



# Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party  
 Date Referred: 13/01/2015

Proposal No: A100  
 Date Published: 23/03/2015

Proposal Title: **RETAIN INTERGOVERNMENTAL AGREEMENT TAXES**

Cluster: Treasury

## General Government Sector Impacts

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 Year Total \$'000
Expenses (ex. depreciation)					-
Depreciation					-
Less: Offsets					-
Revenue			467,000	490,000	957,000
<b>Net Operating Result:</b>	-	-	<b>467,000</b>	<b>490,000</b>	<b>957,000</b>

Capital Expenditure					-
Capital Offsets					-
<b>Capital Expenditure:</b>	-	-	-	-	-

<b>Net Lending/(Borrowing)</b>	-	-	<b>467,000</b>	<b>490,000</b>	<b>957,000</b>
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<b>Net Financial Liabilities:</b>	-	-	<b>(467,000)</b>	<b>(957,000)</b>	
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## Total State Sector Impacts

<b>Net Financial Liabilities:</b>	-	-	<b>(467,000)</b>	<b>(957,000)</b>	
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## Notes and costing assumptions

The policy assumes that the Intergovernmental Agreement (IGA) taxes shown in the 2014-15 NSW Budget remain in place rather than being abolished on 1 July 2016. The commitment to abolish the IGA taxes and a brief description of them can be found in NSW 2014-15 *Budget Paper 2* at page 1-12.

According to advice received from Treasury the impact of abolishing the IGA taxes will be a revenue reduction of \$467 million in 2016-17 and \$490 million in 2017-18. It is assumed that revenue will increase by this amount if the taxes remain in place.

The policy assumes the IGA taxes will remain in place until 2024-25. The costing request asked the PBO to provide a projection of the impact of this policy for this period. The projection was prepared according to the latest publicly available information from NSW Treasury, and an assumption on growth. The projection for the total change to revenue between 2016-17 and 2024-25 is \$5.134 billion.

This figure was derived from past Budget papers, estimates in the 2014-15 *Half-Yearly Review*, and figures provided by the NSW Treasury. Figures from 2018-19 onwards are based on the 2017-18 estimate, adjusted for an assumed growth rate of 4.9% per annum, the rate of growth in IGA taxes between 2016-17 and 2017-18. In the absence of other firm indicators of future changes in the drivers of these taxes, and given the volatility of the year on year changes to these numbers, this represents a reasonable and conservative assumption.