# Appendix D: Tax Expenditures

This appendix contains an overview of Australian Government tax expenditures.
Section 12 of the Charter of Budget Honesty Act 1998 requires the publication of an overview of estimated tax expenditures.

The Tax Expenditures and Insights Statement (TEIS) provides an estimate of the revenue forgone from tax expenditures, along with distributional analysis on large tax expenditures and commonly utilised features of the tax system.

Tax benchmarks represent a standard tax treatment that applies to similar taxpayers or types of activities. Policy approaches can apply a tax treatment different from a standard approach, which can give rise to positive or negative tax expenditures. The choice of benchmark unavoidably involves some judgment.

Consistent with most OECD countries, estimates of tax expenditures reflect the extent to which they are used, similar to Budget estimates of outlays on demand‑driven expenditure programs. This is known as the ‘revenue forgone’ approach which, in practice, involves estimating the difference in revenue between the actual and benchmark tax treatments but, importantly, assuming taxpayer behaviour is the same in each circumstance. Revenue forgone estimates therefore do not indicate the revenue gain to the Budget if a specific tax expenditure was abolished through policy change, as there may be significant changes in taxpayer behaviour.

Care needs to be taken when comparing tax expenditures with direct expenditures as they may measure different things. In addition, estimates from different editions of previously released Statements are generally not directly comparable, because of changes or modifications to – for example – benchmarks, individual tax expenditures, data used or modelling methodology.

Table D.1 lists the largest measured tax expenditures for 2024–25 and several personal deduction categories. It is based on economic parameters as at the publication of MYEFO. The items in the deductions category are not tax expenditures so they do not result in forgone revenue against the benchmark. However, the difference between tax paid with the deduction and tax that would have been paid if the deduction was not claimed has been included in Table D.1 for comparison purposes. The TEIS is not a statement of policy intent.

Table D.1: Estimates of large measured tax expenditures and deductions

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Tax typeaffected** | **Code** | **Title** | **Revenue forgone 2024‑25($m)\*** | **Average growth2020‑21 to2023‑24(%)** | **Average projected growth over FEs (%)** |
| **Positive tax expenditures and deductions** |   |
| Super | C2 | Concessional taxation of employer superannuation contributions | 29,150 | 14.2 | 4.1 |
| CGT | E8 | Main residence exemption – discount component | 27,000 | 18.6 | 8.0 |
| Deductions |  | Rental deductions | 26,500 | 14.4 | 6.1 |
| CGT | E7 | Main residence exemption | 24,500 | 18.0 | 7.7 |
| CGT | E15 | Discount for individuals and trusts | 22,730 | 27.0 | ‑3.4 |
| Super | C4 | Concessional taxation of superannuation earnings | 22,200 | 6.2 | 13.0 |
| Income | A26 | Exemption for National Disability Insurance Scheme amounts | 11,420 | 29.7 | 8.8 |
| Deductions |  | Work‑related expenses | 11,300 | 10.6 | 3.7 |
| GST | H25 | Food | 9,500 | 6.1 | 3.6 |
| GST | H17 | Health – medical and health services | 5,400 | 5.0 | 6.5 |
| GST | H14 | Education | 4,550 | 6.6 | 5.4 |
| Income | A27 | Exemption of Child Care Assistance payments | 4,100 | 20.8 | 4.9 |
| Income | B63 | Lower tax rate for small companies | 3,500 | 11.1 | 2.6 |
| GST | H2 | Financial supplies – input taxed treatment | 3,500 | 3.7 | 4.5 |
| FBT | D15 | Exemption for public benevolent institutions (excluding hospitals) | 2,950 | 11.5 | 3.1 |
| Income | B11 | Exemption from interest withholding tax on certain securities | 2,930 | 11.5 | 0.3 |
| Income | A20 | Medicare levy exemption for residents with taxable income below the low­­­‑income thresholds | 2,750 | 1.9 | 0.5 |
| Income | A24 | Concessional taxation of non‑superannuation termination benefits | 2,700 | ‑5.5 | N/A |
| Super | C6 | Deductibility of life and total and permanent disability insurance premiums provided inside of superannuation | 2,340 | 4.6 | 4.0 |
| GST | H5 | Child care services | 2,330 | 11.2 | 5.0 |
| Income | B1 | Local government bodies income tax exemption | 2,060 | 5.9 | 1.3 |
| Super | C1 | Concessional taxation of capital gains for superannuation funds | 2,000 | ‑15.5 | 11.0 |
| Super | C3 | Concessional taxation of personal superannuation contributions | 1,800 | 20.0 | 3.1 |
| Income | A39 | Exemption of Family Tax Benefit payments | 1,780 | 1.6 | 0.7 |

\* For deductions, ‘Revenue forgone’ refers to the reduction in tax in relation to the specified income year due to the utilisation of deductions.

Table D.1: Estimates of large measured tax expenditures and deductions (continued)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Tax typeaffected** | **Code** | **Title** | **Revenue forgone 2024‑25($m)\*** | **Average growth2020‑21 to2023‑24(%)** | **Average projected growth over FEs (%)** |
| FBT | D11 | Exemption for public and not‑for‑profit hospitals and public ambulance services | 1,750 | 7.2 | 2.0 |
| Income | A38 | Exemption of certain income support benefits, pensions or allowances | 1,700 | 2.6 | ‑0.6 |
| Other | F6 | Concessional rate of excise levied on aviation gasoline and aviation turbine fuel | 1,700 | 27.9 | 6.0 |
| Deductions |  | Cost of managing tax affairs and other deductions | 1,600 | 7.2 | 4.4 |
| Income | A18 | Exemption of the Private Health Insurance Rebate | 1,600 | 0.0 | 2.3 |
| GST | H18 | Health – residential care, community care and other care services | 1,600 | 4.1 | 6.6 |
| Income | A57 | Philanthropy – deduction for gifts to deductible gift recipients | 1,515 | 35.6 | ‑21.6 |
| Income | B83 | Capital works expenditure deduction | 1,430 | 3.4 | 3.6 |
| Income | A40 | Exemptions of certain veterans’ pensions, allowances or benefits, compensation, and particular World War II‑related payments for persecution | 1,380 | 20.2 | ‑0.9 |
| GST | H6 | Water, sewerage and drainage | 1,320 | 5.2 | 3.5 |
| CGT | E32 | Small business 50 per cent reduction | 1,310 | 16.4 | ‑4.2 |
| Income | B12 | Exemption of inbound non‑portfolio distributions from income tax | 1,120 | 5.1 | ‑0.7 |
| Income | B5 | Reduced withholding tax under international tax treaties | 1,080 | 15.4 | 8.6 |
| Income | A32 | Seniors and pensioners tax offset | 1,050 | 25.7 | ‑5.4 |
| FBT | D21 | Application of statutory formula to value car benefits | 1,050 | 28.0 | ‑2.0 |
| Super | C12 | Exemption for small business assets held for more than 15 years | 1,020 | 33.1 | ‑6.2 |
| **Negative tax expenditures and deductions** |  |  |  |
| Income | B82 | Accelerated depreciation for business entities | ‑3,900 | 168 | N/A |
| Income | B88 | Simplified depreciation rules | ‑3,700 | 9.8 | N/A |
| Other | F21 | Customs duty | ‑2,130 | 5.4 | ‑13.1 |
| Other | F5 | Luxury car tax | ‑1,170  | 11.0 | 2.0 |
| Income | A21 | Medicare levy surcharge | ‑1,100 | 24.8 | 4.5 |

\* For deductions, ‘Revenue forgone’ refers to the reduction in tax in relation to the specified income year due to the utilisation of deductions.