The Tax Expenditure Statement and the treatment of savings

SUBMISSION BY TERRENCE O'BRIEN,
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> Treasury says Tax Expenditures cost $150 billion:
>
> 'If abolished, they would close the budget deficit four times over.'
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> Peter Martin, Economics Editor, The Age
>
> Story carried in The Age and the Sydney Morning Herald, 30 January 2017

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Key points

The Tax Expenditure Statement (TES) uses as its benchmark from which to estimate tax expenditures an arbitrarily 'Australianised' version of the Schanz-Haig-Simons (SHS) concept of a comprehensive income tax. No Australian government or political party, at either Federal or state level, has ever proposed the SHS approach to taxation as its tax policy. There is a democratic deficit at the heart of the TES.

Australia's Future Tax System concluded bluntly (p 12):

> *Comprehensive income taxation, under which all savings income is taxed in the same way as labour income, is not an appropriate policy goal or benchmark.*

Australia's Future Tax System noted (p 12):

> *As savings can be thought of as deferred consumption, the longer the person saves and reinvests, the greater the implicit tax on future consumption …. For a person who works today and saves, taxing savings also reduces the benefit from working.*

The present TES approach thus misdirects public consideration of the taxation of savings, subtly favouring spending over savings, and leisure over work.

It is urgent for the TES to adopt the widely advocated alternative estimation of tax expenditures on savings based on a more appropriate consumption tax benchmark. This was foreshadowed by the US Treasury in 2003 and the Australian Treasury presented estimates on a limited experimental basis in the 2013 TES.

By considering tax expenditures independently of related actual expenditures, the TES presently misrepresents policy choices in the area of retirement income policy, where taxation of savings (particularly superannuation savings) is closely interactive with expenditure on the Age Pension. There is an urgent need to re-introduce long-term modelling of how superannuation and the Age Pension interact with an ageing population, greater life expectancies at retirement, rising incomes and a maturing superannuation guarantee system. The TES is not up to that job, but Treasury's forthcoming MARIA model might be.

The present TES is widely misunderstood and misrepresented, usually to rationalise higher expenditure with the claim that vast 'Revenue forgone' could costlessly be gained by abolishing tax expenditures. Simple terminology changes and more active explanation of the TES could help remedy those misrepresentations.

Focus of this submission

This submission focusses on:

- the foundation of the Tax Expenditutre Statement (TES) in the Australian version of the benchmark Schanz-Haig-Simons (SHS) definition of income (questions 4, 5, and 6 in the Treasury Tax Expenditures Statement Consultation Paper of September 2017),
- the application of the SHS benchmark to the taxation of savings (questions 7, 8 and 9); and
- options to reduce misunderstanding of the TES (questions 10 and 11).

This Submission also draws on various editions of the TES, especially the 2013 Tax Expenditure Statement and the 2016 Tax Expenditure Statement, and a useful companion to the Consultation Paper, the Treasury Working Paper: Tax Expenditure Analysis — Origins, Debates and Future Prospects of March 2017. We also draw on Robert Carling's report for the Centre for Independent Studies, Right or Rort? Dissecting Australia's Tax Concessions of April 2015.

The Tax Expenditure Statement as means to an end, not a ritual

The Treasury Working Paper observes in its abstract, perhaps wearily and on a somewhat defeatist note:

> *The paper suggests that the pros and cons of tax expenditure analysis were comprehensively worked through within a short time of the concept being proposed. These debates have since been rehashed periodically, with little of real or lasting value being added. While there is broad agreement that some form of reporting of tax expenditures is needed, prospects for future meaningful development of the underlying tax expenditures concept appear limited.*

After repeated criticisms of the TES in various tax and superannuation reports and submissions to Parliamentary inquiries, it is important now to make practical improvements.

The annual preparation of the TES, while a legislative requirement for Treasury, is not an end in itself. It is a means to the end of improving public understanding of policy challenges and priorities in taxing and spending. Its relevance to spending is inherent in the concept of a tax expenditure: it is the revenue estimate of a measure applied through the tax system that might otherwise be achieved by direct expenditure.

In a modern economy with extensive welfare spending as well as high taxation, it is not uncommon to find parallel or closely integrated measures on both the expenditure and taxation sides of the budget. A key example is retirement income policy, which involves both Age Pension spending and superannuation taxation measures. The TES calls the superannuation measures 'tax expenditures' relative to its benchmark, but in isolation from interaction with the actual expenditures on the Age Pension.

It is the contention of this submission that the current TES processes, particularly as applied to the taxation of saving, are misleading and damage public understanding of the taxation/expenditure nexus, rather than improve understanding. We argue the misuse of flawed tax expenditure estimates has been a key contributor to 2017's mistaken policies to change the age pension and superannuation arrangements.

Our suggestion is to move from an annual edition of TES using long-criticised methodology, to speedily introducing an alternative consumption tax benchmark, and restoring useful longer term modelling approaches that applied over 2007-2012. On the experience of that period, longer term modelling which integrates spending, tax, demographic and economic changes would improve the public understanding of the policy choices involved.

This alternative proposed approach is particularly important in areas such as taxation of savings and retirement income policy. In these areas, the intersection of actions on the taxation and expenditure sides of the budget are most important, most complex, are steadily evolving with demographic and economic change, and have the most enduring impacts over many decades.

A democratic deficit in the choice of benchmark for taxation

The force of the TES stands or falls on the credibility of the benchmark tax treatment chosen to serve as the point of comparison for actual tax treatment.

The Australian TES uses as its starting point the Schanz-Haig-Simons (SHS) definition of income, defined as the increase in an entity's economic wealth (stock of assets) each year plus the entity's consumption in that year. Consumption includes all expenditures except those incurred in earning or producing income.

Striking features of SHS include its inclusion in income each year (and therefore the hypothetical annual taxation impost each year) of unrealised capital gains, including the unrealised capital gains on owner-occupied housing, and the 'income' of imputed rent on an owner-occupied residence. However SHS allows deductions for expenses incurred in gaining or producing income, such as expenses on an owner-occupied residence (since they are incurred in gaining the imputed rent from the residence and any capital gains).

SHS remains an essentially academic benchmark from an earlier age, the product of the proposals of a German legal scholar in the late 1890s, and of two American economists in the 1920s and 1930s.[i]

The idealized, hypothetical income tax system SHS envisaged was for a world that predated the extensive expenditure programs of the modern welfare state, and the heavy modern reliance in Europe and Australia on broad-based consumption taxes applied at a uniform rate. Absent significant targeted welfare spending in the US of the 1930s, Simons advocated a progressive income tax on a very comprehensive concept of income as the predominant way to redistribute income from the rich to the poor.[ii]

Any modern force from the SHS benchmark is reduced by the fact that no Australian government or political party, at either Federal or state level, has ever proposed the SHS approach to taxation as its tax policy. Nor has it even been offered as a guideline to tax policy development in any particular area, such as retirement income policy or the taxation of savings.

Instead, radical deviations from SHS are deeply embedded in the historic, deep structure of Australian taxation as settled in legislation for over 100

years. Contrary to the SHS benchmark, the Australian tax system has not taxed unrealized capital gains, nor the imputed rent or realized capital gains on owner-occupied housing, nor gains from compensation for damage, nor winnings from gambling (other than by professional gamblers).

To try to make SHS practical and to bridge some of the gap between SHS and the Australian tax structure, the TES makes essentially ad hoc and judgmental adjustments to the Australian TES income tax benchmark. These adjustments regrettably leave the Australian benchmark adrift, uncomfortably, somewhere between SHS theory and Australian practice. For example: capital gains are included only on realization; the imputed income from owner-occupied housing is not included; but realized capital gains on sale of owner-occupied housing is included; however the mortgage interest and capital cost of improvements are not deductible against the (hypothetical) CGT cost base of the house.[iii] The resultant 'Australianised' benchmark for capital gains taxation of owner-occupied housing is odd, whether viewed from a theoretical perspective or a practical one.

This Australianisation of the SHS benchmark is a big call. As the Henry review, Australia's Future Tax System, noted:

> *An exemption from income tax or applying relatively low rates of tax to superannuation and owner-occupied housing is common practice around the world and has been a longstanding feature of the Australian tax system. The family home has not been subject to income tax in Australia since the earlier part of last century. Imputed rental income and capital gains from owner-occupied housing are generally exempt in the OECD countries, with a few exceptions.* (p 13)

Regrettably, the ad hoc Australian adjustments to SHS leave the resultant tax benchmark open to the criticism that it is:

- a high-tax charter, seeking to increase effective tax rates in lesser-taxed parts of the system up to the effective rates in the highest taxed parts of the system;
- an attempt to mask political debate about tax system objectives behind a technical smoke screen, and

- a covert prescription for big spenders of all political persuasions to pitch their new spending ambitions to voters with the claim that abolishing tax expenditures would obviate the need for spending restraint and expenditure prioritisation.

The Consultation Paper puts it more delicately: the TES

> *…often serves as a source of ideas for those interested in broadening the tax base. (p1)*

Australia's legislated 'discounted' tax treatment of capital gains, its non-taxation of owner-occupied housing and its tax concessions for superannuation (to take just three areas the TES regards as large tax expenditures) all have theoretical support from those who have reflected on the discouragement to long term saving by an income tax at progressive rates on nominal saving.

Against the reputable analysis that is reflected in the actual tax law, it lacks force to compare an 'Australianised' version of the SHS academic tax benchmark from the 19th and early 20th century with no democratic support in Australia, and to call the difference an Australian 'tax expenditure'.

This is the democratic deficit at the heart of the TES. It is this weaknesses which have led American critics (and the US Treasury, in a 2003 paper) to support preparation of tax expenditures from a consumption tax as well as an income tax perspective.[iv]

Speaking of the US Tax Expenditure Budget, the equivalent of the Australian TES, Steven Dean has concluded:

> *Created to guard against abuse by publicizing the costs of tax subsidies then resurrected as a bean counter, the tax expenditure budget is a zombie accountant. Dreadfully unsuited to its new life, the tax expenditure budget produces information that is both flawed and limited.[v] (p 265)*

Just a 'benchmark', not an ideal?

The Australian TES has always stated that to call something a 'tax expenditure' (relative to the Australianised SHS benchmark) is not to say it is wrong or unjustified. In contrast, as noted in the Treasury Working Paper (p

3), Stanley Surrey, the US Treasury official who led the introduction of tax expenditure estimates in the US in 1967, viewed tax expenditures as inferior policy. He characterised tax expenditures as "departures from the normative tax structure" (emphasis added) and hoped that enumerating them would lead to their abolition.

Daniel Schaviro recalls the framework of Surrey's thinking:

> *Tax reform, defined as broadening the base of the income tax so that high-income taxpayers would pay more, had long been a personal cause of his. The tax expenditure budget thus served for him as a tool of tax policy, not just budget policy. It was meant to serve as a hit list, identifying provisions that should be repealed from the tax code and either disappear altogether or else reappear as direct spending, and not just placed on a par with direct spending whenever budgetary balance was being evaluated. (p 26)*[vi]

Against this purpose, Boris Bitker noted:

> *'… the tax expenditure budget's conception of an appropriate tax base has no legitimate claim to establishing the terms of political debate. It should not immunize provisions of the code from political discussion, nor should it change the burden of justification for others.'*[vii]

The very terminology of a 'benchmark', the origins of Australian tax expenditure estimates in Surrey's US work, plus the SHS idea that one's expenditure plus the change in one's wealth equals one's capacity to pay tax, has led users of the TES almost ineluctably and invariably to make exactly the unjustified claims that TES warns against: the claim that tax expenditures should be at least reduced (and ideally, removed in their entirety). The presentation of TESs over many editions has not so far been able to reduce those false claims.

To help remedy these problems, we suggest future TESs should refer tax expenditure estimates not just relative to a shorthand 'tax benchmark', but rather relative to a 'hypothetical comprehensive income tax benchmark', or the proposed new 'hypothetical consumption tax benchmark'.

Mislabelling encourages misuse: 'Revenue forgone' and 'Revenue gain'

Beyond the language of the essentially arbitrary 'benchmark' itself, there are other terminological problems with the traditional TES presentation that compromise its responsible use, and cause uninformed or politically-motivated users routinely to violate the TES's explicit caveats.

For example, the TES calls the difference between the hypothetical benchmark revenue and the actual revenue in any area the 'Revenue forgone' estimate. But in practically no important example is the estimated revenue actually forgone in any realistic sense, because the estimate does not allow for behavioural response to the reduction or removal of the tax expenditure.

To be sure, the TES counsels users that 'Revenue forgone' estimates should not be treated as actual revenue forgone. Moreover, the TES warns that tax expenditure 'Revenue forgone' estimates for different measures (for example the superannuation tax expenditure estimates shown as C4, C2 and A24 of the large measured tax expenditures) should not be added together. (This is because reducing one concession would often affect the utilisation of others.) Nor, the TES warns, should estimates of the same tax expenditure be compared from year to year (TES 2016, p6).

Notwithstanding this advice, the combination of the terminology of 'Revenue forgone' with the terminology of a 'benchmark' makes it virtually impossible for the reader of the TES to arrive at any view except that tax expenditures should be abolished with large revenue gain, and that the benchmark is the ideal tax system to be aimed for.

The warnings have been routinely violated over many years in public debate, especially by politicians[viii], think tanks[ix] and journalists favouring higher tax and government spending.

It would be hard to beat the misrepresentation by the The Age's economics editor, who claimed on release of the 2016 TES that Treasury says Tax Expenditures cost $150 billion (per annum) and creatively asserted that, 'If abolished, they would close the budget deficit four times over.' It is clear from the text of this article that its author committed the dual sins of adding interconnected tax expenditures to get a total as if they were independent sources of funds, and using the 'Revenue forgone' estimates, not the 'Revenue

gain' estimates that would have been more relevant to his 'close the budget deficit' claim.

The common misrepresentations of the TES estimates could be reduced with clearer, more literal if lengthier, labelling of the estimates. For example, 'Revenue forgone' could become 'Hypothetical revenue from hypothetical comprehensive income tax at current activity levels'. 'Revenue gain' could become 'Hypothetical revenue from hypothetical comprehensive income tax at assumed reduced activity levels.'

Even with recommended changes to the language of benchmarks and revenues, the TES clearly needs more active educational presentation by officials and ministers. Its misrepresentation has now become so common and egregious that it is rare to see it properly understood. Misrepresentations need to be corrected and contested.

Tax expenditure estimates on savings: income or expenditure tax benchmark?

There is essentially universal agreement that an income tax levied at progressive rates on nominal income discriminates against savings compared to consumption, and discriminates more, the longer the term of the saving. The Commonwealth's income tax levied since 1915 is now imposed at high and progressive rates. As concluded in the Henry review of Australia's Future Tax System,

> *The increasing implicit tax on future consumption provides an argument to tax longer-term lifetime savings at a lower rate. An individual can undertake lifetime saving through a variety of savings vehicles, but there are asset types that are more conducive or related to lifetime savings: namely superannuation and owner-occupied housing. (Page 12)* [x]

This has led the Henry review, the Cooper report[xi] and the CIS[xii] (among others) to argue that an expenditure tax model provides a better benchmark for the appropriate taxation of savings.

Australia's Future Tax System concluded bluntly:

Comprehensive income taxation, under which all savings income is taxed in the same way as labour income, is not an appropriate policy goal or benchmark. (p 12)

That view is shared in this submission. As the Henry review, *Australia's Future Tax System*, noted:

The essential reason for exempting lifetime savings or taxing them at a lower rate is that income taxation creates a bias against savings. The income taxation of savings therefore discriminates against taxpayers who save. They pay a higher lifetime tax bill than people with similar earnings who choose to save less. As savings can be thought of as deferred consumption, the longer the person saves and reinvests, the greater the implicit tax on future consumption …. For a person who works today and saves, taxing savings also reduces the benefit from working. (p 12)

Every edition of the TES which continues to run tax expenditure estimates for savings such as superannuation and owner-occupied housing benchmarked against the Australianised SHS idea of comprehensive income tax steers policy debate in the wrong direction. The TES implicitly supports tax policies that favour consumption over saving, and leisure over work.

This submission argues that the TES treatment of superannuation saving also ignores an important connection from tax expenditures on superannuation to actual expenditure on the Age Pension, which has been a Commonwealth responsibility since 1908. The Age Pension is a fabulous product: the ultimate unfunded, defined benefit payment. From the view of the recipient, it provides a modest but totally secure retirement, with no risk to income from economic recession or interest rate falls, no inflation risk (because indexed), and no 'longevity risk' of outliving the retiree's savings. Moreover, it enjoys a high and demographically enhanced degree of protection from political meddling almost as great as provided by the family home, and more protected than superannuation or negatively-geared investment property (to compare the Age Pension with just the three forms of saving least disadvantaged by income tax). The Age Pension's actuarial value to a retired couple is estimated to be over $1 million.[xiii] Its value is rising as life expectancy rises, and interest rates and equity returns remain low and particularly uncertain.

The taxation and regulation of superannuation have to be tailored to offset these two major disadvantages of the tax bias against saving and the provision of an excellent competitive product 'for free'; otherwise, there would be no long-term, superannuation-based saving locked away for retirement.[xiv]

The 2013 TES presented what it termed 'experimental' tax expenditure estimates of the taxation treatment of superannuation according to an expenditure tax benchmark. While the estimated tax expenditure on employer contributions remained the same under the expenditure tax benchmark as under the Australianised SHS comprehensive income tax benchmark ($16 bn in 'Revenue forgone' in 2013-14), the measure of tax expenditure on superannuation earnings swung from +$16.1 bn under the income tax benchmark to -$5.8 bn under the expenditure benchmark.

While it would not be justified to simply add the earnings and contributions tax expenditures (ie $16bn-$5.8bn=$10.2bn), it can readily be seen how the choice of an expenditure benchmark would disarm the hysteria aroused by the claim that superannuation tax concessions cost 'over $30bn a year'. If the better estimates of cost under the expenditure tax benchmark were then properly modelled in their interaction with access to the age pension, the true net expenditure on the taxation of superannuation might well be negligible or negative.

Damaging concepts, bad data lead to bad policy

Let us quickly review a current example of bad policy being facilitated, defended and rationalised by reference to inappropriate measures in the TES of 'Revenue forgone' through tax expenditures.

From an initial Labor policy announcement in April 2015, through the May 2015 and May 2016 Budgets and the election campaign leading up to the 2 July 2016 federal election, the 3 major political parties competed to increase tax on superannuation (and to spend most of the proceeds).[xv] The competition took place against the backdrop of widespread claims that superannuation concessions were forgoing revenue of more than $30 billion a year. Following its return at the July 2016 election, the Turnbull Coalition proceeded to implement tax increases on superannuation and restrictions on superannuation contributions with effect from 1 July 2017.

Supporters such as the Grattan Institute lauded the measures as a reduction of tax expenditures on superannuation, measured against the Australianised SHS comprehensive income tax benchmark. Nevertheless, the Grattan Institute claims the tax expenditures remain excessive, and need further reduction.[xvi]

These claims ignore the more appropriate and much lower estimate of tax expenditures against a consumption tax benchmark, and ignore the fact that the superannuation changes interacted with the steeper taper of the Age Pension asset test in the 2015 Budget. These interactions created, from 1 January 2017, very high effective marginal tax rates of well over 100% over a wide range of superannuation balances. These high effective marginal tax rates constitute a 'savings trap': those already retired who happen to fall within that newly-created range are encouraged to dissipate savings in this range at no cost to their combined superannuation plus part-Age Pension income, and those still saving are encouraged to stay below the savings trap range.

Save Our Super enumerated the example of a couple who own their own home, and drew down 5% annually of their superannuation balance (as is required for allocated pensions paid to those between 65 to 74 years old).[xvii] For this household type, a range of super savings between $400,000 and $1,050,000 earns no reward over the 65-74 age range. Correspondingly wide savings traps apply for other household types of retirees.[xviii] SuperGuide has elaborated on those findings.[xix]

Depending on assumptions about real investment returns, real wage growth and inflation, a retiree with $1 million in superannuation will be better off over a lifetime than someone with a $400,000 balance if they draw down their savings more rapidly. But those in the 'savings trap' zone receive back, in constant dollars of combined superannuation and Age Pension over their entire retirement, about 65 percent of any additional amount they contributed decades earlier by forgoing consumption during their working careers.

Usually, a saver would expect to get back what they saved, plus interest. But under the Government policy, they get back about 35 percent less than they saved, even having been compulsorily denied access to their savings over the multi-decadal periods common in superannuation saving. This is, of course, a consequence of the very high effective marginal tax rate of over 100%.

So the Government's policy changes in 2017 have produced a very high tax on thrift. Indeed, the discouragement to saving is even worse than a simple comparison of constant dollars saved to cumulative constant dollars returned, since every saver has a time preference for a dollar today over a dollar decades hence (and vulnerable to future unpredictable changes in Government policy). Time preference demands the saver get back more than they put in. Instead, the Government policy gives them about 65 cents in the distant future in reward for forgoing a dollar of consumption today.

The TES methodology is implicated in this unsustainable retirement income policy outcome. In the absence of the multi-decadal modelling of retirement income that used to be available through the RIMGROUP model, the TES has overstated the revenue actually forgone (if any) through the tax expenditures on superannuation by using an inappropriate tax benchmark. It has taken snapshot estimates of tax expenditures from 2016-17 to 2019-20, ignoring the effects of the 2017 policy changes in suppressing savings and self-provision for retirement. It has ignored the connection between reducing tax expenditures on superannuation and increasing actual expenditures on the Age Pension. And it has ignored the evolution over time of the retirement income system as the Super Guarantee levy matures, the population ages, life expectancies at retirement continue to rise and real incomes and savings rise.

Recommendations

On the basis of the arguments above, we offer the following suggestions on a subset of the major questions raised in the Consultation Paper.

Q4: Do you have any concerns about the benchmarks currently used in the TES? How can they be improved?

> Recommendation: The present 'Australianised' SHS comprehensive income tax benchmark has marked elements of ad hoccery and inconsistency about it. It also ignores strong arguments for costing the tax expenditures on savings and owner-occupied housing against a consumption tax benchmark.

Q 5: What broad set of principles should be used to inform the choice of benchmark?

> Recommendation: Australia's Future Tax System contains the best overview of how to introduce a consumption tax benchmark into the TES. The 2013 TES provided a workable starting point.

Q 6: Should standards be developed and published for determining the benchmark tax treatment? If so, who should be responsible for their development?

> Recommendation: It would be desirable to initiate an independent re-think of the entire framework for the TES. A task force comprising tax academics, Treasury and the ATO might be most effective.
>
> In some areas such as superannuation tax expenditures, it is likely a better guide to policy debate would arise from modelling over a multi-decadal time frame of the interaction of the superannuation tax concessions and contribution limits with the Age Pension rules, such as used to be provided by RIMGROUP, and might be provided in future by development of the MARIA model.

Q 7: Should the TES report tax expenditures for income from savings against a pre-paid expenditure benchmark in addition to a comprehensive income benchmark?

> Recommendation: Yes, and urgently.

Q 8: If so, should this apply to all forms of savings, or only a subset? Should reporting against this alternative benchmark be done annually, or periodically?

> Recommendation: It should be applied initially to all forms of savings, as one of the key problems is the greatly uneven burden of the tax system on different forms of savings.
>
> Subsequent annual reporting could focus more on the big items, with the smaller items re-estimated only as policies change.

Q 9: Should the current benchmark treatment of owner-occupied housing be altered to allow deductibility of mortgage interest and capital works deductions against the CGT cost base?

Recommendation: Yes. The current treatment is not justified.

Q10: What options are there to improve the visibility and accessibility of caveats in the TES?

Recommendation: The benchmarks of comprehensive income tax and consumption tax should be clearly renamed more lengthily as hypothetical benchmarks. The 'Revenue forgone' and 'Revenue gain' estimates should also be lengthily renamed as suggested in the text to embed their hypothetical nature and assumptions indelibly in their titles.

Q 11. What options or strategies are available to mitigate or reduce the misunderstanding of figures published in the TES?

Recommendation: The relabelling recommended at Q10 would help, but officials and ministers also need to actively launch each TES highlighting its correct use and explaining why estimates cannot be added. Erroneous reports should be actively corrected.

Q12: Would adopting a model where technical descriptions of tax expenditures are contained in a separate technical manual be appropriate?

Recommendation: Perhaps, but it is vital to maintain a clear outline in the main text of what each benchmark is. There is a risk with the 'technical manual' approach that complex technical judgements with important policy implications are buried, creating an unwarranted sense that the TES is a purely technical process.

Q 13: Would it be reasonable to update the technical manual with lower frequency? (Noting that a description of new and changed expenditures would still be included in the annual document.)

> Recommendation: If the technical manual was properly limited to fine detail, with broad descriptions prominent in each TES, less frequent updates of the manual might be appropriate.

Q16: Would the value of the TES be enhanced by including appendices that focus in more detail on particular topics (varying each year) relevant to tax expenditures? What topics should be prioritised?

> Recommendation: Yes. Suitable high-priority topics might include: the interaction of tax expenditures with actual expenditures; the respective merits of TES and longer term modelling; retirement income policies and the TES.

ENDNOTES

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[i] For a short summary, see Ken Henry et al, Australia's Future Tax System, Architecture of Australia's Tax and Transfer System, Appendix B: What are the potential tax bases?, August 2008.
[ii] See Nancy C. Staudt, The Political Economy of Taxation: A Critical Review of a Classic, Law and Society Review, Vol 30, No 3 1996.
[iii] Treasury, Tax Expenditure Statement 2016, Canberra January 2017, Section B.3 pp 128-141.
[iv] Daniel Shaviro, Rethinking Tax Expenditures and Fiscal Language, Tax Law Review, Vol 57, No 2, 2004, p 55.
[v] Steven A. Dean, The Tax Expenditure Budget Is a Zombie Accountant, Brooklyn Law School Legal Studies Research Papers, Accepted Papers Series, Research Paper 269 February 2013, pp 265 – 31.
[vi] Shaviro, *op cit.*

[vii] Boris Bitker, cited in Treasury Working Paper, p 10.
[viii] See for example Labor's Fairer Super Plan of 22 April 2015, which claimed the tax concession on superannuation earnings would lead to revenue forgone of $22.4 billion by 2017-18, while the concession on contributions would cost $18.1 billion.
[ix] See for example John Daley, Brendan Coates and William Young, A better super system; Assessing the 2016 tax reforms, Grattan Institute Working Paper, September 2016, p 7.
[x] Ken Henry et al, Australia's Future Tax System: Report to the Treasurer, December 2009, Part Two, Detailed Analysis, Volume 1 (Commonwealth of Australia, 2010), p. 12.
[xi] Jeremy Cooper, A Super Charter: fewer changes, better outcomes, 5 July 2013.
[xii] Robert Carling, How should super be taxed?, Policy magazine, Centre for Independent Studies, Vol 32 No3, Spring 2016, pp 14-15.
[xiii] Jeremy Cooper (with Cassandra Goldie and Simon Cowan), Can we afford old age?, Centre for Independent Studies, 7 July 2015.
[xiv] These arguments are developed at greater length, and with illustrations of the perverse consequences of ignoring the superannuation / Age Pension nexus, by Jack Hammond and Terrence O'Brien, A retirement income and savings trap caused by the Coalition's 2017 superannuation and Age Pension Changes, Save Our Super, 26 June 2017.
[xv] The chronology of the electoral competition to raise taxes on superannuation is given in Terry O'Brien, Grandfathering Super Tax Increases, Policy magazine, Centre for Independent Studies, Vol 32 No3, Spring 2016, p 3.
[xvi] See for example, John Daley, Brendan Coates and William Young, A better super system; Assessing the 2016 tax reforms, Grattan Institute Working Paper, September 2016, pp 3 and 7.
[xvii] Jack Hammond and Terrence O'Brien, *op cit*.
[xviii] Trish Power, *Retirementgate revisited: Australian couples and singles punished for saving,* SuperGuide,20 July 2017.
[xix] Trish Power, *Treasurer Morrison's 'Retirementgate' encourages Aussies to spend and take Age Pension*, and *Retirement income and savings trap: 13 findings from Save Our Super's paper,* SuperGuide, 26 June 2017.