

**TAX EXPENDITURES
STATEMENT**

2007

© Commonwealth of Australia 2007

ISBN 0 642 74433 5

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 Identifying and measuring tax expenditures	1
1.3 Why report tax expenditures?	2
1.4 Coverage of this statement	4
1.5 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	11
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.....	21
4.1 Defining benchmarks.....	21
4.2 Income tax benchmark	22
4.3 Consumption tax benchmark	30
CHAPTER 5: NEW, MODIFIED AND DELETED TAX EXPENDITURES.....	35
5.1 New tax expenditures.....	35
5.2 Modified tax expenditures	37
5.3 Deleted tax expenditures	42
CHAPTER 6: TAX EXPENDITURES.....	43
6.1 Introduction.....	43
6.2 Income tax benchmark	48

APPENDIX A: MODELLING TAX EXPENDITURES.....	185
A.1 Aggregate modelling	185
A.2 Distributional modelling	185
A.3 Microsimulation	186
APPENDIX B: AGGREGATED SUPERANNUATION TAX EXPENDITURE	187
GLOSSARY	189
INDEX	191

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 2007-08.....	10
Table 2.4: Aggregate tax expenditures by function.....	12
Table 2.5: Aggregate tax expenditures and direct expenditures by function in 2006-07	13
Table 5.1: New tax expenditures.....	35
Table 5.2: Modified tax expenditures	38
Table 5.3: Deleted tax expenditures.....	42
Table B1: Aggregated tax expenditures for funded superannuation	188