

TAX EXPENDITURES
STATEMENT

2006

© Commonwealth of Australia 2006

ISBN 0 642 74378 9

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
Robert Garran Offices
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

CHAPTER 1:	INTRODUCTION	1
	1.1 What is a tax expenditure?.....	1
	1.2 Why report tax expenditures?	2
	1.3 Coverage of this statement	4
	1.4 Structure of this statement	5
CHAPTER 2:	TRENDS IN TAX EXPENDITURE ESTIMATES	7
	2.1 Interpretation of trends and aggregates	7
	2.2 Trends in tax expenditures	8
	2.3 Large tax expenditures.....	9
	2.4 Trends in tax expenditures by function	10
	2.5 Comparison with direct expenditure.....	12
CHAPTER 3:	MEASURING TAX EXPENDITURES.....	15
	3.1 Approaches to measuring tax expenditures.....	15
	3.2 Interpretation of tax expenditure estimates	16
	3.3 Accrual estimates	17
	3.4 Technical notes	18
CHAPTER 4:	BENCHMARKS	19
	4.1 Defining benchmarks.....	19
	4.2 Income tax benchmark	20
	4.3 Commodity tax benchmark	28
CHAPTER 5:	NEW, MODIFIED AND DELETED TAX EXPENDITURES	33
	5.1 New tax expenditures.....	33
	5.2 Modified tax expenditures	34
	5.3 Deleted tax expenditures	39
CHAPTER 6:	TAX EXPENDITURES	41
	6.1 Introduction.....	41
	6.2 Income tax benchmark.....	47

APPENDIX A: MODELLING TAX EXPENDITURES	163
A.1 Aggregate modelling	163
A.2 Distributional modelling	163
A.3 Microsimulation	164
APPENDIX B: CONCESSIONAL TAXATION OF FUNDED SUPERANNUATION	165
B.1 Scope	165
B.2 Interpretation	166
B.3 Estimates.....	167
GLOSSARY	173
INDEX	175

LIST OF TABLES

Table 2.1: Total measured tax expenditures	8
Table 2.2: Measured tax expenditures by benchmark	9
Table 2.3: Large measured tax expenditures in 2006-07	10
Table 2.4: Aggregate tax expenditures by function	12
Table 2.5: Aggregate tax expenditures and direct expenditures by function in 2005-06	13
Table 5.1: New tax expenditures	33
Table 5.2: Modified tax expenditures.....	35
Table 5.3: Deleted tax expenditures.....	39
Table B1: Concessional taxation of funded superannuation	172