

TAX EXPENDITURES  
STATEMENT

2009

© Commonwealth of Australia 2010

ISBN 978-0-642-74573-6

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth. Requests and inquiries concerning reproduction and rights should be addressed to:

Commonwealth Copyright Administration  
Attorney-General's Department  
3-5 National Circuit  
CANBERRA ACT 2600

Or posted at:  
<http://www.ag.gov.au/cca>

A copy of this document and other Treasury information appears on the Treasury Website. The Treasury Website address is: <http://www.treasury.gov.au>.

Printed by CanPrint Communications Pty Ltd

# CONTENTS

<b>HIGHLIGHTS</b> .....	<b>VII</b>
<b>CHAPTER 1: OVERVIEW</b> .....	<b>1</b>
1.1 Introduction.....	1
1.2 Coverage of this statement .....	2
1.3 Trends in tax expenditure estimates .....	3
1.4 Period covered by these estimates .....	11
<b>CHAPTER 2: THE TAX EXPENDITURE FRAMEWORK</b> .....	<b>13</b>
2.1 What is a tax expenditure?.....	13
2.2 Why report tax expenditures? .....	14
2.3 Approaches to measuring tax expenditures.....	16
2.4 Treasury’s approach to estimating tax expenditures .....	16
2.5 Interpreting the estimates of tax expenditures .....	19
2.6 Issues surrounding interpretation of tax expenditure estimates .....	19
2.7 Tax expenditure benchmarks.....	20
<b>CHAPTER 3: TAX EXPENDITURES</b> .....	<b>23</b>
3.1 Introduction.....	23
3.2 Notes on the estimates.....	23
3.3 Benchmarks used in the TES estimates .....	23
3.4 Summary of tax expenditures by benchmark.....	24
3.5 Guide to tax expenditure descriptions.....	27
3.6 Income tax benchmark .....	31
3.7 Consumption tax benchmark .....	168
3.8 Externalities benchmark.....	192
<b>CHAPTER 4: REVENUE GAIN ESTIMATES OF TAX EXPENDITURES</b> .....	<b>197</b>
4.1 Introduction.....	197
4.2 Standard assumptions for the revenue gain estimates.....	198
4.3 Guide to revenue gain estimate descriptions .....	199
4.4 Tax expenditures based on revenue gain approach.....	200

<b>APPENDIX A: TAX EXPENDITURE BENCHMARKS AND METHODOLOGIES.....</b>	<b>203</b>
A.1 Benchmarks .....	203
A.2 Expenditures related to taxes on income .....	204
A.3 Taxes on consumption .....	211
A.4 Measures to correct externalities .....	216
A.5 Modelling tax expenditures .....	218
A.6 Notes on the methodology used to estimate certain tax expenditures.....	220
<b>APPENDIX B: CHANGES TO TAX EXPENDITURES IN 2009 .....</b>	<b>223</b>
B.1 New tax expenditures.....	223
B.2 Modified tax expenditures .....	226
B.3 Deleted tax expenditures .....	230
<b>APPENDIX C: ALTERNATIVE ESTIMATES FOR OWNER-OCCUPIED HOUSING .....</b>	<b>233</b>
<b>APPENDIX D: AGGREGATED SUPERANNUATION TAX EXPENDITURE .....</b>	<b>239</b>
<b>GLOSSARY .....</b>	<b>241</b>
<b>INDEX .....</b>	<b>242</b>

## LIST OF TABLES

Table 1.1:	Total measured tax expenditures .....	4
Table 1.2:	Measured tax expenditures by benchmark .....	5
Table 1.3:	Large measured tax expenditures in 2009-10 .....	7
Table 1.4:	Aggregate tax expenditures by function.....	9
Table 1.5:	Aggregate tax expenditures and direct expenditures by function in 2008-09.....	11
Table 3.1:	Reliability of quantified tax expenditures.....	31
Table B.1:	New tax expenditures.....	223
Table B.2:	Modified tax expenditures .....	226
Table B.3:	Deleted tax expenditures .....	230
Table C1:	Capital gains tax main residence exemption with imputed rent and full deductibility .....	236
Table C2:	Capital gains tax main residence exemption with no imputed rent or deductibility.....	236
Table C3:	Capital gains tax main residence exemption with no imputed rent and partial deductibility .....	237
Table D1:	Aggregated tax expenditures for funded superannuation .....	240

