

## Appendix D: Tax Benchmarks and Variations Statement

This appendix 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 2018 Tax Benchmarks and Variations Statement was published in January 2019 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 D1 is derived from the 2018 Tax Benchmarks and Variations Statement and, consistent with longstanding practice, does not include the impact of decisions taken since the 2018-19 MYEFO. Further information on benchmarks and variations will be available in future Tax Benchmarks and Variations Statements.

Table D1: Estimates of large measured benchmark variations

Benchmark variations		Estimate \$m			
		2019-20	2020-21	2021-22	2022-23
<b>Large positive benchmark variations</b>					
E7	Main residence exemption - discount component	35,000	36,000	37,500	40,000
E6	Main residence exemption	29,500	31,000	32,000	33,500
C4	Concessional taxation of superannuation entity earnings	20,150	21,100	22,650	23,650
C2	Concessional taxation of employer superannuation contributions	19,100	20,450	22,700	23,350
E14	Discount for individuals and trusts	9,310	9,370	9,430	9,500
H26	Food	7,500	7,800	8,100	8,400
H14	Education	5,050	5,400	5,800	6,200
H17	Health - medical and health services	4,550	4,850	5,150	5,450
H2	Financial supplies - input taxed treatment	3,850	4,150	4,400	4,750
A26	Exemption for National Disability Insurance Scheme amounts	2,550	3,020	3,320	3,600
B2	Local government bodies income tax exemption	2,450	2,790	3,170	3,610
B12	Exemption from interest withholding tax on certain securities	2,360	2,360	2,360	2,360
A24	Concessional taxation of non-superannuation termination benefits	2,200	2,100	2,000	1,900
C6	Deductibility of life and total permanent disability insurance premiums provided inside of superannuation	2,180	2,460	2,870	3,200
A19	Medicare levy exemption for residents with taxable income below the low-income thresholds	1,990	2,015	2,045	2,075
A40	Exemption of Family Tax Benefit payments	1,960	1,980	2,000	1,970
B52	Lower company tax rate	1,900	3,400	4,100	4,000
A27	Exemption of Child Care Assistance payments	1,825	1,920	2,045	2,015
C1	Concessional taxation of capital gains for superannuation funds	1,800	1,950	2,150	2,250
D10	Exemption for public and not-for-profit hospitals and public ambulance services	1,800	1,900	2,000	2,000
D14	Exemption for public benevolent institutions (excluding hospitals)	1,800	1,900	2,000	2,000
H5	Child care services	1,680	1,790	1,920	2,070
A17	Exemption of the Private Health Insurance Rebate	1,540	1,590	1,650	1,710
A57	Philanthropy - deduction for gifts to deductible gift recipients	1,510	1,610	1,715	1,825
C3	Concessional taxation of personal superannuation contributions	1,400	1,650	1,750	1,950
F7	Concessional rate of excise levied on aviation gasoline and aviation turbine fuel	1,400	1,430	1,500	1,540
H18	Health - residential care, community care and other care services	1,270	1,350	1,440	1,530
A39	Exemption of certain income support benefits, pensions or allowances	1,170	1,180	1,190	1,190
H6	Water, sewerage and drainage	1,150	1,210	1,280	1,350
B73	Capital works expenditure deduction	1,150	1,230	1,320	1,410
E30	Small business 50 per cent reduction	1,090	1,170	1,250	1,340
<b>Large negative benchmark variations</b>					
F22	Customs duty	-1,460	-1,290	-1,130	-920
F11	Higher rate of excise levied on cigarettes not exceeding 0.8 grams of tobacco	-2,920	-3,130	-3,290	-3,460