnishings and household equipment, and other goods and services.

### Other sales taxes

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

Luxury car tax (LCT) revenues are estimated to fall by \$74 million in 2008-09 and a further \$20 million in 2009-10 in line with forecasts of declining new motor vehicle sales. However, LCT revenues are projected to recover in the projection years in line with the economic recovery.

The underlying growth in wine equalisation tax (WET) revenue is expected to move in line with expected total alcohol consumption. WET revenue is expected to grow moderately in 2008-09 and 2009-10, reflecting the balance of slight falls in the estimated volume of wine consumption but moderate growth in prices. From 2010-11, both prices and volumes are expected to grow in line with trends in the broader economy, leading to stronger growth in estimated WET revenue.

### Excise and customs duty revenue

**Table 10: Excise and customs duty revenue**

	Actual	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	\$m	\$m	\$m	\$m	\$m	\$m
Excise duty						
Petrol	6,959	6,610	6,340	6,200	5,803	5,008
Diesel	6,674	6,660	6,490	6,570	6,325	5,516
Beer	1,862	2,010	2,050	2,100	2,170	2,240
Tobacco	5,631	5,620	5,510	5,460	5,550	5,710
Other excisable products	2,400	3,620	3,460	3,680	3,885	3,803
Of which: Other excisable beverages(a)	744	870	970	1,060	1,150	1,240
Total excise duty	23,526	24,520	23,850	24,010	23,733	22,277
Customs duty						
Textiles, clothing and footwear	960	1,140	830	580	620	660
Passenger motor vehicles	1,400	1,180	870	630	660	690
Excise-like goods	2,451	2,760	2,780	2,850	2,987	3,101
Other imports	1,497	1,600	1,530	1,670	1,780	1,900
less: Refunds and drawbacks	237	240	240	240	240	240
Total customs duty	6,070	6,440	5,770	5,490	5,807	6,111
<b>Total excise and customs</b>	<b>29,596</b>	<b>30,960</b>	<b>29,620</b>	<b>29,500</b>	<b>29,540</b>	<b>28,388</b>

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

### Excise duty

In 2008-09, revenue from petrol excise is expected to fall by \$350 million relative to 2007-08, based on weakness in petrol consumption. The 2009-10 estimate is expected to be lower by \$270 million, reflecting the slowdown in energy demand associated with the slowing economy. The trend toward the use of more environmentally friendly fuel sources and the purchase of more fuel efficient vehicles by consumers is anticipated to detract from demand for petrol into the future.

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The 2008-09 estimate for diesel excise is broadly unchanged from 2007-08 but declines by 2.6 per cent in 2009-10. This is attributable to the slowdown in the economy, particularly in the mining and manufacturing industries, which are the largest consumers of diesel.

In 2010-11, diesel excise estimates are expected to increase by 1.2 per cent compared with 2009-10 while petrol excise is estimated to decline by 2.2 per cent.

Petrol and diesel excise fall in the projection years as excise rates are cut as part of the compensation arrangements for the introduction of the Carbon Pollution Reduction Scheme.

Beer excise is expected to grow by 8.0 per cent in 2008-09, with higher volumes likely to be reflecting some substitution away from ready-to-drink (RTD) beverages. The growth rate slows to 2.0 per cent in 2009-10 before gradually increasing as the economy recovers.

Tobacco excise is expected to fall in each year from 2008-09 to 2010-11 as falling tobacco consumption offsets increases in excise rate indexation.

Revenue from crude oil and condensate excise cannot be published separately without risking the disclosure of sensitive commercial information in relation to the tax affairs of potentially identifiable businesses. To protect this confidentiality, the categories of excisable products have been changed. There is now a category of 'other excisable products' that comprises the previous categories of 'other fuel products', 'crude oil and condensate', 'spirits' and 'other excisable beverages'. In this Budget the 'other excisable beverages' category has still been separately identified given the change in excise rates on these products in 2008.

Within other excisable products, strong growth in demand for ethanol contributes to growth across the estimates period. Ethanol demand has been growing quite strongly in recent years, albeit from a small base and mainly reflects increasing consumer demand for ethanol and blended fuels.

The Government has announced that there will be a new tariff proposal with effect from 14 May 2009 ensuring that the increase in the RTDs excise rate remains in place. The Government will introduce legislation to validate the revenue collected between 27 April 2008 and 13 May 2009 and reintroduce legislation to continue the higher rate. For this reason, the assumed impact of the continued policy has been factored into the estimates for all alcohol products. Box 4 has information on the impact of this measure on alcohol excise collections.

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 11). 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 11: Excise rates**

Commodity	Rates	Rates	Rates	Rates
	applying from 1 Feb 2008	applying from 27 Apr 2008	applying from 1 Aug 2008	applying from 2 Feb 2009
	\$	\$	\$	\$
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	6.74	6.74	6.93	6.99
Draught beer, mid strength	21.17	21.17	21.76	21.96
Draught beer, high strength	27.70	27.70	28.48	28.74
Other beer, low strength	33.77	33.77	34.72	35.03
Other beer, mid strength	39.36	39.36	40.46	40.82
Other beer, high strength	39.36	39.36	40.46	40.82
Non-commercial, low strength	2.37	2.37	2.44	2.46
Non-commercial, mid and high strength	2.74	2.74	2.82	2.85
Other beverages, not exceeding 10 per cent alcohol content (per litre of alcohol) (b)				
	39.36	66.67	68.54	69.16
Potable spirits (per litre of alcohol)				
Brandy	62.25	62.25	63.99	64.57
Other spirits, exceeding 10 per cent alcohol content	66.67	66.67	68.54	69.16
Cigarettes, cigars and tobacco (tobacco content of 0.8 grams or less per stick)				
	0.24757	0.24757	0.2545	0.25679
Tobacco products (per kilogram)	309.47	309.47	318.14	321.00

#### Box 4: Clearances of excisable alcoholic beverages

The excise rate on ready-to-drink alcoholic beverages (RTDs) was increased to the same rate as that on excisable full strength spirits from 27 April 2008. The impact of this policy change is examined using clearance data provided by the ATO and the Australian Customs Service. The clearance data measures the volume of taxable alcohol in excisable beverages sold in Australia.

Note that this data does not cover all alcoholic beverages (particularly wine) and that differing economic and other circumstances between years can affect alcohol consumption independently of the excise increase.

Table A compares average weekly clearances from May 2008 to March 2009, the eleven months since the policy change, against the same period in previous years. Between May 2008 and March 2009, consumption of RTDs fell by 35 per cent over the previous year and consumption of total spirit drinks dropped by 8 per cent, significant falls compared with the growth rates in recent years. In the same period, the consumption of full strength spirits rose by 18 per cent and that of beer by 5 per cent, suggesting some substitution from RTDs to other alcoholic beverages. Overall excisable alcoholic beverages consumption declined by 0.5 per cent in contrast to small positive growth rates of recent years.

**Table A: Average weekly beer and spirits clearances ('000 litres of alcohol)**

	2004-05	2005-06	2006-07	2007-08	2008-09	% change			
	May-Mar	May-Mar	May-Mar	May-Mar	May-Mar	2005-06	2006-07	2007-08	2008-09
<b>Beer &amp; spirits</b>	<b>1,715</b>	<b>1,780</b>	<b>1,813</b>	<b>1,852</b>	<b>1,843</b>	<b>3.8</b>	<b>1.9</b>	<b>2.2</b>	<b>-0.5</b>
Total beer	1,035	1,068	1,067	1,078	1,129	3.2	0.0	1.0	4.7
Total spirits	680	712	746	775	714	4.7	4.7	3.9	-7.8
Spirits	387	391	398	397	468	1.0	1.8	-0.3	18.0
RTDs	293	321	347	378	246	9.7	8.2	8.7	-34.9

In the 2008-09 Budget, the gain to revenue from the RTD measure was estimated to be \$3.1 billion over the forward estimates period. After allowing for actual clearances since the excise increase, the gain to revenue from the RTD measure over the forward estimates has been revised down to \$1.7 billion.

#### Customs duty

Customs duties are expected to increase by 6.1 per cent in 2008-09 but decline by around 10 per cent in 2009-10 in line with the slowdown in household consumption.

In 2008-09 the passenger motor vehicles estimate is expected to be significantly weaker by \$220 million, or a fall of 16 per cent, as demand for imported cars falls (as part of a general decline in the demand for cars).

Revenue from imported spirits are expected to be stronger by \$245 million, or nearly 20 per cent growth, in 2008-09 mainly as a result of consumer substitution from RTDs.



However, overall spirits consumption has fallen since the measure to increase excise on RTDs was introduced.

**Table 12: Customs duty tariff rates**

	Applying from	Applying from	Applying from
	11 May 2005	1 January 2010	1 January 2015
	Per cent	Per cent	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.

Textiles, clothing and footwear estimates are experiencing strong growth with 19 per cent growth in 2008-09 reflecting strong demand for these products. Despite this, for 2009-10 and 2010-11 negative growth is expected in line with declines in general consumption.

While total customs duty growth recovers in the projection years, the impact of tariff rate reductions, scheduled to occur on 1 January 2010, partially offsets this growth.

### Carbon Pollution Reduction Scheme revenue

**Table 13: Carbon Pollution Reduction Scheme revenue**

	Actual	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	\$m	\$m	\$m	\$m	\$m	\$m
Carbon Pollution Reduction Scheme	-	-	-	-	4,470	12,990

### Carbon Pollution Reduction Scheme

Revenue from the CPRS is expected to be around \$4.5 billion in 2011-12, with the CPRS commencing on 1 July 2011 with a fixed statutory carbon price of \$10 per tonne. In 2012-13, CPRS revenue is expected to increase to around \$13.0 billion, reflecting the move to a flexible market price for carbon.

### **Box 5: Revenue from the Carbon Pollution Reduction Scheme**

The 2009-10 Budget is the first budget to record revenue from the Carbon Pollution Reduction Scheme (CPRS). The CPRS will be Australia's primary policy tool to tackle climate change, one of the greatest economic, social and environmental challenges of our time.

The CPRS is a 'cap and trade' scheme designed to reduce carbon pollution by placing a cap on aggregate annual emissions. It puts a price on carbon and ensures that the prices of goods and services reflect the costs of pollution. The CPRS will cover around 75 per cent of Australia's emissions, involving mandatory obligations for around 1,000 businesses. The Government will commence the scheme on 1 July 2011, with a fixed carbon price of \$10 during 2011-12, and the carbon price determined by the market from 1 July 2012.

Under the scheme, the Government will issue a number of Australian emissions units to limit domestic emissions in line with the commitment to reduce emissions by between 5 per cent and 25 per cent below 2000 levels by 2020. A 5 per cent reduction represents the unconditional commitment by 2020, irrespective of the actions by other nations. Greater reductions up to 15 per cent will be adopted if there is a global agreement where major economies agree to substantially restrain emissions and advanced economies take on reductions comparable to Australia, but which falls short of stabilisation at 450 parts per million. The Government has committed to reductions of 25 per cent if the world agrees to an ambitious global deal to stabilise levels of carbon dioxide equivalent at 450 parts per million or below.

The majority of Australian emissions units dated 2012-13 onwards will be sold by the Government through a series of auctions, with the carbon price determined by the market. The Government will use every cent it receives from the sale of Australian emissions units to help households and businesses adjust and move Australia to a low pollution economy. Some emissions units will be freely allocated (instead of being sold through auctions) to assist strongly affected industries and emissions intensive, trade exposed industries during a transitional period.

Emitters of greenhouse gases covered by the scheme will need to acquire and surrender an emissions unit for every tonne of greenhouse gas that they emit.

As yet, comprehensive guidance has not been issued under either Australian Accounting Standards or Government Finance Statistics (GFS) for the treatment of revenue generated by the CPRS. However, some guidance has been issued under the UN System of National Accounts (SNA), the international statistical standard on which the Australian Bureau of Statistics' (ABS) GFS framework is based. Under the 2008 SNA, payments for permits under 'cap and trade' schemes are recorded as taxes and permits constitute assets which are valued at their market price.

**Box 5: Revenue from the Carbon Pollution Reduction Scheme (continued)**

It is likely that the GFS framework will adopt the same treatment as the 2008 SNA. Hence, payments for Australian emissions units under the CPRS are treated as taxes in this Budget.

Under this treatment, in cash terms, the payments for emissions units bought at auctions have been recorded as taxation receipts as the cash is received. In the accrual statements, taxation revenue has been recognised in the year that emissions occur. As a result, there is a difference between accrual revenue and cash receipts. The free allocation of emissions units also results in a difference between accrual revenue and cash receipts. For accrual purposes, revenue will be recorded regardless of whether an auctioned or freely allocated unit is acquitted. For cash purposes, only the auctioned units will be recorded as tax receipts.

Further details on the CPRS can be found in the White Paper, *Carbon Pollution Reduction Scheme: Australia's Low Pollution Future*.

**Other taxation revenue****Table 14: Other taxation revenue**

	Actual	Estimates			Projections	
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	\$m	\$m	\$m	\$m	\$m	\$m
Agricultural levies	611	558	353	352	356	357
Levies other than agriculture	258	451	458	445	448	603
Super guarantee charges	0	340	351	365	380	395
Penalties	73	78	85	90	91	93
Broadcasting license fees	288	311	288	289	288	291
Other taxes	1,338	964	1,002	1,049	1,094	976
<b>Total other indirect taxation</b>	<b>2,567</b>	<b>2,701</b>	<b>2,537</b>	<b>2,591</b>	<b>2,656</b>	<b>2,715</b>

Other taxation revenue is expected to remain relatively steady over the forward estimates period. Revenue from agricultural levies is expected to decline from 2009-10 primarily due to the scheduled cessation of the Dairy Industry Restructure Package levy.

Statement 5: Revenue

**Non-taxation revenue**

**Table 15: Non-taxation revenue**

	Actual	Estimates			Projections	
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	\$m	\$m	\$m	\$m	\$m	\$m
Sales of goods and services						
Fees from regulatory services	392	429	428	443	459	478
Other sales of goods and services	4,871	5,945	7,055	7,303	7,458	7,228
Total sales of goods and services	5,263	6,373	7,483	7,746	7,918	7,706
Dividends						
From public sector entities	0	1,408	4,992	1,198	1,253	1,169
Other dividends	2,848	1,786	1,421	1,364	1,312	1,238
Total dividends	2,848	3,194	6,413	2,562	2,566	2,406
Interest received						
From other governments	184	194	188	183	177	171
From other sources	5,374	5,260	4,508	4,403	4,335	4,313
Total interest received	5,558	5,454	4,697	4,586	4,512	4,484
Other non-taxation revenue						
Royalties	2,351	1,912	1,343	1,331	1,261	1,262
Capital transfer	16	0	0	0	0	0
Other	1,463	3,254	2,949	2,637	2,643	2,823
Total other non-taxation revenue	3,830	5,166	4,292	3,967	3,905	4,085
<b>Total non-taxation revenue</b>	<b>17,500</b>	<b>20,188</b>	<b>22,884</b>	<b>18,861</b>	<b>18,900</b>	<b>18,681</b>

Most components of non-taxation revenue are expected to remain relatively steady through the forward estimates period. Dividends increase substantially in 2009-10 as a result of the RBA dividend, which is expected to increase primarily as a result of gains realised from its operations in the foreign exchange market. Revenue from sales of goods and services increases in 2009-10 as a result of increased fee revenue from the Guarantee Scheme for Large Deposits and Wholesale Funding.

## APPENDIX A: REVENUE AND RECEIPTS FORWARD ESTIMATES

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

	Actual		Estimates		Projections	
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Individuals and other withholding taxes</b>						
Gross income tax withholding	114,700	117,680	119,000	122,630	132,590	144,075
Gross other individuals	31,036	31,210	28,350	27,690	29,440	32,180
less: Refunds	19,601	23,200	24,640	23,780	24,840	26,815
Total individuals and other withholding taxation	126,135	125,690	122,710	126,540	137,190	149,440
Fringe benefits tax	3,796	3,470	3,460	3,590	3,790	4,050
Superannuation funds	11,988	9,160	7,990	9,260	10,430	11,420
Company tax	64,790	57,950	54,980	55,740	62,320	67,200
Petroleum resource rent tax	1,871	1,600	1,720	1,710	1,640	1,660
<b>Income taxation revenue</b>	<b>208,579</b>	<b>197,870</b>	<b>190,860</b>	<b>196,840</b>	<b>215,370</b>	<b>233,770</b>
<b>Sales taxes</b>						
Goods and services tax	44,381	43,130	43,630	45,960	48,670	51,880
Wine equalisation tax	661	700	710	730	770	830
Luxury car tax	464	390	370	360	400	430
Other	-19	0	0	0	0	0
Total sales taxes	45,486	44,220	44,710	47,050	49,840	53,140
<b>Excise and customs</b>						
<b>Excise duty</b>						
Petrol	6,959	6,610	6,340	6,200	5,803	5,008
Diesel	6,674	6,660	6,490	6,570	6,325	5,516
Beer	1,862	2,010	2,050	2,100	2,170	2,240
Tobacco	5,631	5,620	5,510	5,460	5,550	5,710
Other excisable products	2,400	3,620	3,460	3,680	3,885	3,803
Of which: Other excisable beverages(a)	744	870	970	1,060	1,150	1,240
Total excise duty revenue	23,526	24,520	23,850	24,010	23,733	22,277
<b>Customs duty</b>						
Textiles, clothing and footwear	960	1,140	830	580	620	660
Passenger motor vehicles	1,400	1,180	870	630	660	690
Excise-like goods	2,451	2,760	2,780	2,850	2,987	3,101
Other imports	1,497	1,600	1,530	1,670	1,780	1,900
less: Refunds and drawbacks	237	240	240	240	240	240
Total customs duty revenue	6,070	6,440	5,770	5,490	5,807	6,111
<b>Carbon Pollution Reduction Scheme</b>						
Other indirect taxation	-	-	-	-	4,470	12,990
Agricultural levies	611	558	353	352	356	357
Other taxes	1,957	2,143	2,185	2,239	2,300	2,357
Total other indirect taxation revenue	2,567	2,701	2,537	2,591	2,656	2,715
<b>Indirect taxation revenue</b>	<b>77,650</b>	<b>77,881</b>	<b>76,867</b>	<b>79,141</b>	<b>86,506</b>	<b>97,232</b>
<b>Taxation revenue</b>	<b>286,229</b>	<b>275,751</b>	<b>267,727</b>	<b>275,981</b>	<b>301,876</b>	<b>331,002</b>
<b>Sales of goods and services</b>						
Sales of goods and services	5,263	6,373	7,483	7,746	7,918	7,706
Dividends	2,848	3,194	6,413	2,562	2,566	2,406
Interest received	5,558	5,454	4,697	4,586	4,512	4,484
Other non-taxation revenue	3,830	5,166	4,292	3,967	3,905	4,085
<b>Non-taxation revenue</b>	<b>17,500</b>	<b>20,188</b>	<b>22,884</b>	<b>18,861</b>	<b>18,900</b>	<b>18,681</b>
<b>Total revenue</b>	<b>303,729</b>	<b>295,939</b>	<b>290,612</b>	<b>294,841</b>	<b>320,776</b>	<b>349,684</b>
<i>Memorandum:</i>						
Capital gains tax	18,110	10,850	5,820	6,850	8,660	10,940
Medicare levy revenue	8,049	8,560	8,630	8,990	9,660	10,260

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

Statement 5: Revenue

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

	Actual	Estimates			Projections	
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Individuals and other withholding taxes</b>						
Gross income tax withholding	113,982	116,400	117,710	121,550	131,620	143,015
Gross other individuals	29,525	29,710	26,600	26,000	27,760	30,540
less: Refunds	19,601	23,200	24,640	23,780	24,840	26,815
Total individuals and withholding taxation	123,906	122,910	119,670	123,770	134,540	146,740
Fringe benefits tax	3,856	3,400	3,390	3,520	3,720	3,970
Superannuation funds	12,054	9,140	7,960	9,230	10,390	11,380
Company tax	61,700	56,800	53,040	53,390	60,060	65,120
Petroleum resource rent tax	1,686	2,200	1,680	1,550	1,580	1,600
<b>Income taxation receipts</b>	<b>203,202</b>	<b>194,450</b>	<b>185,740</b>	<b>191,460</b>	<b>210,290</b>	<b>228,810</b>
<b>Sales taxes</b>						
Goods and services tax	42,424	41,258	41,453	43,680	46,550	49,560
Wine equalisation tax	665	690	700	720	760	820
Luxury car tax	452	390	370	360	400	430
Other sales taxes	0	0	0	0	0	0
Total sales taxes	43,541	42,338	42,523	44,760	47,710	50,810
<b>Excise duty</b>						
Petrol	7,038	6,510	6,250	6,110	5,713	4,908
Diesel	6,750	6,660	6,490	6,570	6,325	5,516
Beer	1,883	2,010	2,050	2,100	2,170	2,240
Tobacco	5,632	5,620	5,510	5,460	5,550	5,710
Other excisable products	2,423	3,610	3,460	3,680	3,885	3,803
Of which: Other excisable beverages(a)	752	870	970	1,060	1,150	1,240
Total excise duty receipts	23,727	24,410	23,760	23,920	23,642	22,177
<b>Customs duty</b>						
Textiles, clothing and footwear	956	1,140	830	580	620	660
Passenger motor vehicles	1,016	780	540	400	430	460
Excise-like goods	2,451	2,760	2,780	2,850	2,987	3,101
Other imports	1,495	1,590	1,520	1,660	1,770	1,890
less: Refunds and drawbacks	356	380	380	380	380	380
Total customs duty receipts	5,561	5,890	5,290	5,110	5,427	5,731
Carbon Pollution Reduction Scheme	-	-	-	940	1,920	11,540
<b>Other indirect taxation</b>						
Agricultural levies	611	558	353	352	356	357
Other taxes	1,734	1,732	1,770	2,058	1,984	1,949
Total other indirect taxation receipts	2,345	2,290	2,122	2,410	2,340	2,306
<b>Indirect taxation receipts</b>	<b>75,174</b>	<b>74,927</b>	<b>73,696</b>	<b>76,200</b>	<b>79,119</b>	<b>81,024</b>
<b>Taxation receipts</b>	<b>278,376</b>	<b>269,377</b>	<b>259,436</b>	<b>268,600</b>	<b>291,329</b>	<b>321,374</b>
Sales of goods and services	5,051	6,356	7,480	7,723	7,898	7,668
Dividends	2,622	3,152	5,663	3,362	2,616	2,456
Interest received	4,769	5,014	4,426	4,345	4,291	4,341
Other non-taxation receipts	4,099	5,883	4,979	4,237	4,091	4,254
<b>Non-taxation receipts</b>	<b>16,540</b>	<b>20,406</b>	<b>22,548</b>	<b>19,666</b>	<b>18,895</b>	<b>18,719</b>
<b>Total receipts</b>	<b>294,917</b>	<b>289,784</b>	<b>281,983</b>	<b>288,266</b>	<b>310,225</b>	<b>340,093</b>
<i>Memorandum :</i>						
Capital gains tax	18,110	10,850	5,820	6,850	8,660	10,940
Medicare levy receipts	8,049	8,560	8,630	8,990	9,660	10,260

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

## APPENDIX B: CHANGES SINCE 2009 UEFO

**Table B1: Reconciliation of 2008-09 general government (accrual) revenue**

	Estimates		Change on UEFO	
	UEFO \$m	Budget \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	120,560	117,680	-2,880	-2.4
Gross other individuals	31,122	31,210	88	0.3
less: Refunds	22,602	23,200	598	2.6
Total individuals and other withholding taxation	129,080	125,690	-3,390	-2.6
Fringe benefits tax	3,760	3,470	-290	-7.7
Superannuation funds	9,430	9,160	-270	-2.9
Company tax	61,215	57,950	-3,265	-5.3
Petroleum resource rent tax	2,250	1,600	-650	-28.9
<b>Income taxation revenue</b>	<b>205,735</b>	<b>197,870</b>	<b>-7,865</b>	<b>-3.8</b>
Sales taxes				
Goods and services tax	44,356	43,130	-1,226	-2.8
Wine equalisation tax	690	700	10	1.4
Luxury car tax	450	390	-60	-13.3
Other	0	0	0	0.0
Total sales taxes	45,496	44,220	-1,276	-2.8
Excise duty				
Petrol	6,580	6,610	30	0.5
Diesel	6,940	6,660	-280	-4.0
Beer	1,970	2,010	40	2.0
Tobacco	5,460	5,620	160	2.9
Other excisable products	3,410	3,620	210	6.2
Of which: Other excisable beverages(a)	930	870	-60	-6.5
Total excise duty revenue	24,360	24,520	160	0.7
Customs duty				
Textiles, clothing and footwear	1,080	1,140	60	5.6
Passenger motor vehicles	1,270	1,180	-90	-7.1
Excise-like goods	2,670	2,760	90	3.4
Other imports	1,640	1,600	-40	-2.4
less: Refunds and drawbacks	240	240	0	0.0
Total customs duty revenue	6,420	6,440	20	0.3
Carbon Pollution Reduction Scheme	-	-	-	-
Other indirect taxation				
Agricultural levies	592	558	-35	-5.8
Other taxes	2,143	2,143	0	0.0
Total other indirect taxation revenue	2,736	2,701	-35	-1.3
<b>Indirect taxation revenue</b>	<b>79,012</b>	<b>77,881</b>	<b>-1,131</b>	<b>-1.4</b>
<b>Taxation revenue</b>	<b>284,747</b>	<b>275,751</b>	<b>-8,996</b>	<b>-3.2</b>
Sales of goods and services	5,970	6,373	404	6.8
Dividends	3,241	3,194	-47	-1.4
Interest received	5,507	5,454	-53	-1.0
Other non-taxation revenue	4,496	5,166	670	14.9
<b>Non-taxation revenue</b>	<b>19,213</b>	<b>20,188</b>	<b>975</b>	<b>5.1</b>
<b>Total revenue</b>	<b>303,960</b>	<b>295,939</b>	<b>-8,021</b>	<b>-2.6</b>

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

Statement 5: Revenue

**Table B2: Reconciliation of 2009-10 general government (accrual) revenue**

	Estimates		Change on UEFO	
	UEFO \$m	Budget \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	124,216	119,000	-5,216	-4.2
Gross other individuals	29,324	28,350	-974	-3.3
/ess: Refunds	24,119	24,640	521	2.2
Total individuals and other withholding taxation	129,420	122,710	-6,710	-5.2
Fringe benefits tax	3,960	3,460	-500	-12.6
Superannuation funds	9,060	7,990	-1,070	-11.8
Company tax	57,930	54,980	-2,950	-5.1
Petroleum resource rent tax	1,620	1,720	100	6.2
<b>Income taxation revenue</b>	<b>201,990</b>	<b>190,860</b>	<b>-11,130</b>	<b>-5.5</b>
Sales taxes				
Goods and services tax	45,893	43,630	-2,263	-4.9
Wine equalisation tax	730	710	-20	-2.7
Luxury car tax	450	370	-80	-17.8
Other	0	0	0	0.0
Total sales taxes	47,073	44,710	-2,363	-5.0
Excise duty				
Petrol	6,410	6,340	-70	-1.1
Diesel	7,220	6,490	-730	-10.1
Beer	2,040	2,050	10	0.5
Tobacco	5,480	5,510	30	0.5
Other excisable products	3,760	3,460	-300	-8.0
Of which: Other excisable beverages(a)	1,080	970	-110	-10.2
Total excise duty revenue	24,910	23,850	-1,060	-4.3
Customs duty				
Textiles, clothing and footwear	810	830	20	2.5
Passenger motor vehicles	970	870	-100	-10.3
Excise-like goods	2,750	2,780	30	1.1
Other imports	1,710	1,530	-180	-10.5
/ess: Refunds and drawbacks	240	240	0	0.0
Total customs duty revenue	6,000	5,770	-230	-3.8
Carbon Pollution Reduction Scheme	-	-	-	-
Other indirect taxation				
Agricultural levies	356	353	-3	-0.8
Other taxes	2,234	2,185	-49	-2.2
Total other indirect taxation revenue	2,590	2,537	-52	-2.0
<b>Indirect taxation revenue</b>	<b>80,573</b>	<b>76,867</b>	<b>-3,705</b>	<b>-4.6</b>
<b>Taxation revenue</b>	<b>282,563</b>	<b>267,727</b>	<b>-14,835</b>	<b>-5.3</b>
Sales of goods and services	6,390	7,483	1,093	17.1
Dividends	6,143	6,413	270	4.4
Interest received	5,215	4,697	-518	-9.9
Other non-taxation revenue	3,691	4,292	601	16.3
<b>Non-taxation revenue</b>	<b>21,438</b>	<b>22,884</b>	<b>1,446</b>	<b>6.7</b>
<b>Total revenue</b>	<b>304,001</b>	<b>290,612</b>	<b>-13,389</b>	<b>-4.4</b>

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



**Table B3: Reconciliation of 2008-09 general government (cash) receipts**

	Estimates		Change on UEFO	
	UEFO \$m	Budget \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	119,500	116,400	-3,100	-2.6
Gross other individuals	29,742	29,710	-32	-0.1
/less: Refunds	22,602	23,200	598	2.6
Total individuals and withholding taxation	126,640	122,910	-3,730	-2.9
Fringe benefits tax	3,690	3,400	-290	-7.9
Superannuation funds	9,410	9,140	-270	-2.9
Company tax	59,705	56,800	-2,905	-4.9
Petroleum resource rent tax	2,200	2,200	0	0.0
<b>Income taxation receipts</b>	<b>201,645</b>	<b>194,450</b>	<b>-7,195</b>	<b>-3.6</b>
Sales taxes				
Goods and services tax	42,264	41,258	-1,007	-2.4
Wine equalisation tax	680	690	10	1.5
Luxury car tax	450	390	-60	-13.3
Other sales taxes	0	0	0	0.0
Total sales taxes	43,394	42,338	-1,057	-2.4
Excise duty				
Petrol	6,450	6,510	60	0.9
Diesel	6,940	6,660	-280	-4.0
Beer	1,970	2,010	40	2.0
Tobacco	5,460	5,620	160	2.9
Other excisable products	3,400	3,610	210	6.2
Of which: Other excisable beverages(a)	930	870	-60	-6.5
Total excise duty receipts	24,220	24,410	190	0.8
Customs duty				
Textiles, clothing and footwear	1,080	1,140	60	5.6
Passenger motor vehicles	870	780	-90	-10.3
Excise-like goods	2,670	2,760	90	3.4
Other imports	1,630	1,590	-40	-2.5
/less: Refunds and drawbacks	380	380	0	0.0
Total customs duty receipts	5,870	5,890	20	0.3
Carbon Pollution Reduction Scheme	-	-	-	-
Other indirect taxation				
Agricultural levies	592	558	-35	-5.8
Other taxes	2,031	1,732	-299	-14.7
Total other indirect taxation receipts	2,623	2,290	-333	-12.7
<b>Indirect taxation receipts</b>	<b>76,108</b>	<b>74,927</b>	<b>-1,180</b>	<b>-1.6</b>
<b>Taxation receipts</b>	<b>277,753</b>	<b>269,377</b>	<b>-8,375</b>	<b>-3.0</b>
Sales of goods and services	5,984	6,356	372	6.2
Dividends	3,241	3,152	-89	-2.7
Interest received	5,115	5,014	-100	-2.0
Other non-taxation receipts	4,967	5,883	916	18.5
<b>Non-taxation receipts</b>	<b>19,307</b>	<b>20,406</b>	<b>1,099</b>	<b>5.7</b>
<b>Total receipts</b>	<b>297,060</b>	<b>289,784</b>	<b>-7,276</b>	<b>-2.4</b>

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

Statement 5: Revenue

**Table B4: Reconciliation of 2009-10 general government (cash) receipts**

	Estimates		Change on UEFO	
	UEFO \$m	Budget \$m	\$m	%
Individuals and other withholding taxes				
Gross income tax withholding	122,915	117,710	-5,205	-4.2
Gross other individuals	27,714	26,600	-1,114	-4.0
less: Refunds	24,119	24,640	521	2.2
Total individuals and withholding taxation	126,510	119,670	-6,840	-5.4
Fringe benefits tax	3,890	3,390	-500	-12.9
Superannuation funds	9,030	7,960	-1,070	-11.8
Company tax	55,840	53,040	-2,800	-5.0
Petroleum resource rent tax	1,500	1,680	180	12.0
<b>Income taxation receipts</b>	<b>196,770</b>	<b>185,740</b>	<b>-11,030</b>	<b>-5.6</b>
Sales taxes				
Goods and services tax	43,528	41,453	-2,074	-4.8
Wine equalisation tax	720	700	-20	-2.8
Luxury car tax	450	370	-80	-17.8
Other sales taxes	0	0	0	0.0
Total sales taxes	44,698	42,523	-2,174	-4.9
Excise duty				
Petrol	6,280	6,250	-30	-0.5
Diesel	7,220	6,490	-730	-10.1
Beer	2,040	2,050	10	0.5
Tobacco	5,480	5,510	30	0.5
Other excisable products	3,760	3,460	-300	-8.0
Of which: Other excisable beverages(a)	1,080	970	-110	-10.2
Total excise duty receipts	24,780	23,760	-1,020	-4.1
Customs duty				
Textiles, clothing and footwear	810	830	20	2.5
Passenger motor vehicles	640	540	-100	-15.6
Excise-like goods	2,750	2,780	30	1.1
Other imports	1,700	1,520	-180	-10.6
less: Refunds and drawbacks	380	380	0	0.0
Total customs duty receipts	5,520	5,290	-230	-4.2
Carbon Pollution Reduction Scheme	2,900	-	-2,900	-100.0
Other indirect taxation				
Agricultural levies	356	353	-3	-0.8
Other taxes	2,120	1,770	-350	-16.5
Total other indirect taxation receipts	2,476	2,122	-353	-14.3
<b>Indirect taxation receipts</b>	<b>77,473</b>	<b>73,696</b>	<b>-3,777</b>	<b>-4.9</b>
<b>Taxation receipts</b>	<b>277,144</b>	<b>259,436</b>	<b>-17,708</b>	<b>-6.4</b>
Sales of goods and services	6,394	7,480	1,086	17.0
Dividends	5,643	5,663	20	0.4
Interest received	5,056	4,426	-630	-12.5
Other non-taxation receipts	3,831	4,979	1,148	30.0
<b>Non-taxation receipts</b>	<b>20,923</b>	<b>22,548</b>	<b>1,624</b>	<b>7.8</b>
<b>Total receipts</b>	<b>298,067</b>	<b>281,983</b>	<b>-16,084</b>	<b>-5.4</b>

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

## APPENDIX C: REVENUE AND RECEIPTS HISTORY AND FORECASTS

Table C1: Australian Government (accrual) revenue

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	(est) \$m	(est) \$m	(est) \$m	(proj) \$m	(proj) \$m
<b>Individuals and other withholding taxes</b>													
Gross income tax withholding	75,614	79,822	84,640	90,095	98,250	103,811	107,809	114,700	117,680	119,000	122,630	132,590	144,075
Gross other individuals	13,426	17,237	18,314	21,010	24,003	25,859	26,952	31,036	31,210	28,350	27,690	29,440	32,180
less: Refunds	10,989	10,637	11,651	12,325	13,734	15,239	17,147	19,601	23,200	24,640	23,780	24,840	26,815
Total individuals and other withholding	78,051	86,422	91,303	98,779	108,519	114,431	117,614	126,135	125,690	122,710	126,540	137,190	149,440
Fringe benefits tax	3,741	4,032	3,154	3,642	3,476	4,084	3,754	3,796	3,470	3,460	3,590	3,790	4,050
Superannuation funds	5,286	4,171	4,896	5,785	6,410	6,705	7,879	11,988	9,160	7,990	9,260	10,430	11,420
Company tax	35,136	27,133	33,365	36,337	43,106	48,987	58,538	64,790	57,950	54,960	55,740	62,320	67,200
Petroleum resource rent tax	2,388	1,306	1,715	1,165	1,465	1,991	1,594	1,871	1,600	1,720	1,710	1,640	1,660
<b>Income taxation revenue</b>	<b>124,602</b>	<b>123,064</b>	<b>134,432</b>	<b>145,709</b>	<b>162,974</b>	<b>176,198</b>	<b>189,378</b>	<b>208,579</b>	<b>197,870</b>	<b>190,860</b>	<b>196,840</b>	<b>215,370</b>	<b>233,770</b>
<b>Sales Taxes</b>													
Goods and services tax	23,854	27,389	31,257	34,121	35,975	39,118	41,208	44,381	43,130	43,630	45,960	48,670	51,880
Wine equalisation tax	528	648	673	705	693	667	651	661	700	710	730	770	830
Luxury car tax	172	220	261	336	302	331	365	464	390	370	360	400	430
Other sales taxes(a)	1,276	-77	-39	-38	-13	-19	60	-19	0	0	0	0	0
Total sales taxes	25,830	28,180	32,153	35,122	36,957	40,086	42,284	45,486	44,220	44,710	47,050	49,840	53,140
Excise duty													
Fuel excise	12,447	12,793	13,337	13,529	14,350	14,073	14,653	15,085	15,790	15,090	15,160	14,622	12,847
Other excise	6,572	6,837	7,450	7,539	7,631	7,854	8,082	8,441	8,730	8,760	8,850	9,110	9,430
Total excise duty	19,019	19,630	20,787	21,068	21,981	21,927	22,734	23,526	24,520	23,850	24,010	23,732	22,277
Customs duty	4,606	5,214	5,573	5,622	5,548	4,988	5,644	6,070	6,440	5,770	5,490	5,807	6,111
Carbon Pollution Reduction Scheme	-	-	-	-	-	-	-	-	-	-	-	4,470	12,990
<b>Other indirect taxation</b>													
Agricultural levies	451	550	586	603	584	610	608	611	558	353	352	356	357
Other taxes	1,374	1,573	1,672	1,835	1,899	1,908	1,862	1,957	2,143	2,185	2,239	2,300	2,357
Total other indirect taxation revenue	1,825	2,123	2,258	2,438	2,483	2,518	2,470	2,567	2,701	2,537	2,591	2,656	2,715
<b>Indirect taxation revenue</b>	<b>51,280</b>	<b>55,146</b>	<b>60,770</b>	<b>64,250</b>	<b>66,969</b>	<b>69,518</b>	<b>73,132</b>	<b>77,650</b>	<b>77,881</b>	<b>76,867</b>	<b>79,141</b>	<b>86,505</b>	<b>97,233</b>
<b>Taxation revenue</b>	<b>175,881</b>	<b>178,210</b>	<b>195,203</b>	<b>209,959</b>	<b>229,943</b>	<b>245,716</b>	<b>262,510</b>	<b>286,229</b>	<b>275,751</b>	<b>267,727</b>	<b>275,981</b>	<b>301,875</b>	<b>331,002</b>

Statement 5: Revenue

**Table C1: Australian Government (accrual) revenue (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	2012-13
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	(est) \$m	(est) \$m	(est) \$m	(proj) \$m	(proj) \$m
Interest received	1,105	1,188	1,185	1,304	1,621	2,437	3,921	5,558	5,454	4,697	4,586	4,512	4,484
Dividends and other	9,123	11,090	10,535	10,905	10,943	13,085	11,979	11,942	14,734	18,188	14,275	14,388	14,197
<b>Non-taxation revenue</b>	<b>10,228</b>	<b>12,278</b>	<b>11,720</b>	<b>12,209</b>	<b>12,564</b>	<b>15,522</b>	<b>15,900</b>	<b>17,500</b>	<b>20,188</b>	<b>22,884</b>	<b>18,861</b>	<b>18,900</b>	<b>18,681</b>
<b>Total revenue</b>	<b>186,109</b>	<b>190,488</b>	<b>206,922</b>	<b>222,168</b>	<b>242,507</b>	<b>261,238</b>	<b>278,410</b>	<b>303,729</b>	<b>295,939</b>	<b>290,612</b>	<b>294,842</b>	<b>320,775</b>	<b>349,684</b>

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

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

	Income tax										Indirect taxation revenue																																																																																																																																																																																																																																			
	Gross ITW					Refunds					Total ind. & wholding					FBT Super funds					Companies PRRT					Total income tax					Sales tax(a)					Excise & Customs duty.					CPRS					Other tax					Total indirect tax					Total tax revenue					Total non-tax revenue					Total revenue																																																																																																																																																																												
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%																																																																																																																																																																																												
1999-00	12.6	2.2	1.7	13.1	0.6	0.6	3.8	0.2	18.3	2.4	2.8	-	0.3	5.5	23.8	2.1	25.9	11.0	1.9	1.6	11.3	0.5	0.8	5.1	0.3	18.1	3.7	3.4	-	0.3	7.4	25.5	1.4	27.0	10.8	2.3	1.4	11.7	0.5	0.6	3.7	0.2	16.7	3.8	3.4	-	0.3	7.5	24.2	1.6	25.9	10.8	2.3	1.5	11.7	0.4	0.6	4.3	0.2	17.2	4.1	3.4	-	0.3	7.8	25.0	1.5	26.5	10.7	2.5	1.5	11.7	0.4	0.7	4.3	0.1	17.3	4.2	3.2	-	0.3	7.6	25.0	1.4	26.4	10.9	2.7	1.5	12.1	0.4	0.7	4.8	0.2	18.2	4.1	3.1	-	0.3	7.5	25.6	1.4	27.0	10.7	2.7	1.6	11.8	0.4	0.7	5.1	0.2	18.2	4.1	2.8	-	0.3	7.2	25.4	1.6	27.0	10.3	2.6	1.6	11.2	0.4	0.8	5.6	0.2	18.1	4.0	2.7	-	0.2	7.0	25.1	1.5	26.6	10.1	2.7	1.7	11.1	0.3	1.1	5.7	0.2	18.4	4.0	2.6	-	0.2	6.9	25.3	1.5	26.8	9.8	2.6	1.9	10.5	0.3	0.8	4.8	0.1	16.5	3.7	2.6	-	0.2	6.5	23.1	1.7	24.7	10.1	2.4	2.1	10.4	0.3	0.7	4.7	0.1	16.2	3.8	2.5	-	0.2	6.5	22.7	1.9	24.7	10.0	2.3	1.9	10.3	0.3	0.8	4.6	0.1	16.1	3.8	2.4	-	0.2	6.5	22.6	1.5	24.1	10.2	2.3	1.9	10.6	0.3	0.8	4.8	0.1	16.6	3.8	2.3	0.3	0.2	6.7	23.2	1.5	24.7	10.4	2.3	1.9	10.8	0.3	0.8	4.8	0.1	16.9	3.8	2.0	0.9	0.2	7.0	23.9	1.3	25.2

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

Statement 5: Revenue

**Table C3: Australian Government (cash) receipts**

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	(est) \$m	(est) \$m	(est) \$m	(proj) \$m	(proj) \$m
<b>Individuals and other withholding taxes</b>													
Gross income tax withholding	75,009	78,983	84,134	89,638	97,304	103,120	107,119	113,982	116,400	117,710	121,550	131,620	143,015
Gross other individuals	13,226	16,290	17,436	19,935	22,554	24,895	25,797	29,525	29,710	26,600	26,000	27,760	30,540
/less: Refunds	10,989	10,637	11,651	12,325	13,734	15,244	17,145	19,601	23,200	24,640	23,780	24,840	26,815
Total individuals and other withholding	77,246	84,636	89,919	97,247	106,123	112,770	115,770	123,906	122,910	119,670	123,770	134,540	146,740
Fringe benefits tax	3,492	3,632	3,459	3,590	3,703	4,049	3,761	3,856	3,400	3,390	3,520	3,720	3,970
Superannuation funds	4,800	4,373	4,840	5,551	6,248	6,368	8,211	12,054	9,140	7,960	9,230	10,390	11,380
Company tax	31,582	27,230	32,752	36,101	40,404	48,960	57,100	61,700	56,800	53,040	53,390	60,060	65,120
Petroleum resource rent tax	2,379	1,361	1,712	1,168	1,459	1,917	1,510	1,686	2,200	1,680	1,550	1,580	1,600
<b>Income taxation receipts</b>	<b>119,498</b>	<b>121,233</b>	<b>132,681</b>	<b>143,658</b>	<b>157,937</b>	<b>174,063</b>	<b>186,353</b>	<b>203,202</b>	<b>194,450</b>	<b>185,740</b>	<b>191,460</b>	<b>210,290</b>	<b>228,810</b>
<b>Sales taxes</b>													
Goods and services tax	23,657	26,764	30,713	33,069	35,184	37,342	39,614	42,424	41,258	41,453	43,680	46,550	49,560
Wine equalisation tax	524	640	669	704	682	656	650	665	690	700	720	760	820
Luxury car tax	171	220	261	335	298	322	364	452	390	370	360	400	430
Other sales taxes(a)	1,234	-75	-72	-48	-10	-16	-6	0	0	0	0	0	0
Total sales taxes	25,585	27,549	31,571	34,060	36,154	38,304	40,621	43,541	42,338	42,523	44,760	47,710	50,810
<b>Excise duty</b>													
Fuel excise	12,445	12,779	13,283	13,540	14,276	13,992	14,663	15,252	15,680	15,000	15,070	14,532	12,747
Other excise	6,572	6,837	7,450	7,539	7,612	7,822	8,086	8,474	8,730	8,760	8,850	9,110	9,430
Total excise duty	19,017	19,616	20,733	21,079	21,888	21,814	22,749	23,727	24,410	23,760	23,920	23,642	22,177
Customs duty	4,584	4,625	4,982	5,038	5,012	4,488	5,063	5,561	5,890	5,290	5,110	5,427	5,731
Carbon Pollution Reduction Scheme	-	-	-	-	-	-	-	-	-	-	940	1,920	11,540
<b>Other indirect taxation</b>													
Agricultural levies	451	550	586	603	584	610	608	611	558	353	352	356	357
Other taxes	1,219	1,535	1,578	1,655	1,740	1,936	1,999	1,734	1,732	1,770	2,058	1,984	1,949
Total other indirect taxation receipts	1,670	2,085	2,164	2,258	2,324	2,546	2,607	2,345	2,290	2,122	2,410	2,340	2,306
<b>Indirect taxation receipts</b>	<b>50,857</b>	<b>53,874</b>	<b>59,450</b>	<b>62,435</b>	<b>65,377</b>	<b>67,152</b>	<b>71,039</b>	<b>75,174</b>	<b>74,927</b>	<b>73,696</b>	<b>76,200</b>	<b>79,119</b>	<b>81,024</b>
<b>Taxation receipts</b>	<b>170,355</b>	<b>175,107</b>	<b>192,132</b>	<b>206,092</b>	<b>223,314</b>	<b>241,215</b>	<b>257,392</b>	<b>278,376</b>	<b>269,377</b>	<b>259,436</b>	<b>268,600</b>	<b>291,329</b>	<b>321,374</b>

**Table C3: Australian Government (cash) receipts (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	2012-13
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	(est) \$m	(est) \$m	(est) \$m	(proj) \$m	(proj) \$m
Interest received	1,140	918	982	1,056	1,400	2,325	3,731	4,769	5,014	4,426	4,345	4,291	4,341
Dividends and other	11,500	11,563	11,500	10,627	11,271	12,403	11,514	11,772	15,392	18,122	15,322	14,605	14,379
<b>Non-taxation receipts</b>	<b>12,640</b>	<b>12,481</b>	<b>12,482</b>	<b>11,683</b>	<b>12,670</b>	<b>14,728</b>	<b>15,245</b>	<b>16,540</b>	<b>20,406</b>	<b>22,548</b>	<b>19,666</b>	<b>18,895</b>	<b>18,719</b>
<b>Total receipts</b>	<b>182,995</b>	<b>187,588</b>	<b>204,614</b>	<b>217,776</b>	<b>235,985</b>	<b>255,943</b>	<b>272,637</b>	<b>294,917</b>	<b>289,784</b>	<b>281,983</b>	<b>288,266</b>	<b>310,225</b>	<b>340,093</b>

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

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**Table C4: Major categories of (cash) receipts as a proportion of gross domestic product<sup>(a)</sup>**

	Income tax										Indirect taxation receipts																			
	Gross					Total					Sales tax(c)					Excise & Customs duty					CPRS					Other				
	ITW	Refunds	other	ind.(b)	%	Total	ind. & w/holding	FBT	Super funds	Companies	PRRT	Total income tax	%	tax(c)	%	Excise & Customs duty	%	CPRS	%	Other	%	Total tax receipts	%	Total non-tax receipts(d)	%	Total receipts	%			
1977-78	10.4	2.4	0.9	11.9	0.0	0.0	0.0	0.0	3.0	0.0	14.9	1.7	3.8	-	0.4	5.9	20.8	2.5	23.4											
1978-79	9.9	2.1	0.9	11.1	0.0	0.0	0.0	0.0	2.6	0.0	13.7	1.5	4.5	-	0.4	6.4	20.1	2.3	22.5											
1979-80	10.2	2.2	0.9	11.5	0.0	0.0	0.0	0.0	2.6	0.0	14.1	1.4	4.9	-	0.4	6.7	20.8	2.2	23.0											
1980-81	10.3	2.3	0.8	11.8	0.0	0.0	0.0	0.0	3.1	0.0	15.0	1.4	5.1	-	0.3	6.9	21.8	2.2	24.1											
1981-82	11.1	2.2	0.8	12.4	0.0	0.0	0.0	0.0	2.9	0.0	15.4	1.7	4.7	-	0.3	6.6	22.0	2.1	24.1											
1982-83	11.4	2.2	1.1	12.5	0.0	0.0	0.0	0.0	2.6	0.0	15.1	1.9	4.8	-	0.3	7.0	22.1	2.4	24.5											
1983-84	10.9	2.1	1.1	11.9	0.0	0.0	0.0	0.0	2.2	0.0	14.1	2.0	4.9	-	0.4	7.3	21.4	2.5	23.9											
1984-85	11.4	2.4	0.9	12.8	0.0	0.0	0.0	0.0	2.4	0.0	15.3	2.1	5.0	-	0.5	7.7	22.9	2.5	25.4											
1985-86	11.7	2.6	1.3	13.0	0.0	0.0	0.0	0.0	2.4	0.0	15.5	2.2	5.0	-	0.4	7.6	23.1	2.9	26.0											
1986-87	12.0	3.1	1.3	13.9	0.2	0.0	0.0	0.0	2.4	0.0	16.4	2.3	4.7	-	0.4	7.3	23.8	3.0	26.7											
1987-88	11.6	3.1	1.3	13.3	0.3	0.0	0.0	0.0	2.8	0.0	16.4	2.4	4.4	-	0.4	7.2	23.5	2.6	26.2											
1988-89	12.0	2.8	1.4	13.3	0.3	0.0	0.0	0.0	2.8	0.0	16.4	2.6	3.6	-	0.4	6.6	23.1	2.0	25.1											
1989-90	11.7	2.6	1.5	12.8	0.3	0.1	0.0	0.0	3.3	0.0	16.5	2.6	3.5	-	0.3	6.4	22.9	2.0	24.8											
1990-91	11.4	2.8	1.7	12.5	0.3	0.3	0.0	0.0	3.5	0.1	16.6	2.3	3.3	-	0.4	6.1	22.7	1.8	24.5											
1991-92	11.1	2.2	1.9	11.4	0.3	0.3	0.0	0.0	3.2	0.2	15.5	2.2	3.1	-	0.3	5.5	21.0	2.0	23.0											
1992-93	10.9	1.9	1.8	11.0	0.3	0.3	0.0	0.0	3.0	0.3	15.0	2.1	3.0	-	0.2	5.3	20.3	2.0	22.3											
1993-94	10.8	1.9	1.5	11.2	0.3	0.3	0.0	0.0	2.8	0.2	14.8	2.3	3.1	-	0.2	5.6	20.3	2.3	22.6											
1994-95	11.1	1.9	1.6	11.4	0.6	0.4	0.0	0.0	3.2	0.2	15.8	2.4	3.2	-	0.2	5.8	21.6	1.8	23.3											
1995-96	11.6	1.9	1.6	11.9	0.6	0.3	0.0	0.0	3.5	0.2	16.5	2.5	3.1	-	0.3	5.8	22.3	1.7	24.0											
1996-97	11.8	2.2	1.6	12.4	0.6	0.5	0.0	0.0	3.5	0.2	17.2	2.4	3.0	-	0.2	5.6	22.8	1.7	24.5											
1997-98	12.0	2.1	1.6	12.5	0.5	0.5	0.0	0.0	3.4	0.2	17.1	2.4	3.0	-	0.2	5.6	22.7	1.7	24.4											



**Table C4: Major categories of (cash) receipts as a proportion of gross domestic product<sup>(a)</sup> (continued)**

	Income tax										Indirect taxation receipts																																																																																																																																																																																																																																																				
	Gross ITW					Total ind. & withholding					Super funds					Companies					PRRT					Total income tax					Sales tax(c)					Excise & Customs duty					CPRS					Other tax					Total indirect tax					Total non-tax receipts					Total receipts																																																																																																																																																																																																		
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%																																																																																																																																																																																																													
1998-99	12.4	2.2	1.7	12.8	0.5	0.6	3.4	0.1	17.5	2.5	2.8	-	0.0	5.3	22.8	2.2	25.1	12.6	2.1	1.7	12.9	0.6	0.6	3.8	0.2	18.1	2.4	2.8	-	0.2	5.4	23.5	2.3	25.8	10.9	1.9	1.6	11.2	0.5	0.7	4.6	0.3	17.3	3.7	3.4	-	0.2	7.4	24.7	1.8	26.5	10.7	2.2	1.4	11.5	0.5	0.6	3.7	0.2	16.5	3.7	3.3	-	0.3	7.3	23.8	1.7	25.5	10.8	2.2	1.5	11.5	0.4	0.6	4.2	0.2	17.0	4.0	3.3	-	0.3	7.6	24.6	1.6	26.2	10.7	2.4	1.5	11.6	0.4	0.7	4.3	0.1	17.1	4.0	3.1	-	0.3	7.4	24.5	1.4	25.9	10.8	2.5	1.5	11.8	0.4	0.7	4.5	0.2	17.6	4.0	3.0	-	0.3	7.3	24.9	1.4	26.3	10.7	2.6	1.6	11.7	0.4	0.7	5.1	0.2	18.0	4.0	2.7	-	0.3	6.9	24.9	1.5	26.5	10.2	2.5	1.6	11.1	0.4	0.8	5.5	0.1	17.8	3.9	2.7	-	0.2	6.8	24.6	1.5	26.1	10.1	2.6	1.7	11.0	0.3	1.1	5.5	0.1	18.0	3.8	2.6	-	0.2	6.6	24.6	1.5	26.1	9.7	2.5	1.9	10.3	0.3	0.8	4.7	0.2	16.3	3.5	2.5	-	0.2	6.3	22.5	1.7	24.2	10.0	2.3	2.1	10.2	0.3	0.7	4.5	0.1	15.8	3.6	2.5	-	0.2	6.3	22.0	1.9	23.9	9.9	2.1	1.9	10.1	0.3	0.8	4.4	0.1	15.7	3.7	2.4	0.1	0.2	6.3	22.0	1.6	23.6	10.1	2.1	1.9	10.4	0.3	0.8	4.6	0.1	16.2	3.7	2.2	0.1	0.2	6.2	22.4	1.5	23.9	10.3	2.2	1.9	10.6	0.3	0.8	4.7	0.1	16.5	3.7	2.0	0.8	0.2	6.7	23.2	1.3	24.5

(a) Figures prior to 1999-00 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.

## **APPENDIX D: FORECAST METHODOLOGY AND PERFORMANCE**

The Government's revenue estimates are prepared using a 'base plus growth' methodology. The last known outcome (2007-08 for the 2009-10 Budget) is used as the base, to which estimated growth rates are applied resulting in revenue estimates for the current and future years. The growth rates are determined from forecasts for a large range of economic data, many of which are described in Statement 2.

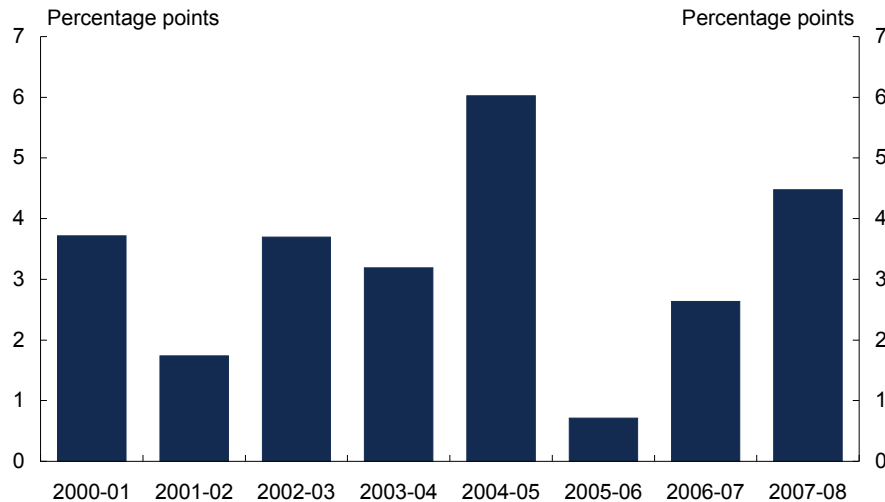
The smaller and relatively simple heads of revenue, such as luxury car tax and many of the excises, are forecast by mapping an appropriate economic parameter growth rate forecast directly to the tax growth rate. Most of the large and complex heads of revenue, such as personal and company income taxes, are forecast by mapping appropriate economic parameter growth rates to the various income, expense and deduction items on the relevant tax returns. An estimate of total tax payable is then calculated by applying the statutory rates to the estimated income base. Timing models based on past payment behaviour assist in determining whether this tax will be paid in the year the income is earned, such as for pay-as-you-go withholding tax, or in future years, such as for individuals' refunds.

Other information affecting revenue forecasts includes known tax collections for the current year, new policy, and properties of the calendar (for example, more pay-as-you-go withholding tax is paid on a Thursday than any other day so years with 53 Thursdays will result in more revenue than years with 52 Thursdays).

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 2007-08 Budget forecast taxation revenue to grow by 4.8 per cent in 2007-08, compared to the outcome of 9.3 per cent, a forecast error of 4.5 percentage points. It should be noted that, in contrast to this trend, the estimate for revenue in 2008-09 is expected to be significantly lower than the 2008-09 Budget forecast.

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



Source: Treasury estimates.

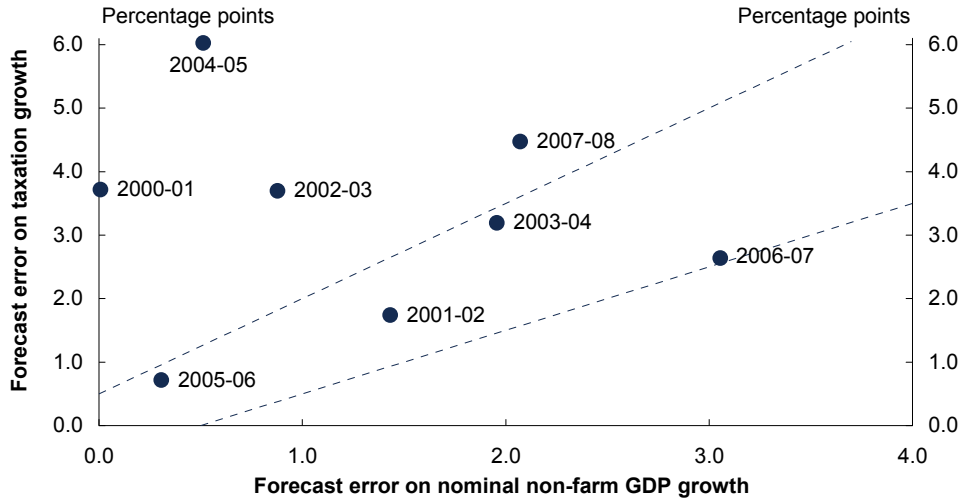
Chart D2 shows the relationship between forecast errors of the economy and tax revenue over recent years. The dotted lines in Chart D2 represent a theoretical range for the relationship between the economic and revenue forecasting errors.

- 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 (CGT) 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.
- 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 models 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 be theoretically 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.  
Source: Treasury estimates.

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.

Tax revenue in 2007-08 was bolstered by around \$18 billion of CGT, an increase of more than 50 per cent from the previous year and an increase of more than 200 per cent since 2004-05. This unusually large growth was driven by unforeseen strength in both the stock market and house prices, resulting in a forecast error on tax revenue outside of the expected range given the forecast error on nominal non-farm GDP growth. Abstracting from CGT, the estimated forecast error on tax revenue in 2007-08 was around 3 per cent of total revenue, which is within the expected range given the error on nominal non-farm GDP.

After allowing for economic forecast error, 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, 2006-07 and 2007-08 illustrate the benefits of the improved forecasting methodology.

## **APPENDIX E: 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 receipt may also be received in a period different from that to which the taxation liability relates.

Cash recognition is an integral part of budget reporting as a cash flow statement must be prepared under the accrual accounting frameworks on which the budget must be based. It also provides additional information about the structure of taxation. Cash data are 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 referred to 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 ETM.

Currently, ETM 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.

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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 (eg the Australian Taxation Office). 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.

#### **History of accrual revenue recognition**

From 1999-2000 to 2005-06, all accrual taxation revenue was recognised in budget documents 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 E1: Estimates of taxation revenue on an accrual and cash basis**

	Estimates			Projections	
	2008-09 \$b	2009-10 \$b	2010-11 \$b	2011-12 \$b	2012-13 \$b
Taxation revenue (accrual)	275.8	267.7	276.0	301.9	331.0
Taxation receipts (cash)	269.4	259.4	268.6	291.3	321.4
<b>Difference (accrual less cash)</b>	<b>6.4</b>	<b>8.3</b>	<b>7.4</b>	<b>10.5</b>	<b>9.6</b>
<i>Memorandum items:</i>					
ACIS(a)	0.4	0.3	0.2	0.2	0.2
CPRS	-	-	-0.9	2.6	1.5
Net receivables	2.5	3.7	3.5	2.9	2.6
Write-offs of bad & doubtful debts	2.0	2.1	2.2	2.3	2.5
Penalty remissions	1.5	1.7	1.7	1.8	1.9
Other	0.0	0.5	0.7	0.7	1.0
<b>Total</b>	<b>6.4</b>	<b>8.3</b>	<b>7.4</b>	<b>10.5</b>	<b>9.6</b>

(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.

#### Carbon Pollution Reduction Scheme

Consistent with guidance issued under the United Nations System of National Accounts, payments for emission units under the CPRS are treated as taxes in this Budget.

In cash terms, the payments for emissions units bought at auction are recorded as taxation receipts when the cash is expected to be received. Emission unit auctions are planned for before, during and after the year to which the permits relate. In the accrual statements, taxation revenue is recognised in the year that emissions are expected to occur or are confirmed. As a result, there will be a significant difference between accrual revenue and cash receipts (see Box 5).

### *Statement 5: Revenue*

There will also be a difference between accrual revenue and cash receipts due to allocations of free emissions units to assist selected industries. Free emissions units do not generate cash tax receipts. However, accrual tax revenues are recorded for emissions related to all emission units (including those allocated for free). In accrual statements free emission units accrue an expense when they are allocated to industry.

#### 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 F: 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 includes tax expenditures related to GST. The data does not include the impact on tax expenditures of decisions in this Budget, or the 2009 UEFO.

Care needs to be taken when analysing tax expenditure data: see Section 2.2 of the 2008 Tax Expenditures Statements for a detailed discussion.

Table F1 contains estimates of total tax expenditures for the period 2005-06 to 2012-13.

**Table F1: Total measured tax expenditures**

Year	Superannuation	Other tax expenditures	Total	Tax expenditure as a proportion of GDP
	\$m	\$m	\$m	(%)
2005-06 (est)	22,885	36,154	59,039	6.1
2006-07 (est)	30,379	40,548	70,927	6.8
2007-08 (est)	29,230	44,466	73,696	6.5
2008-09 (proj)	24,593	42,848	67,441	5.6
2009-10 (proj)	24,943	43,313	68,256	5.8
2010-11 (proj)	26,922	45,971	72,893	6.0
2011-12 (proj)	29,456	49,792	79,248	6.1
2012-13 (proj)	30,751	52,836	83,587	6.0

Table F1 shows that measured tax expenditures as a proportion of GDP are projected to fall from 6.5 per cent in 2007-08 to 5.6 per cent in 2008-09, mainly as a result of the impact of personal income tax cuts.

Statement 5: Revenue

Table F2 shows estimates of large measured tax expenditures for 2008-09.

**Table F2: Large measured tax expenditures in 2008-09**

Tax expenditure	Estimate \$m
<b>Large positive tax expenditures</b>	
Superannuation — concessional taxation of superannuation entity earnings	12,150
Superannuation — concessional taxation of employer contributions	10,150
Capital gains tax discount for individuals and trusts	8,640
GST — Food — uncooked, not prepared, not for consumption on premises of sale and some beverages	5,200
Exemption of Family Tax Benefit, Parts A and B, including expense equivalent	2,490
GST — Health; medical and health services	2,300
GST — Education	2,250
Exemption from interest withholding tax on widely held debentures	1,910
Application of statutory formula to value car benefits	1,830
Concessional taxation of non-superannuation termination benefits	1,450
Superannuation — deduction and concessional taxation of certain personal contributions	1,350
GST — Financial Supplies; input taxed treatment	1,270
Exemption of 30 per cent private health insurance refund, including expense equivalent	1,050
Exemption from the Medicare levy for residents with a taxable income below a threshold	1,010
Reduced withholding tax under international tax treaties	900
Senior Australians' Tax Offset	860
GST — Imported services	850
Exemption from excise for 'alternative fuels'	830
Income tax exemption for public and municipal authorities and other local governing bodies	830
Deduction for gifts to approved donees	800
Concessional rate of excise levied on aviation gasoline and aviation turbine fuel	710
Capped exemption for public benevolent institutions (excluding public and not-for-profit hospitals)	670
Exemption of certain income support benefits, pensions or allowances	610
Tax offsets for dependent spouse, child-housekeeper and housekeeper who cares for a prescribed dependant	600
<b>Large negative tax expenditures</b>	
Customs duty	-3,730
Higher rate of excise levied on cigarettes with less than 0.8 grams of tobacco	-1,244