



LEGISLATIVE COUNCIL

PORTFOLIO COMMITTEES

BUDGET ESTIMATES 2019-2020 Supplementary Questions

Portfolio Committee No. 1 – Premier and Finance

TREASURY

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Answers due by: Friday 22 November 2019

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Treasury

Questions from the Hon Mark Buttigieg MLC (on behalf of the NSW Labor Opposition)

GST –

1. GST and stamp duty were described as ‘regressive’ taxes. What other taxes do Treasury consider regressive?
 - (a) What taxes do Treasury consider ‘progressive’?

Answer

Progressivity in a tax may refer to a number of concepts. A progressive tax is a tax where a person with more of the taxable thing faces a higher rate of tax. ‘Progressive tax’ may also refer to taxes where a person who has greater economic capacity pays a higher rate of tax than a person who has less economic capacity.

There are many ways to measure progressivity. A tax may be progressive if a person with higher income pays a higher rate of tax than a person with a lower income. It may also be progressive if a person who has more assets pays a higher rate than a person who has fewer assets. It may also be progressive if a person who consumes more pays a higher rate of tax than a person who consumes less.

Policy advisors will often consider the distributional impact of any change in tax policy across income, wealth, and other demographic criteria.

2. Mr Pratt, you said GST “is a progressive tax if you look at it as a percentage of household expenditure”. Would you still hold this opinion if the GST was broadened to include fresh food, health and childcare good and services that are currently exempt?
 - (a) If so, why?

Treasury has not prepared modelling of this nature for this policy option.

- (b) Would the GST become relatively more progressive or less progressive, as a percentage of household expenditure, if you broadened it to include fresh food, health and childcare goods and services that are currently exempt?

Treasury has not prepared modelling of this nature for this policy option.

3. Would the GST become more progressive or less progressive, as a percentage of household expenditure, if the per cent number is increased? (e.g. from 10% to 15%)

Changing the GST rate would not have a material direct effect on its progressivity.

4. Ms Wilkie, would the GST become relatively more regressive or less regressive if you broadened it to include fresh food, health and childcare goods and services that are currently exempt?

Treasury has not prepared modelling of this nature for this policy option.

5. Ms Wilkie, would the GST become more progressive or less progressive, as a percentage of household expenditure, if the per cent number is increased? (e.g. from 10% to 15%)

Changing the GST rate would not have a material direct effect on its progressivity.

Restart NSW

6. Mr Midha, you said that 80 per cent of the Restart NSW fund will be expended over the forward estimates. How much of the remaining 20 per cent of the fund would need to go towards Regional projects in order to hit the 30% regional expenditure target?

(a) Can you please provide absolute dollar figures to elucidate your answer?

Answer

As at the 2019-20 Budget, around 800 rural and regional projects and Restart programs, worth \$7.4 billion, have been approved for funding, with \$2.1 billion in further Restart funding reserved for ongoing regional grant programs or projects. This represents roundly 29 per cent of all budgeted and planned Restart funding since inception (of \$33.1 billion).

Property and Stamp Duty

7. What is the estimated impact of lack of confidence in the new construction building market on sales of new dwellings and therefore on stamp duty revenue?

Answer

Available data is mixed on whether any lack of confidence is having a material impact on confidence in the new construction market.

Infrastructure

8. Aside from Metro West, what are the other projects on prospective list that the Department is preparing to submit for funding requests to the Commonwealth?

Answer

Discussions between NSW and the Commonwealth are ongoing, regarding NSW infrastructure priorities for which Commonwealth could potentially support funding for.

Gambling Revenue

9. It was stated that “Gambling and betting taxes are forecast to provide \$2.6 billion in 2019-20 and are forecast to grow at an average annual rate of 3 per cent over the forward estimates. Of that gambling revenue about 65 per cent is poker machine duty.” What is the basis for that 3% increase, since poker machines are capped in NSW and the total number of poker machines in use in NSW is decreasing?

Answer

At the 2019-20 Budget, gambling taxes were forecast to provide \$2,658 million in revenue in 2019-20 and grow at an average annual rate of 3 per cent over the forward estimates.

Gambling taxes include various racing taxes, club and hotel gaming machine taxes, lotteries and casino taxes. Each is forecast separately based on their respective historical growth rates and relationship to factors such as household consumption growth.

Revenue from gaming machine taxes, which account for around two-thirds of gambling taxes, is forecast to grow by 3 per cent, on average, over the forward estimates. This is slower than the 6.5 per cent average annual growth over the five years to 2018-19, and consistent with the slowdown in household consumption growth.

Although the number of gaming machines in New South Wales has declined, there has not been a strong historical relationship between the number of gaming machines and gaming machine revenue.