



Australian Government
Australian Taxation Office

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Preparation of the tax expenditures statement – Released 9 May 2013

Introduction to the audit

The objective of this audit was to assess the extent to which Treasury and the ATO have improved management of tax expenditure estimates by implementing:

- the six recommendations in the 2008 ANAO audit, and
- the three recommendations made by the Joint Committee of Public Accounts and Audit (JCPAA) following its inquiry.

Tax expenditures are, broadly, tax concessions that fall outside a tax norm or benchmark. They can include tax:

- exemptions (amounts excluded from the tax base)
- deferrals (delays in paying tax)
- deductions (which reduce total assessable income)
- offsets (which directly reduce the amount of tax payable).

Tax expenditures are used by governments to promote particular policy objectives and provide an alternative mechanism to direct expenditures. As such, they have an effect on the budget position like that of direct expenditures. Alternatively, they may be viewed as opportunity costs which affect revenue – that is, if collected, they would be available to fund other government policies and improve the government's budget position.

The ANAO made a new recommendation that follows on from the 2008 audit, to standardise the internal methodology for allocating reliability ratings to tax expenditures.

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