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# COSTING – POST ELECTION REPORT

| Name of proposal costed: | Discontinue business compensation measures |
|---|---|
| Summary of proposal: | The proposal will discontinue business compensation measures in the Clean Energy Future (CEF) package.<br><br>A full list of the programs included in this costing is at Attachment A. |
| Party: | Coalition |
| Date of public release of policy: | 28 August 2013 |
| Agencies from which information was obtained: | • The Treasury<br>• Department of Environment<br>• Department of Industry |

**Costing overview**

Discontinuing the business compensation measures in the Clean Energy Future (CEF) package is estimated to increase the underlying cash balance by $1.0 billion and increase the fiscal balance by $5.3 billion over the 2013-14 Budget forward estimates period.

A detailed breakdown of the components of the costing are included at Attachment B.

The underlying cash balance impact of this proposal differs from the fiscal balance impact primarily because free permits under the Jobs and Competitiveness Program (JCP) have no direct impact on the underlying cash balance.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

The costing is considered to be of low reliability as the savings are sensitive to the Government's ability to recover funding that has been contractually committed. Savings from discontinuing free permits under the JCP are dependent on the projections of future market carbon prices from the Pre-election Economic and Fiscal Outlook report.

**Table 1: Financial implications (outturn prices)[(a)]**

| Impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | - | 380 | 340 | 290 |
| Fiscal balance ($m) | - | 1,060 | 1,750 | 2,480 |

(a) A positive number for the fiscal balance indicates a net decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates a net decrease in expenditure in cash terms.

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## POLICY COSTING – POST ELECTION REPORT

**Key assumptions**

The PBO has applied the policy specification underlying the party's published estimates of the financial impact of this proposal.

In addition, the PBO has made the following assumptions:

- Consistent with the published party estimates, the policy to discontinue business compensation measures is in place by 1 July 2014.
- The costing assumes that program funding which has not been contractually committed could be saved.
- That for funding that has been contractually committed but not yet spent, 50 per cent of this spending could be saved from each program.
- The PBO has assumed that departmental funding for the programs being discontinued could be saved.
- The amount of savings expected to be obtained by discontinuing the provision of JCP free permits depends on the future carbon price that would have occurred if the carbon pricing mechanism were in place.
  - The carbon prices used to undertake this costing are the same as in the Pre-Election Economic and Fiscal Outlook (PEFO) report ($6.20 in 2014-15, $12.50 in 2015-16 and $18.90 in 2016-17). PEFO notes that "the carbon price path to 2020 is subject to considerable uncertainty." PEFO also states that these estimates reflect:
    - : in the forecast year of 2014-15, a three-month average of futures market prices, and
    - : in the projection years of 2015-16 and 2016-17, a linear transition from the market price in 2014-15 to the longer-term modelled price of $38 in 2019-20 from the *Strong Growth, Low Pollution* report.

**Methodology**

The financial impact of this proposal has been calculated by estimating the amount of funding that could be saved if the specified CEF programs were discontinued. In doing so the PBO has estimated the amount of contractually committed and departmental funding that could be returned to the budget.

Details of the costing of the reversal of the 2011-12 Mid-year Economic and Fiscal Outlook measure *Clean Energy Future – Supporting jobs – increase in the instant asset write off threshold to $6,500* that forms part of the policy to discontinue business compensation measures are provided in a separate costing minute titled "Removal of the Mining Tax Package – Discontinue instant asset write-off increase", along with costing for reversing the 2010-11 Budget measure *Stronger, fairer, simpler tax reform - small business instant asset write off and simplified pooling* that forms part of the policy to remove measures associated with the mining tax package.

All figures in this costing have been rounded to the nearest $5 million.

## POLICY COSTING – POST ELECTION REPORT

**Data sources**

- Carbon price information was obtained from the 2013 Pre-Election Economic and Fiscal Outlook report.
- Program costs for the programs being discontinued were obtained from relevant agencies.

## ATTACHMENT A – LIST OF MEASURES

The following list of measures, as announced in the 2011-12 Mid-year Economic and Fiscal Outlook, have been included in this costing:

- *Clean Energy Future – Supporting Jobs – Clean Energy Skills Package*
- *Clean Energy Future – Supporting Jobs – clean technology focus for supply chain programs*
- *Clean Energy Future – Supporting Jobs – Clean Technology Program*
- *Clean Energy Future – Supporting Jobs – coal mining*
- *Clean Energy Future – Supporting Jobs – Energy Efficiency Information Grants*
- *Clean Energy Future – Supporting Jobs – Jobs and Competitiveness Program*
- *Clean Energy Future – Supporting Jobs – Steel Transformation Plan*
- *Clean Energy Future – Supporting Jobs – increase in the instant asset write-off threshold to $6,500**

*Costed separately, together with the reversal of the 2010-11 Budget measure *Stronger, fairer, simpler tax reform - small business instant asset write off and simplified pooling.* See the costing titled "Discontinue instant asset write-off increase" for details.

## ATTACHMENT B – DETAILED FINANCIAL IMPLICATIONS

**Table B1: Discontinuing the jobs and competitiveness package - Financial implications (outturn prices)[(a)]**

| Impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | - | - | - | - |
| Fiscal balance ($m) | - | 680 | 1,410 | 2,190 |

(a) A positive number for the fiscal balance indicates a net decrease in expenses in accrual terms.

**Table B2: Abolish the increase in the instant asset write-off from $5,000 to $6,500 - Financial implications (outturn prices)[(a)]**

| Impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | - | 80 | 60 | 65 |
| Fiscal balance ($m) | - | 80 | 60 | 65 |

(a) A positive number for the fiscal balance indicates a net decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates a net decrease in expenditure in cash terms.

**Table B3: Other measures - Financial implications (outturn prices)[(a)]**

| Impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | - | 300 | 280 | 225 |
| Fiscal balance ($m) | - | 300 | 280 | 225 |

(a) A positive number for the fiscal balance indicates a net decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates a net decrease in expenditure in cash terms.

*Reference No.* *COA002*

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## COSTING – POST ELECTION REPORT

| Name of proposal costed: | Discontinue energy market compensation measures |
|---|---|
| Summary of proposal: | The proposal will discontinue the energy market compensation measures by abolishing the provision of free permits under the Energy Security Fund (ESF) and Loans for future vintage units (LFVU) Program. |
| Party: | Coalition |
| Date of public release of policy: | 28 August 2013 |
| Agencies from which information was obtained: | The Treasury |

**Costing overview**

Discontinuing the energy market compensation measures is expected to decrease the underlying cash balance by $13 million and increase the fiscal balance by $476 million over the 2013-14 Budget forward estimates period. The financial impact of this proposal includes reduced expenditure on the ESF and LFVU programs and reduced revenue from foregone interest on loans made under the LFVU program.

The underlying cash balance impact of this proposal differs from the fiscal balance impact primarily because free permits provided under the ESF have no direct financial impact on the underlying cash balance.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

This costing is considered to be of medium reliability as it is dependent on the projections of future market carbon prices from the Pre-election Economic and Fiscal Outlook report.

**Table 1: Financial implications (outturn prices)[(a)]**

| Impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | - | 2 | -3 | -12 |
| Fiscal balance ($m) | - | 507 | -13 | -18 |

(a) A positive number for the fiscal balance indicates a net decrease in expenses and a negative number indicates a net decrease in revenue in accrual terms. A positive number for the underlying cash balance indicates a net decrease in expenditure and a negative number indicates a net decrease in receipts in cash terms.

**Key assumptions**

The PBO has applied the policy specification underlying the party's published estimates of the financial impact of this proposal.

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**POLICY COSTING – POST ELECTION REPORT**

In addition, the PBO has made the following assumptions:

- Consistent with the published party estimates, the policy to discontinue energy market compensation measures is in place by 1 July 2014.
- The amount of savings expected to be obtained by discontinuing the provision of free permits depends on the future carbon price that would have occurred in 2014-15 if the carbon pricing mechanism were in place.
  - The 2014-15 carbon price used to undertake this costing is $6.20, the same as in the Pre-Election Economic and Fiscal Outlook (PEFO). PEFO notes that "the carbon price path to 2020 is subject to considerable uncertainty."
- No advance auctions of permits will occur in 2013-14 and no further loans will be made under the LFVU program.

**Methodology**

The financial impact of this proposal has been calculated by estimating the amount of funding that could be saved if the ESF and LFVU programs were discontinued.

**Data sources**

- Carbon price information was obtained from the 2013 Pre-Election Economic and Fiscal Outlook report.
- The program costs for the ESF and LVFU program were obtained from Treasury.

*Reference No.* *COA003*

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# COSTING – POST ELECTION REPORT

| **Name of proposal costed:** | **Discontinue land initiatives and unnecessary bureaucracies** |
|---|---|
| Summary of proposal: | This proposal will discontinue the land initiatives and certain bureaucracies that were established under the Clean Energy Future package.<br><br>A full list of the measures included in this costing is at Attachment A. |
| Party: | Coalition |
| Date of public release of policy: | 28 August 2013 |
| Agencies from which information was obtained: | • The Treasury<br>• Department of Environment<br>• Department of Industry<br>• Department of Agriculture<br>• Productivity Commission |

**Costing overview**

Discontinuing the land initiatives and certain bureaucracies that were established under the Clean Energy Future package is estimated to increase the underlying cash and fiscal balances by $300 million over the 2013-14 Budget forward estimates period. This impact entirely reflects a decrease in expenditure.

This proposal will have an ongoing financial impact which extends beyond the forward estimates period.

This costing is considered to be of low reliability as the estimates are sensitive to the Government's ability to recover funding that has been contractually committed.

**Table 1: Financial implications – discontinue land initiatives and unnecessary bureaucracies (outturn prices)[(a)]**

| Impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | 20 | 125 | 90 | 65 |
| Fiscal balance ($m) | 20 | 125 | 90 | 65 |

(a) A positive number for the fiscal balance indicates a decrease in expenditure. A positive number for the underlying cash balance indicates a decrease in expenditure.

## POLICY COSTING – POST ELECTION REPORT

**Key assumptions**

The PBO has applied the policy specification underlying the party's published estimates of the financial impact of this proposal.

In addition, the PBO has made the following assumptions:

- Consistent with the published party estimates, the policy is in place by 1 July 2014, except for the Biodiversity Fund and the Climate Change Authority, where the policy is assumed to take effect in 2013-14.
- The costing assumes that program funding which has not been contractually committed could be saved.
- For funding that has been contractually committed but not yet spent, from 2014-15 onwards, 50 per cent of this spending could be saved from each program.
- For departmental expenses related to the Biodiversity Fund and the Climate Change Authority, the PBO has assumed that 25 per cent of funding could be saved in 2013-14.
- The PBO has assumed that departmental funding from 2014-15 onwards for discontinued programs would be saved.

**Methodology**

The financial impact of this proposal has been calculated by estimating the amount of funding that could be saved if the specified CEF programs were discontinued. In doing so the PBO has estimated the amount of contractually committed and departmental funding that could be saved.

All figures in this costing have been rounded to the nearest $5 million.

**Data sources**

- Program costs for the discontinued programs were obtained from relevant agencies.

## ATTACHMENT A – LIST OF MEASURES

The following list of measures, announced as part of the *Clean Energy Future* package in the 2011-12 Mid-year Economic and Fiscal Outlook report, have been included in this costing.

- *Clean Energy Future — Creating Opportunities on the Land — Biodiversity Fund*
- *Clean Energy Future — Creating Opportunities on the Land — Carbon Farming Initiative*
- *Clean Energy Future — Creating Opportunities on the Land — extending the benefits of the Carbon Farming Initiative*
- *Clean Energy Future — Creating Opportunities on the Land — natural resource management for climate change*
- *Clean Energy Future — Governance — Climate Change Authority*
- *Clean Energy Future — Governance — Productivity Commission Reviews*
- *Clean Energy Future — Supporting Energy Markets — Energy Security Council*
- Related departmental funding

*Reference No. COA004*

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# COSTING – POST ELECTION REPORT

| Name of proposal costed: | Abolish other carbon tax measures no longer needed |
|---|---|
| Summary of proposal: | This proposal will abolish a number of remaining expenditure measures related to the Clean Energy Future (CEF) Package, including the Clean Energy Finance Corporation (CEFC).<br>A full list of the CEF programs included in this costing is included at Attachment A.<br>This costing also includes estimates of the effects of lower Consumer Price Index (CPI) growth due to the abolition of the carbon pricing mechanism on Government payments to households and on indirect taxes. |
| Party: | Coalition |
| Date of public release of policy: | 28 August 2013 |
| Agencies from which information was obtained: | Program specific information was obtained from:<br>• Department of Finance<br>• Department of Environment<br>• Department of Industry<br>• Department of Social Services<br>• Department of Health<br>• Department of Agriculture<br>• Department of Veterans' Affairs<br>• Australian Securities and Investments Commission<br>• Australian Competition and Consumer Commission, and<br>• The Treasury. |

**Costing overview**

This proposal is estimated to increase the underlying cash balance by $775 million and increase the fiscal balance by $1.59 billion over the 2013-14 Budget forward estimates period.

The financial impact of this proposal includes reduced expenditure on the abolished programs, estimates of the effects of lower CPI growth on Government payments to households and reduced revenue from indirect taxes and the impact of abolishing the CEFC. A detailed breakdown of the components of the costing are included at Attachment B.

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The underlying cash balance impact of this proposal differs from the fiscal balance impact primarily because of the different treatment of investments (particularly concessional loans) made by the CEFC and the returns on these investments, on an underlying cash and fiscal balance basis.

The proposal will increase the headline cash balance by $6.4 billion over the 2013-14 Budget forward estimates period. The headline cash balance impact includes $5.5 billion of reduced cash outflows from CEFC loans and equity investments to project proponents that do not directly impact on the underlying cash balance.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

This costing is considered to be of low reliability as it is sensitive to the Government's ability to recover funding that has been contractually committed and the estimated impact of the carbon price on the CPI.

**Table 1: Financial implications (outturn prices)[(a)]**

| Impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | 5 | 330 | 285 | 155 |
| Fiscal balance ($m) | 175 | 610 | 515 | 285 |
| Headline cash balance ($m) | 630 | 1,520 | 2,050 | 2,195 |

(a) A positive number for the fiscal balance indicates a net decrease in expenditure in accrual terms. A positive number for the underlying cash balance indicates a net decrease in expenditure in cash terms. A positive number for the headline cash balance indicates a decrease in cash outflows associated with Government investments in financial assets for policy purposes.

**Key assumptions**

The PBO has applied the policy specification underlying the party's published estimates of the financial impact of this proposal.

In addition, the PBO has made the following assumptions:

- Consistent with the published party estimates, the policy is in place by 1 July 2014, except for the CEFC, where the policy is assumed to take effect in 2013-14.
- The costing assumes that program funding which has not been contractually committed could be saved.
- For funding that has been contractually committed but not yet spent, 50 per cent of this spending could be saved from each program.
- For departmental expenses related to the CEFC, 25 per cent could be saved in 2013-14 and 100 per cent in each subsequent year.
- The PBO has assumed that all other departmental funding for the remaining programs could be saved.
- The PBO has assumed that the CPI impact of abolishing the carbon pricing mechanism will occur in the quarter immediately following the abolition of the carbon price.

**POLICY COSTING – POST ELECTION REPORT**

**Methodology**

The financial impact of this proposal has been calculated by estimating the amount of funding that could be saved if the specified CEF programs were abolished. In doing so the PBO has estimated the amount of contractually committed and departmental funding that could be returned to the budget.

The estimates of changes to Australian Government payments to households and indirect taxes as a result of lower CPI growth were calculated by estimating the change in CPI as a result of the abolition of the carbon pricing mechanism and constructing a counterfactual CPI series. This counterfactual CPI series was then used to model Australian Government payments to households and indirect taxes over the 2013-14 Budget forward estimates period. These results were then compared to the estimates of Australian Government payments to households and indirect taxes, as at the 2013 Pre-Election Economic and Fiscal Outlook, to determine the financial implications of the change in CPI.

The financial implications of abolishing the CEFC reflects the reversal of current CEFC budget estimates, less the financial impacts associated with current loan commitments.

**Data sources**

- Costs for the programs being discontinued were obtained from relevant agencies.
- The STINMOD microsimulation model of the Australian tax and transfer systems.
  - This model is based on unit record data taken from the 2007-08 and 2009-10 ABS Surveys of Income and Housing.
- The Legislative Outyears Customisable Model of Child Care.
- Private Health Insurance Rebate forward estimates.
- The PBO's Alcohol Excise model is based on published data from ABS surveys.

## ATTACHMENT A – LIST OF MEASURES

The following list of measures, announced as part of the *Clean Energy Future* package in the 2011-12 Mid-year Economic and Fiscal Outlook report, have been included in this costing.

- *Clean Energy Finance Corporation*
- *Clean Energy Future — Compliance*
- *Clean Energy Future — Improving Energy Efficiency — Energy Efficiency Opportunities Program*
- *Clean Energy Future — Improving Energy Efficiency — household advice*
- *Clean Energy Future — Improving Energy Efficiency — Low Carbon Communities*
- *Clean Energy Future — Innovation in Renewable Energy — Australian Renewable Energy Agency*
- *Clean Energy Future — Putting a Price on Pollution — Voluntary Action Pledge Fund and GreenPower purchases*
- *Clean Energy Future — Renewable Energy — Remote Indigenous Energy Program*
- Related departmental funding

POLICY COSTING – POST ELECTION REPORT

## ATTACHMENT B – DETAILED FINANCIAL IMPLICATIONS

**Table B1: Financial implications – Clean Energy Finance Corporation[a]**

| Impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | 5 | -5 | -25 | -60 |
| Fiscal balance ($m) | 175 | 275 | 190 | 60 |
| Headline cash balance ($m) | 630 | 1,185 | 1,740 | 1,980 |

(a) A positive number for the fiscal balance indicates a decrease in expenditure in accrual terms. A negative number for the underlying cash balance indicates a net decrease in receipts in cash terms. A positive number for the underlying cash balance indicates a decrease in payments in cash terms. A positive number for the headline cash balance indicates a decrease in cash outflows associated with Government investments in financial assets for policy purposes.

**Table B2: Financial implications – Other CEF Program funding[a]**

| Impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | - | 330 | 235 | 135 |
| Fiscal balance ($m) | - | 330 | 235 | 135 |

(a) A positive number for the fiscal balance indicates a decrease in expenditure in accrual terms. A positive number for the underlying cash balance indicates a decrease in payments in cash terms.

**Table B3: Financial implications – parameter variations associated with lower CPI growth on Government payments to households and on indirect taxes[a]**

| Impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | - | 5 | 75 | 80 |
| Fiscal balance ($m) | - | 5 | 90 | 90 |

(a) A positive number for the fiscal balance indicates a decrease in expenditure in accrual terms. A positive number for the underlying cash balance indicates a decrease in payments in cash terms.

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# COSTING – POST ELECTION REPORT

| **Name of proposal costed:** | **Foregone revenue from removal of carbon tax** |
|---|---|
| Summary of proposal: | This proposal will abolish the carbon pricing mechanism.<br><br>A full list of the measures included in this costing is at Attachment A. |
| Party: | Coalition |
| Date of public release of policy: | 28 August 2013 |
| Agencies from which information was obtained: | The Treasury |

**Costing overview**

Abolishing the carbon pricing mechanism is estimated to decrease the underlying cash balance by $9.4 billion and decrease the fiscal balance by $13.7 billion over the 2013-14 Budget forward estimates period.

The financial impact of abolishing the carbon pricing mechanism includes a reduction in revenue from sales of carbon permits, levies on synthetic greenhouse gases (SGGs) and excise on aviation and non-transport gaseous fuels, and an increase in expenditure on fuel tax credits (FTCs). A detailed break-down of this costing on an underlying cash and fiscal balance basis is included at Attachment B.

The underlying cash balance impact of this proposal differs to the fiscal balance for a number of reasons, including:

- revenue from permit sales is recognised on a fiscal balance basis in the vintage year of the permit that is sold, while the cash receipts are recognised as the permits are sold
- freely allocated carbon permits are recognised as an expense on a fiscal balance basis, but not on an underlying cash balance basis[1]. Freely allocated carbon permits impact the underlying cash balance indirectly reducing the number of permits that are sold
- a difference between when FTC expenses are incurred and when FTCs are actually paid, and
- a difference between when revenue from SGGs is recognised and when it is received.

This proposal will have an ongoing financial impact which extends beyond the forward estimates period.

[1] Discontinuing free permits under the Jobs and Competitiveness Package and the Energy Security Fund have been costed separately. See the costings titled "Discontinue business compensation measures" and "Discontinue energy market compensation measures" for details.

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## POLICY COSTING – POST ELECTION REPORT

The estimates in this costing differ from those published by the party. The PBO has revised its previous estimates to the party to reflect updated information from the Treasury on the impact of abolishing the carbon pricing mechanism on fuel tax credits and excise and excise equivalent duties on aviation fuel and non-transport gaseous fuels.

This costing is considered to be of medium reliability as it is dependent on the projections of future market carbon prices from the Pre-election Economic and Fiscal Outlook report.

**Table 1: Financial implications – removal of the Carbon Tax (outturn prices)[(a)]**

| Impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | -410 | -1,170 | -3,130 | -4,660 |
| Fiscal balance ($m) | - | -2,230 | -4,640 | -6,860 |

(a) A negative number for the fiscal balance indicates a decrease in revenue and an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates a reduction in receipts and an increase in payments in cash terms.

**Key assumptions**

The PBO has applied the policy specification underlying the party's published estimates of the financial impact of this proposal.

In addition, the PBO has made the following assumptions:

- Consistent with the published party estimates, the policy to remove the carbon pricing mechanism is in place by 1 July 2014.
- Emissions made after 1 July 2014 would no longer require a carbon permit. Carbon permits would still be required for emissions made in the 2013-14 financial year, and no changes would be made to the treatment of free permits or to permit buy-back for 2013-14.
  - Emitters would still be required to surrender permits to acquit 25 per cent of their 2013-14 carbon liability on the 'true-up' surrender date of 1 February 2015.
  - All freely allocated permits in the 2013-14 financial year would still be issued.
  - All 2013-14 free permits would still be eligible for carbon permit buy-back until 1 February 2015 (the current date the buy-back window closes).
  - The auctions of future vintage carbon permits (2014-15, 2015-16 and 2016-17 permits) currently scheduled to occur in 2013-14 would not take place.
- The carbon prices used to undertake this costing are the same as in the Pre-Election Economic and Fiscal Outlook (PEFO) ($6.20 in 2014-15, $12.50 in 2015-16 and $18.90 in 2016-17). PEFO notes that "the carbon price path to 2020 is subject to considerable uncertainty." PEFO also states that these estimates reflect:
  - in the forecast year of 2014-15, a three-month average of futures market prices, and
  - in the projection years of 2015-16 and 2016-17 a linear transition from the market price in 2014-15 to the longer-term modelled price of $38 in 2019-20 from the *Strong Growth, Low Pollution* report.

## POLICY COSTING – POST ELECTION REPORT

### Methodology

The impact of repealing the carbon pricing mechanism from 1 July 2014 has been estimated by calculating the difference in revenue and expenditure on FTCs from the current carbon pricing mechanism (with a carbon price of $6.20 in 2014-15, $12.50 in 2015-16 and $18.90 in 2016-17) compared to the proposed scenario where the carbon price is repealed (and is effectively zero) in respect of emissions made after 1 July 2014.

All figures in this costing have been rounded to the nearest $10 million.

### Data sources

- Carbon price information was obtained from the 2013 Pre-Election Economic and Fiscal Outlook report.
- Information on permit sales and levies on SGGs was obtained from Treasury on 15 August 2013.
- Information on FTC expenditure and excise and excise equivalent duties on aviation fuel and non-transport gaseous fuels was obtained from Treasury on 15 August 2013 and 28 September 2013.

## ATTACHMENT A – LIST OF MEASURES

The following list of measures, announced as part of the *Clean Energy Future* package in the 2011-12 Mid-year Economic and Fiscal Outlook report, have been included in this costing:

- *Clean Energy Future — Putting a Price on Pollution — revenue from sale of carbon units*
- *Clean Energy Future — Putting a Price on Pollution — synthetic greenhouse gases and ozone depleting substances*
- *Clean Energy Future — Putting a Price on Pollution — aviation and non-transport gaseous fuels*
- *Clean Energy Future — Putting a Price on Pollution — fuel tax credit reductions*

# ATTACHMENT B – DETAILED FINANCIAL IMPLICATIONS

**Table A1: Financial implications – Carbon Permit Revenue[(a)]**

| Impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | -410 | -980 | -2,750 | -4,050 |
| Fiscal balance ($m) | - | -2,020 | -4,230 | -6,220 |

(a) A negative number for the fiscal balance indicates a decrease in revenue in accrual terms. A negative number for the underlying cash balance indicates a reduction in receipts in cash terms.

**Table A2: Financial implications – Levy on synthetic greenhouse gases[(a)]**

| Impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | - | -40 | -40 | -80 |
| Fiscal balance ($m) | - | -50 | -50 | -90 |

(a) A negative number for the fiscal balance indicates a decrease in revenue in accrual terms. A negative number for the underlying cash balance indicates a reduction in receipts in cash terms.

**Table A3: Financial implications – Excise and excise equivalent duties on aviation fuel and non-transport gaseous fuels[(a)]**

| Impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | - | -50 | -120 | -180 |
| Fiscal balance ($m) | - | -50 | -120 | -180 |

(a) A negative number for the fiscal balance indicates a decrease in revenue in accrual terms. A negative number for the underlying cash balance indicates a reduction in receipts in cash terms.

**Table A4: Financial implications – fuel tax credits[(a)]**

| Impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | - | -100 | -220 | -350 |
| Fiscal balance ($m) | - | -110 | -240 | -370 |

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in payments in cash terms.

*Reference No. COA006*

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# COSTING – POST ELECTION REPORT

| **Name of proposal costed:** | **Re-phase Superannuation Guarantee increase** |
|---|---|
| Summary of proposal: | The proposal will pause the increase in the rate of the Superannuation Guarantee (SG) by two years from 1 July 2014. The current and proposed SG rates are summarised in the table below. |
| Party: | Coalition |
| Date of public release of policy: | 19 August 2013 |
| Agencies from which information was obtained: | The Treasury |

| **Year** | **Current SG rate** | **Proposed SG rate** |
|---|---|---|
| 2014-15 | 9.5% | 9.25% |
| 2015-16 | 10.0% | 9.25% |
| 2016-17 | 10.5% | 9.50% |
| 2017-18 | 11.0% | 10.00% |
| 2018-19 | 11.5% | 10.50% |
| 2019-20 | 12.0% | 11.00% |
| 2020-21 | 12.0% | 11.50% |
| 2021-22 | 12.0% | 12.00% |

**Costing overview**

This proposal is expected to increase the underlying cash balance by around $1.58 billion and increase the fiscal balance by $1.64 billion over the 2013-14 Budget forward estimates period. In underlying cash balance terms, this impact reflects a decrease in payments of $50 million and an increase in receipts of around $1.53 billion over this period. In fiscal balance terms, this impact reflects a decrease in expenses of $115 million and an increase in revenue of around $1.53 billion over this period.

This proposal will have an impact that extends beyond the forward estimates period, peaking at around $1.15 billion in 2019-20 before falling to around $80 million in 2023-24[1]. There will be an ongoing gain to revenue as a result of the reduction in the amount of concessionally taxed superannuation savings and higher non-concessional savings.

[1] Projections beyond the forward estimates should be treated as broadly indicative only, as they are predicated on assumptions and point-in-time data.

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## POLICY COSTING – POST ELECTION REPORT

Departmental expenses are not expected to be significant and have not been included in this costing.

The underlying cash balance impact of this proposal differs from the fiscal balance impact due to the timing of Low Income Superannuation Contribution (LISC) payments (see key assumptions below). The fiscal balance impact of the LISC occurs in the year in which the qualifying superannuation contributions are made. The underlying cash balance impact occurs when the Australian Taxation Office (ATO) is able to consolidate taxpayer information and pay the government contributions to member accounts.

The financial impact of this proposal includes revenue and expense components. A detailed breakdown of the components of the costing is included at Attachment A.

This costing is considered to be of medium reliability. It was costed using a microsimulation model based on a confidentialised sample of personal income tax and superannuation data from the ATO.

**Table 1: Financial implications (outturn prices)[(a)]**

| Impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | - | 160 | 555 | 860 |
| Fiscal balance ($m) | - | 175 | 590 | 875 |

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments in cash terms.

### Key assumptions

- Total employee remuneration is assumed to be unchanged as a result of the decrease in SG payments.
- The costing assumes that the LISC continues to operate. Interaction effects between this proposal and the proposal to not proceed with the LISC are considered elsewhere.

### Methodology

The costing was completed using a microsimulation model, based on a de-identified 16 per cent sample of 2010-11 personal income tax and superannuation returns for individuals.

Timing assumptions were applied to the results to reflect the timing of personal income and superannuation tax receipts as well as LISC payments.

### Data

- 2013 Pre-Election Economic and Fiscal Outlook report
- A sample of 2010-11 personal income tax returns and superannuation member contributions statements for individuals

## ATTACHMENT A: DISAGGREGATION OF COSTING

Table A1 below provides a disaggregation of the costing components of this proposal.

**Table A1. Disaggregation of financial impact**

| Impact on | 2013-14 ($m) | 2014-15 ($m) | 2015-16 ($m) | 2016-17 ($m) | **Total ($m)** |
|---|---|---|---|---|---|
| Receipts[(a)(b)] | - | 160 | 545 | 820 | **1,525** |
| Administered payments[(b)(c)] | - | - | -10 | -40 | **-50** |
| **Underlying cash balance[(d)]** | - | **160** | **555** | **860** | **1,575** |
| Revenue[(a)(b)] | - | 160 | 545 | 820 | **1,525** |
| Administered expense[(b)(c)] | - | -15 | -45 | -55 | **-115** |
| **Fiscal balance[(d)]** | - | **175** | **590** | **875** | **1,640** |

(a) Estimates of revenue and receipts have been rounded to the nearest $5 million. The impact shown is the net revenue impact arising from changes to superannuation contributions tax and personal income tax.

(b) A minus sign before the estimate indicates a reduction in expenses, payments, receipts or revenue. No sign before an estimate indicates an increase in expenses, payments, receipts or revenue.

(c) Administered payment and expense impacts refer to changes in the LISC. Estimates are rounded to the nearest $5 million.

(d) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments in cash terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments in cash terms.

*Reference No. COA007*

Parliament of Australia
Parliamentary Budget Office

## COSTING – POST ELECTION REPORT

| **Name of proposal costed:** | **Not proceed with Low Income Superannuation Contribution** |
|---|---|
| Summary of proposal: | The proposal is to not proceed with the Low Income Superannuation Contribution. |
| Party: | Coalition |
| Date of public release of policy: | 28 August 2013 |
| Agencies from which information was obtained: | Australian Taxation Office |

**Costing overview**

This proposal is expected to increase the underlying cash balance by around $2.7 billion and increase the fiscal balance by around $3.7 billion over the 2013-14 Budget forward estimates period.

On an underlying cash basis this reflects a decrease in expenditure of around $2.72 billion, partially offset by a decrease in superannuation earnings tax receipts of $30 million over this period. On a fiscal balance basis this reflects a decrease in expenses of around $3.69 billion partially offset by a decrease in superannuation earnings tax revenue of $30 million over the same period. A detailed breakdown of these components is included at Attachment A.

The costing includes reduced departmental expenses totalling $63.9 million over the 2013-14 Budget forward estimates period.

This proposal will have ongoing impacts beyond the 2013-14 Budget forward estimates period.

The revenue impact arises from lower earnings tax due to the Government no longer making contributions to superannuation accounts, resulting in lower balances and earnings.

The difference between the underlying cash balance impact and the fiscal balance impact is due to differences in the timing of the impact under each approach. The fiscal balance impact of the Low Income Superannuation Contribution (LISC) occurs in the year in which the qualifying superannuation contributions are made. The underlying cash balance impact occurs when the Australian Taxation Office (ATO) is able to consolidate taxpayer information and pay the government contributions to member accounts, which may take several years.

This costing is considered to be of medium reliability. The estimates will be sensitive to adjusted taxable incomes, the level of concessional contributions of individuals, the level of earnings of superannuation funds, when individuals lodge their income tax returns and when superannuation funds lodge their member contribution statements.

## POLICY COSTING – POST ELECTION REPORT

**Table 1: Financial implications (outturn prices)[(a)]**

| Impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | - | 900.2 | 928.0 | 920.7 |
| Fiscal balance ($m) | 960.6 | 932.9 | 921.4 | 907.1 |

(a) A positive number for the fiscal balance indicates a decrease in expenses or an increase in revenue on an accrual basis. A positive number for the underlying cash balance indicates a decrease in payments or an increase in receipts on a cash basis.

### Key assumptions

- The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.
- No behavioural response to the proposal is expected. For example, for individuals not already entitled to the maximum LISC there is very limited scope to increase contributions in the year prior to the removal of the LISC.
- The PBO has assumed that the ATO will not be obligated to pay any entitlements for superannuation contributions made in 2013-14 or later years.
- Departmental resourcing will be affected from 2014-15; 2013-14 resourcing will be required to administer the payment of LISC for most recipients in respect of the 2012-13 year.

### Methodology

- The fiscal balance impact is based on the unpublished estimates as at the 2013 Pre-Election Economic and Fiscal Outlook (PEFO) report.
- The cash impact is based on the fiscal balance impact but applies the timing assumption of a similar measure – the Government Superannuation Co-Contribution. However, actual timing will depend on when individuals lodge their income tax returns and when superannuation funds lodge their member contribution statements. The cash impact also includes unpublished estimates variations included in the 2013 PEFO.
- The earnings tax impact is based on an assumed aggregate earning rate of superannuation funds which feeds into an aggregate superannuation accumulation model.
- The departmental impacts were estimated by the ATO.

### Data source

- Unpublished estimates as at the 2013 PEFO report.

# ATTACHMENT A: DISAGGREGATION OF COSTING

The detailed financial implications over the 2013-14 Budget forward estimates are summarised in Table A1 below.

**Table A1: Financial implications[a]**

| Impact on | 2013-14 $m | 2014-15 $m | 2015-16 $m | 2016-17 $m | Total $m |
|---|---|---|---|---|---|
| **Underlying cash balance[b]** | - | **900.2** | **928.0** | **920.7** | **2,748.9** |
| Low Income Superannuation Contribution[c] | - | -890.0 | -915.0 | -910.0 | -2,715.0 |
| Revenue[d] | - | -5.0 | -10.0 | -15.0 | -30.0 |
| Departmental impact[e] | - | -15.2 | -23.0 | -25.7 | -63.9 |
| **Fiscal balance[b]** | **960.6** | **932.9** | **921.4** | **907.1** | **3,722.0** |
| Low Income Superannuation Contribution[c] | -960.6 | -922.7 | -908.4 | -896.4 | -3,688.1 |
| Revenue[d] | - | -5.0 | -10.0 | -15.0 | -30.0 |
| Departmental impact[e] | - | -15.2 | -23.0 | -25.7 | -63.9 |

**Notes**

(a) Departmental expenses and LISC fiscal balance estimates are rounded to the nearest $100,000, otherwise estimates are rounded to the nearest $5 million.

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments.

(c) This is the impact of no longer making LISC payments. A minus sign before the estimate indicates a reduction in expenses, no sign before an estimate indicates increased expenses.

(d) Revenue impact relates to the impact of lower earnings tax associated with less LISC payments being made to superannuation funds. A minus sign before the estimate indicates a reduction in revenue, no sign before an estimate indicates a gain to revenue.

(e) This is the departmental saving associated with the ATO not administering the payment of the LISC for contributions made in 2013-14 and later income years. A minus sign before the estimate indicates a reduction in expenses, no sign before an estimate indicates increased expenses.

*Reference No. COA010*

Parliament of Australia
Parliamentary Budget Office

# COSTING – POST ELECTION REPORT

| Name of proposal costed: | Discontinue instant asset write-off increase |
|---|---|
| Summary of proposal: | This proposal will reverse the 2010-11 Budget measure *Stronger, fairer, simpler tax reform - small business instant asset write off and simplified pooling*.<br><br>The separate Coalition policy "Removal of the Carbon Tax Package – Discontinue business compensation measures" includes the reversal of the 2011-12 Mid-year Economic and Fiscal Outlook measure *Clean Energy Future – Supporting jobs – increase in the instant asset write off threshold to $6,500*.<br><br>Together, these policies will reduce the maximum value of assets that qualify for the instant asset write off from $6,500 to $1,000 and reverse the simplified pooling arrangements.<br><br>This costing minute provides details of the assumptions and methodology for reversal of both measures. |
| Party: | Coalition |
| Date of public release of policy: | 28 August 2013 |
| Agencies from which information was obtained: | The Treasury |

**Costing overview**

Reversing 2010-11 Budget measure *Stronger, fairer, simpler tax reform - small business instant asset write off and simplified pooling* is expected to increase both the underlying cash and fiscal balances by $2.9 billion over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in revenue.

Reversing the 2011-12 Mid-year Economic and Fiscal Outlook measure *Clean Energy Future – Supporting jobs – increase in the instant asset write off threshold to $6,500*, which forms part of the separate Coalition policy "Removal of the Carbon Tax Package – Discontinue business compensation measures", is expected to increase both the underlying cash and fiscal balances by $0.2 billion over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in revenue.

These proposals will have an ongoing impact that extends beyond the forward estimates period.

This costing is considered to be of low reliability. While this costing is based on amounts included in the forward estimates as at the Pre-election Economic and Fiscal Outlook, these are not necessarily the same as the effect of changing or repealing a particular measure. In particular, Treasury does not generally re-cost individual measures after their announcement, with changes in parameters and other variations instead included in aggregate revenue estimates. Consequently the estimates in this costing should be considered approximate, and only provide an indication of the possible savings.

**Table 1: Financial implications – Removal of the Mining Tax Package – Discontinue instant asset write-off increase (outturn prices)[(a)]**

| Revenue impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | - | 850 | 1,065 | 990 |
| Fiscal balance ($m) | - | 850 | 1,065 | 990 |

(a) A positive number for the underlying cash balance indicates an increase in receipts on a cash basis. A positive number for the fiscal balance indicates an increase in revenue on an accrual basis. Estimates have been rounded to the nearest $5 million.

**Key assumptions**

The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.

The PBO has assumed that the small business instant asset write off increase and simplified pooling will be discontinued from October 2013.

**Methodology**

The underlying cash and fiscal balance savings estimated for this costing are based on amounts currently in the 2013-14 Budget forward estimates. The savings estimated in this costing represent the difference between the estimated impact of the proposed depreciation arrangements less the amounts currently in the forward estimates, with adjustments for timing and date of abolition.

**Data sources**

Forward estimate impacts for the small business instant asset write off and simplified pooling measure were obtained from Treasury.

**Table 2: Abolition of instant asset write off – elements attributable to the Stronger, fairer, simpler tax reform (mining tax) package and to the Clean Energy Future package.**

| $ million | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Stronger, fairer, simpler tax reform - small business instant asset write off and simplified pooling, reversal | - | 850 | 1,065 | 990 |
| Clean Energy Future - Supporting jobs - increase in the instant asset write-off threshold to $6,500, reversal | - | 80 | 60 | 65 |

(a) A positive number for the underlying cash balance indicates an increase in receipts on a cash basis. A positive number for the fiscal balance indicates an increase in revenue on an accrual basis. Estimates have been rounded to the nearest $5 million.

*Reference No.* *COA011*

Parliament of Australia
Parliamentary Budget Office

# COSTING – POST ELECTION REPORT

| **Name of proposal costed:** | **Discontinue phase-down of interest withholding tax** |
|---|---|
| Summary of proposal: | This proposal will discontinue the phase down of interest withholding tax (IWT) on financial institutions. |
| Party: | Coalition |
| Date of public release of policy: | 28 August 2013 |
| Agencies from which information was obtained: | The Treasury |

**Costing overview**

Discontinuing the phase down of IWT on financial institutions is expected to increase both the underlying cash and fiscal balances by $405 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in revenue.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

Departmental costs associated with this proposal have been included in a separate costing: *Reduce administrative and other expenses from scrapping the Minerals Resource Rent Tax package.*

This costing is considered to be of low reliability. While this costing is based on amounts included in the forward estimates as at the Pre-election Economic and Fiscal Outlook, these are not necessarily the same as the effect of changing or repealing a particular measure. In particular, Treasury does not generally re-cost individual measures after their announcement, with changes in parameters and other variations instead included in aggregate revenue estimates. Consequently the estimates in this costing should be considered approximate, and only provide an indication of the possible savings.

**Table 1: Financial implications – Discontinuing the phase down of IWT on financial institutions (outturn prices)[(a)]**

| Revenue impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | - | 80 | 160 | 165 |
| Fiscal balance ($m) | - | 80 | 160 | 165 |

(a) A positive number for the underlying cash balance indicates an increase in receipts on a cash basis. A positive number for the fiscal balance indicates an increase in revenue on an accrual basis. Estimates have been rounded to the nearest $5 million.

**Key assumptions**

The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.

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## POLICY COSTING – POST ELECTION REPORT

Discontinuing the phase down of IWT on financial institutions will have effect from 1 July 2014.

**Methodology**

The underlying cash and fiscal balance savings estimated for this costing are based on amounts currently in the 2013-14 Budget forward estimates. The costing is calculated as the revenue gained by reversing the net effect of the 2010-11 Budget measure *Stronger, fairer, simpler tax reform — phasing down interest withholding tax on financial institutions*, as modified by the 2011-12 Mid-year Economic and Fiscal Outlook report measure *Interest withholding tax — phase down for financial institutions — deferral*. As the phase down of IWT had not yet commenced, the full impact of reversing the IWT phase down is included in the costing.

**Data sources**

Forward estimate impacts for the phase down of IWT on financial institutions measure were obtained from Treasury.

*Reference No.* *COA012*

Parliament of Australia
Parliamentary Budget Office

## COSTING – POST ELECTION REPORT

| **Name of proposal costed:** | **Discontinue tax loss carry back** |
|---|---|
| Summary of proposal: | This proposal will discontinue tax loss carry back. |
| Party: | Coalition |
| Date of public release of policy: | 28 August 2013 |
| Agencies from which information was obtained: | The Treasury |

**Costing overview**

Discontinuing tax loss carry back is expected to increase both the underlying cash and fiscal balances by $950 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in revenue.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

Departmental costs associated with this proposal have been included in a separate costing: *Reduce administrative and other expenses from scrapping the Minerals Resource Rent Tax package.*

This costing is considered to be of low reliability. While this costing is based on amounts included in the forward estimates as at the Pre-election Economic and Fiscal Outlook, these are not necessarily the same as the effect of changing or repealing a particular measure. In particular, Treasury does not generally re-cost individual measures after their announcement, with changes in parameters and other variations instead included in aggregate revenue estimates. Consequently the estimates in this costing should be considered approximate, and only provide an indication of the possible savings.

**Table 1: Financial implications – Discontinuing tax loss carry back (outturn prices)[(a)]**

| Revenue impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | - | 350 | 300 | 300 |
| Fiscal balance ($m) | - | 350 | 300 | 300 |

(a) A positive number for the underlying cash balance indicates an increase in receipts on a cash basis. A positive number for the fiscal balance indicates an increase in revenue on an accrual basis. Estimates have been rounded to the nearest $50 million.

**Key assumptions**

The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.

The PBO has assumed that tax loss carry back will be discontinued from the 2013-14 income year.

## POLICY COSTING – POST ELECTION REPORT

The proportion of prior year loss deductions able to be utilised in the absence of tax loss carry back was assumed to be equal to its historical average.

**Methodology**

The underlying cash and fiscal balance savings estimated for this costing are based on amounts currently in the 2013-14 Budget forward estimates. The forward estimates are then disaggregated into two components: the additional revenue loss associated with providing refunds of tax paid to companies in a tax loss position; and the savings from the associated reduction in deductions for prior year losses in subsequent years. The savings estimated in this costing represent the net effect of unwinding these components, with adjustments for timing and date of abolition.

**Data sources**

Forward estimate impacts for the tax loss carry back measure were obtained from Treasury.

*Reference No.* *COA013*

Parliament of Australia
Parliamentary Budget Office

## COSTING – POST ELECTION REPORT

| Name of proposal costed: | Discontinue accelerated depreciation for motor vehicles |
|---|---|
| Summary of proposal: | This proposal will discontinue accelerated depreciation for motor vehicles. |
| Party: | Coalition |
| Date of public release of policy: | 28 August 2013 |
| Agencies from which information was obtained: | The Treasury |

**Costing overview**

Discontinuing accelerated depreciation for motor vehicles is expected to increase both the underlying cash and fiscal balances by $425 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in revenue.

This proposal will have an ongoing impact that extends beyond the forward estimates period.

This costing is considered to be of low reliability. While this costing is based on amounts included in the forward estimates as at the Pre-election Economic and Fiscal Outlook, these are not necessarily the same as the effect of changing or repealing a particular measure. In particular, Treasury does not generally re-cost individual measures after their announcement, with changes in parameters and other variations instead included in aggregate revenue estimates. Consequently the estimates in this costing should be considered approximate, and only provide an indication of the possible savings.

**Table 1: Financial implications – Discontinuing accelerated depreciation for motor vehicles (outturn prices)[(a)]**

| Revenue impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | - | 155 | 155 | 115 |
| Fiscal balance ($m) | - | 155 | 155 | 115 |

(a) A positive number for the underlying cash balance indicates an increase in receipts on a cash basis. A positive number for the fiscal balance indicates an increase in revenue on an accrual basis. Estimates have been rounded to the nearest $5 million.

**Key assumptions**

The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.

The PBO has assumed that accelerated initial deduction for motor vehicles will be discontinued from October 2013.

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## POLICY COSTING – POST ELECTION REPORT

### Methodology

The underlying cash and fiscal balance savings estimated for this costing are based on amounts currently in the 2013-14 Budget forward estimates. The savings estimated in this costing represent the estimated impact of the proposed motor vehicle depreciation arrangements less the amounts currently in the forward estimates, with adjustments for timing and date of abolition.

### Data sources

Forward estimate impacts for the accelerated depreciation for motor vehicles measure were obtained from Treasury.

*Reference No.* *COA014*

Parliament of Australia
Parliamentary Budget Office

## COSTING – POST ELECTION REPORT

| Name of proposal costed: | Reduce administrative and other expenses from scrapping the Minerals Resource Rent Tax (MRRT) package |
|---|---|
| Summary of proposal: | This proposal will reduce administrative and other expenses from scrapping the MRRT package. |
| Party: | Coalition |
| Date of public release of policy: | 28 August 2013 |
| Agencies from which information was obtained: | The Treasury |

**Costing overview**

This proposal is expected to increase both the underlying cash and fiscal balances by $90.3 million over the 2013-14 Budget forward estimates period. This impact is largely due to a decrease in administrative expenses associated with discontinuing the MRRT. The proposal also includes decreases in departmental expenses associated with: discontinuing the phase down of interest withholding tax (IWT) on financial institutions and discontinuing tax loss carry-back and a revenue save of $5 million per annum from 2015-16 to 2016-17 associated with discontinuing the 2011-12 Budget measure *Income tax — expanding the definition of exploration to include geothermal energy.*

This proposal will have an ongoing impact that extends beyond the forward estimates period.

This costing is considered to be of high reliability, as it primarily reflects a reversal of expenses included in the forward estimates as at the Pre-election Economic and Fiscal Outlook. The revenue component of the costing is considered to be of low reliability, as individual measures are generally not re-costed after their announcement, with changes in parameters and other variations instead included in aggregate revenue estimates.

**Table 1: Financial implications – Reduce administrative and other expenses from scrapping the MRRT package (outturn prices)[(a)]**

| Impact on | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| Underlying cash balance ($m) | 4.0 | 26.3 | 30.0 | 30.0 |
| Fiscal balance ($m) | 4.0 | 26.3 | 30.0 | 30.0 |

(a) A positive number for the fiscal balance indicates a decrease in expenses on an accrual basis. A positive number for the underlying cash balance indicates a decrease in expenditure on a cash basis.

**Key assumptions**

The PBO has applied the policy specification underlying the published party estimates of the cost of this proposal.

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## POLICY COSTING – POST ELECTION REPORT

Discontinuing administrative expenses to implement and run the MRRT and departmental expenses associated with phasing down IWT on financial institutions will have effect from 1 July 2014.

The PBO has assumed that departmental expenses associated with tax loss carry back will be discontinued from October 2013.

**Methodology**

The underlying cash and fiscal balance savings estimated for this costing are based on amounts currently in the 2013-14 Budget forward estimates. The costing largely represents the aggregate effect of administrative and departmental expense savings associated with: reversing the MRRT, the 2010-11 Budget measure *Stronger, fairer, simpler tax reform — phasing down interest withholding tax on financial institutions* and the 2012-13 Budget measure *Spreading the Benefits of the Boom — company loss carry-back.*

**Data sources**

Forward estimate administered and departmental expense impacts were obtained from the Australian Taxation Office.