



## Policy costing

Reverse the Liberal Party's company tax cuts for large businesses	
Party:	Australian Greens
Summary of proposal: The proposal would apply a 30 per cent company tax rate to companies with a turnover of more than \$10 million per annum. The company tax rate would continue to phase down to 25 per cent as per the current legislated schedule for companies with a turnover of less than \$10 million per annum. The proposal would commence from the 2019-20 income year.	

## Costing overview

The proposal would be expected to increase the fiscal balance by \$4,790 million and the underlying cash balance by \$4,840 million over the 2019-20 Budget forward estimates period. On a fiscal balance basis, this impact reflects an increase in revenue of \$4,980 million and an increase in administered expenses of \$190 million.

The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period. A breakdown of the financial implications of the proposal over the period to 2029-30 is provided at [Attachment A](#).

The proposal would not be expected to have an impact on departmental expenses as it would not significantly alter the work of administering the tax system.

There is a difference between the fiscal and underlying cash balance impacts due to a timing difference between when liabilities for refundable tax offsets are recognised and when they are paid.

The estimates for the proposal are highly sensitive to projections of the gross operating surplus for all companies, and to two key assumptions. These are the assumption that the proportion of after-tax income that would be paid as dividends would not change under the proposal, and the assumption that the proposal would be legislated in time for the Australian Taxation Office (ATO) to vary the instalments of early balancing companies.

**Table 1: Financial implications (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	<b>Total to 2022–23</b>
Fiscal balance	760	1,140	1,420	1,460	<b>4,790</b>
Underlying cash balance	790	1,150	1,430	1,460	<b>4,840</b>

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

## Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- Legislation to implement the proposal would be passed in time for the ATO to vary the instalments for the 2019-20 income year.
- Total company income, deductions and offsets for all companies would grow in line with estimated growth in gross operating surplus for all companies.
- The number of companies liable to pay company tax in Australia would increase in line with historical growth in the number of companies liable to pay company tax in Australia.
- Companies would continue to pay the same proportion of their after-tax income as dividends, as there is limited information on how companies would change their behaviour.

## Methodology

The impact of the proposal on company tax and dividend payments was calculated using a microsimulation model of company tax developed by the PBO. This model is current as at the 2019 Pre-election Economic and Fiscal Outlook for both policy and parameters. It is based on all companies included in the company tax data for the 2016-17 financial year.

All estimates have been rounded to the nearest \$10 million.

## Data sources

Australian Taxation Office provided company tax return data for 2016-17.

Australian Taxation Office, 2019. *Taxation Statistics 2016-17*.

Commonwealth of Australia, 2019. *2019 Pre-election Economic and Fiscal Outlook*, Canberra: Commonwealth of Australia.

## Attachment A – Reverse the Liberal Party's company tax cuts for large businesses – financial implications

**Table A1: Reverse the Liberal Party's company tax cuts for large businesses – Fiscal balance (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
<i>Revenue</i>	790	1,180	1,480	1,520	1,620	1,710	1,830	1,930	2,040	2,150	2,260	4,980	18,510
<i>Refundable tax offset expense</i>	-30	-40	-60	-60	-70	-70	-70	-80	-80	-80	-80	-190	-710
<b>Total</b>	<b>760</b>	<b>1,140</b>	<b>1,420</b>	<b>1,460</b>	<b>1,550</b>	<b>1,640</b>	<b>1,760</b>	<b>1,850</b>	<b>1,960</b>	<b>2,070</b>	<b>2,180</b>	<b>4,790</b>	<b>17,800</b>

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

**Table A2: Reverse the Liberal Party's company tax cuts for large businesses – Underlying cash balance (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
<i>Receipts</i>	790	1,180	1,480	1,520	1,620	1,710	1,830	1,930	2,040	2,150	2,260	4,980	18,510
<i>Refundable tax offset payments</i>	..	-30	-50	-60	-60	-70	-70	-70	-70	-80	-80	-140	-640
<b>Total</b>	<b>790</b>	<b>1,150</b>	<b>1,430</b>	<b>1,460</b>	<b>1,560</b>	<b>1,640</b>	<b>1,760</b>	<b>1,860</b>	<b>1,970</b>	<b>2,070</b>	<b>2,180</b>	<b>4,840</b>	<b>17,870</b>

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.