

## **TAX BENCHMARKS AND VARIATIONS STATEMENT**

This attachment provides information on Australian Government tax benchmarks and variations, as required by Section 12 of the *Charter of Budget Honesty Act 1998 (CBHA)*.

Tax benchmarks represent a standard taxation treatment that applies to similar taxpayers or types of activity. Certain tax exemptions, deductions or offsets may apply a different taxation treatment to the tax benchmark and can give rise to a positive or negative variation from the benchmark.

The choice of tax benchmark unavoidably involves judgment and may be contentious in some cases. The tax benchmark should not be interpreted as an indication of the way an activity or taxpayer ought to be taxed.

A tax variation arises when there is a difference in revenue between the actual and benchmark treatments. This is known as the 'revenue forgone' approach and importantly, this approach assumes that taxpayer behaviour is the same in each circumstance.

As a result, revenue forgone estimates do not indicate the revenue gain to the Budget if specific tax benchmark variations were abolished through policy change as there may be significant changes in taxpayer behaviour were the variations removed.

Care needs to be taken when comparing benchmark variations with direct expenditure as they may measure different things. In addition, estimates from different editions of the Tax Benchmarks and Variations Statement (previously the Tax Expenditures Statement or TES) may not be comparable. This is due to, for example, changes or modifications to tax benchmarks, individual benchmark variations or data used.

The CBHA also requires the publication of an annual report. The 2017 TES was published in January 2018 and provides a detailed description of Australian Government benchmarks and benchmark variations and, where possible, the estimated value or order of magnitude of each benchmark variation.

The information in Table 3.22 is derived from the 2017 TES and, consistent with longstanding practice, does not include the impact of decisions taken since the 2017-18 MYEFO. Further information on benchmarks and variations will be available in future Tax Benchmarks and Variations Statements.

**Table 3.22: Estimates of large measured benchmark variations**

Benchmark variations		Estimate \$m			
		2018-19	2019-20	2020-21	2021-22
<b>Large positive benchmark variations</b>					
E6	Main residence exemption - discount component	42,500	46,000	50,000	53,500
E5	Main residence exemption	35,500	38,500	41,000	44,000
C4	Concessional taxation of superannuation entity earnings	23,250	26,050	28,950	31,900
C2	Concessional taxation of employer superannuation contributions	17,750	19,400	20,900	22,950
E13	Discount for individuals and trusts	10,520	11,010	11,840	12,480
H27	Food	7,300	7,600	7,900	8,200
H15	Education	4,900	5,250	5,650	6,100
H18	Health - medical and health services	4,350	4,650	4,950	5,300
H2	Financial supplies - input taxed treatment	3,600	3,800	4,050	4,300
B2	Local government bodies income tax exemption	2,580	3,020	3,530	4,120
C6	Deductibility of life and total permanent disability insurance premiums provided inside of superannuation	2,540	2,730	2,950	3,210
A24	Concessional taxation of non-superannuation termination benefits	2,300	2,200	2,100	2,000
A41	Exemption of Family Tax Benefit payments	2,020	2,070	2,060	2,050
B12	Exemption from interest withholding tax on certain securities	2,010	2,010	2,010	2,010
A19	Medicare levy exemption for residents with taxable income below the low-income thresholds	2,000	2,460	2,630	2,710
A27	Exemption of Child Care Assistance payments	1,965	1,985	2,100	2,210
D10	Exemption for public and not-for-profit hospitals and public ambulance services	1,750	1,850	1,950	2,050
D14	Exemption for public benevolent institutions (excluding hospitals)	1,750	1,900	2,000	2,100
C1	Concessional taxation of capital gains for superannuation funds	1,700	2,050	2,350	2,550
B49	Lower company tax rate	1,600	1,800	2,200	2,500
H5	Child care services	1,600	1,750	1,910	2,090
C3	Concessional taxation of personal superannuation contributions	1,550	1,500	1,800	1,900
A26	Exemption for National Disability Insurance Scheme amounts	1,520	2,750	3,380	4,090
A17	Exemption of the Private Health Insurance Rebate	1,420	1,470	1,550	1,600
A57	Philanthropy - deduction for gifts to deductible gift recipients	1,390	1,500	1,640	1,760
F6	Concessional rate of excise levied on aviation gasoline and aviation turbine fuel	1,330	1,390	1,450	1,480
H19	Health - residential care, community care and other care services	1,210	1,290	1,380	1,470
B71	Capital works expenditure deduction	1,125	1,225	1,340	1,455
H6	Water, sewerage and drainage	1,010	1,060	1,120	1,190
A33	Seniors and pensioners tax offset	1,000	1,000	1,000	1,000
<b>Large negative benchmark variations</b>					
F21	Customs duty	-1,260	-1,290	-1,410	-1,200
F10	Higher rate of excise levied on cigarettes not exceeding 0.8 grams of tobacco	-2,555	-2,800	-3,055	-3,220