

Appendix A: Policy Decisions Taken Since the 1999-2000 Budget

REVENUE

Attorney-General's

Removal of nuisance tariffs

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Customs Service	-8.0	-12.1	-12.9	-13.8

Explanation

This measure reflects the Government's decision to remove tariffs lower than 5 per cent, which each raised less than \$100,000 in revenue in 1996-97 and offer little or no protective benefit to industry. This decision was announced on 11 October 1999 to come into effect on 15 December 1999.

Reinstatement of some tariffs on non-medical and non-scientific equipment

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Customs Service	0.7	0.8	0.9	0.9

Explanation

This measure reflects the Government's decision to refine its September 1998 decision to remove tariffs on medical and scientific equipment by reinstating tariffs on certain non-medical and non-scientific equipment, in particular, meters and tape measures. The decision to reinstate the tariffs came into effect on 3 September 1999.

Defence

United Nations reimbursements for East Timor deployment

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Defence	18.0	114.0	106.0	76.0

Explanation

The UN will reimburse Australia for some of the costs of the Australian Defence Force (ADF) deployment in East Timor. The amounts included in Budget figuring are estimates of likely UN reimbursements based on current planning scenarios.

Further Information

For further information see the related revenue measure *Defence — East Timor levy*, expense and net capital investment measures under the Defence portfolio entitled *East Timor peace enforcement and peacekeeping*, and expense measures entitled *Civilian police for the UN Transitional Administration in East Timor* in the Attorney-General's portfolio; *Aid for East Timor* in the Foreign Affairs and Trade portfolio and *Provision of safe haven to internally displaced persons from East Timor* in the Immigration and Multicultural Affairs portfolio.

Environment and Heritage

Sale of Halon to the United States for essential use

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of the Environment and Heritage	3.5	6.0	-	-

Explanation

The Government has agreed to the sale of surplus Halon 1301 to the United States Department of Defense. The Australian Halon Management Strategy allows for the sale of surplus Commonwealth Halon 1301 to parties to the *Montreal Protocol on Substances that Deplete the Ozone Layer* for use in essential use applications.

Further Information

The Commonwealth operates the National Halon Bank which maintains sufficient stock of Halon to meet Australia's essential use needs to 2030 and also collects, decants, recycles and destroys surplus halon. Halon is an ozone depleting substance used for fire suppression in fixed systems where other alternatives or human evacuation are not regarded as feasible options.

See also the related expense measure under the Environment and Heritage portfolio entitled *Sale of Halon to the United States for essential use*.

Immigration and Multicultural Affairs

Extension of regulation of the migration advice industry

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Immigration and Multicultural Affairs	0.5	1.7	1.8	1.3

Explanation

The Government has decided to extend, until March 2003, the arrangements for statutory self-regulation of the migration advice industry that came into effect in March 1998. Under these arrangements the migration advice industry was moved from full government regulation to statutory self-regulation under the auspices of the Migration Agents Registration Authority (MARA). These arrangements were subject to a sunset clause and were due to cease operation in March 2000. The extension of statutory self-regulation will encourage further development of industry standards and competency levels while ensuring consumer protection.

Further Information

This measure is budget neutral. Migration agent registration fees collected by MARA on behalf of the Commonwealth are returned to MARA for administration of its statutory function.

See also the related expense measure under the Immigration and Multicultural Affairs portfolio titled *Extension of regulation of the migration advice industry*.

Treasury

Income Tax

Defence — East Timor levy

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	900.0	-45.0	-

Explanation

In order to partially offset the costs of Australia's involvement in East Timor, the Government has decided to implement a temporary levy on individual taxpayers of:

- 0.5 per cent of total taxable incomes from \$50,001 to \$100,000 per annum; and
- 1 per cent of total taxable incomes in excess of \$100,000 per annum.

The levy will apply for 12 months only — commencing from 1 July 2000.

The levy will be collected through tax instalments under the Pay-As-You-Go (PAYG) system which commences from 1 July 2000.

The levy will shade in at a rate of 20 per cent (the same rate applying under the Medicare levy arrangements). This would mean that the 0.5 per cent levy would shade in over the income range \$50,001 to \$51,282. The 1 per cent levy would also shade in at 20 per cent — from \$100,001 to \$102,564.

The revenue cost of the levy in 2001-02 reflects the normal process of refunds on assessment for most taxpayers.

Further Information

For further information see the related revenue measure *United Nations reimbursements for East Timor deployment*, expense and net capital investment measures under the Defence portfolio entitled *East Timor peace enforcement and peacekeeping*, and expense measures entitled *Civilian police for the UN Transitional Administration in East Timor* in the Attorney-General's portfolio; *Aid for East Timor* in the Foreign Affairs and Trade portfolio and *Provision of safe haven to internally displaced persons from East Timor* in the Immigration and Multicultural Affairs portfolio.

Reduced personal income tax cuts for income earners above \$50,000

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	1110.0	1234.0	1435.0

Explanation

On 28 May 1999, the Government announced an amendment to the personal income tax scales proposed in *A New Tax System*, which commence on 1 July 2000.

The proposed 40 per cent tax bracket has been increased to 42 per cent, and the proposed threshold for the top rate of 47 per cent has been reduced from \$75,000 per annum to \$60,000 per annum. These modifications are aimed at individuals earning over \$50,000 per annum, and as such, the announced reductions in personal income tax for those earning less than \$50,000 are unaffected.

These changes to the personal income tax scales are illustrated in the following table.

Current Tax Scales		Proposed in <i>A New Tax System</i>		New Tax Scales	
Income Range (\$)	Tax Rate (%)	Income Range (\$)	Tax Rate (%)	Income Range (\$)	Tax Rate (%)
0 – 5,400	0	0 – 6,000	0	0 – 6,000	0
5,401 – 20,700	20	6,001 – 20,000	17	6,001 – 20,000	17
20,701 – 38,000	34	20,001 – 50,000	30	20,001 – 50,000	30
38,001 – 50,000	43	50,001 – 75,000	40	50,001 – 60,000	42
50,001+	47	75,001+	47	60,001+	47

Further Information

The revenue cost of this measure is reflected in the associated legislation that was introduced into Parliament in June 1999 and differs slightly from the costing announced by the Prime Minister in his press release of 28 May 1999.

Deductibility of gifts

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	*	*	*	*

Explanation

The Government has announced that donations and gifts of \$2 or more to the following organisations have been made tax deductible:

- the Korean War Memorial Trust fund, from 2 September 1996 to 1 September 2000;
- the Linton Trust, after 2 December 1998 and before 3 December 2000;
- the Natural Disaster (Sydney Hail Storm Assistance) Fund, from 27 May 1999;
- gift deductibility status for the Shrine of Remembrance Restoration and Development Trust has been extended for the period from 1 July 1999 to 30 June 2005;
- the Family Planning Australia Overseas Aid Fund from 20 July 1999 (this fund was previously known as the Australian Federation of Family Planning Associations Overseas Aid Fund);
- gift deductibility status for the National Nurses' Memorial Trust Fund has been extended for the period from 4 September 1999 to 3 January 2000;

- Australian Ex-Prisoners of War Memorial Fund, from 20 October 1999 to 19 October 2001; and
- The Global Foundation, from 3 November 1999.

Immediate tax deductibility for GST-related expenditure

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-175.0	75.0	75.0

Explanation

On 19 August 1999, the Government announced that it would allow immediate tax deductibility for small and medium-sized businesses for expenditure required on new plant equipment or software for the purposes of implementing the GST. This concession will apply to businesses with a turnover of not more than \$10 million, for expenditure incurred in the 1999-2000 financial year.

Establishment of the Australian Rural Partnerships Foundation

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-5.0	-5.0	-3.0

Explanation

In partnership with the Sidney Myer Fund, the Government will establish the Australian Rural Partnerships Foundation. This foundation will assist regional, rural and remote communities to respond to social, cultural and economic change. The Foundation will be granted gift deductibility status for private sector and other contributions.

Tax exemption on business re-establishment grants made from the Cyclones Elaine and Vance Trust Fund

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-1.0	-	-	-

Explanation

This measure provides an exemption from income tax for business re-establishment grants made from the Cyclones Elaine and Vance Trust Fund. This trust fund was

established in the wake of the damage to Exmouth, Western Australia and its surrounding districts by Cyclones Elaine and Vance in March 1999.

Fringe benefits reporting — exclusion of certain benefits provided to Australian Defence Force personnel

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-10.0	-10.0	-10.0

Explanation

On 19 August 1999, the Government announced its decision to exclude housing assistance provided to ADF personnel in Australia from the fringe benefits reporting requirement. On 27 September 1999, the Government announced that further exclusions from fringe benefits reporting would be provided in respect of the following benefits provided to ADF personnel:

- reunion travel for ADF personnel serving at locations away from immediate family;
- special needs group assistance to ADF personnel;
- education assistance and reunion travel for children of ADF personnel in critical school years;
- removal expenses for the non-service spouse of an ADF member on breakdown of marriage; and
- the element of Overseas Living Allowance that compensates for cost of living differences.

Dairy industry adjustment package

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-1.0	-1.0	-1.0

Explanation

The Government has agreed to provide adjustment assistance to dairy farmers following full deregulation of the dairy industry from 1 July 2000, contingent upon all States agreeing to deregulation. The adjustment package, of approximately \$1.7 billion over eight years, will be funded by a levy of 11 cents per litre on market milk sales for up to eight years. The levy is unlikely to have any impact on retail prices as farm gate prices are expected to fall by at least this amount after deregulation.

An exit programme will assist those dairy farmers leaving the industry through non-taxable grants of up to \$45,000. As a consequence, Commonwealth revenue may decrease by up to \$1 million per year for each of the eight years of the programme. This aside, the package has no budgetary impact as it is fully funded by levy revenue.

Further Information

The package assists industry restructuring by helping farmers to improve efficiency and competitiveness following deregulation. The package includes:

- structural adjustment payments in equal quarterly amounts over eight years to eligible dairy farmers based on deliveries of market and manufacturing milk in 1998-99;
- an exit programme based on the Farm Family Restart Scheme; and
- monitoring of prices, costs and profits of businesses dealing with liquid milk product sales by the Australian Competition and Consumer Commission (ACCC).

Double taxation agreements

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	*	*	*	*

Explanation

The application of the tax sparing provisions in the comprehensive taxation agreement between Australia and Malaysia has been extended to 30 June 1992. Details are provided in the Assistant Treasurer's press release of 10 November 1999.

Tax sparing relief provisions apply in relation to certain income derived by Australian residents that Malaysia exempts or taxes at a reduced rate under special incentive measures to promote economic development in Malaysia. The agreement provides tax credits for the tax forgone by Malaysia.

In addition, Australia has also signed comprehensive taxation agreements with the Republic of South Africa, the Slovak Republic and the Argentine Republic for the avoidance of double taxation and the prevention of fiscal evasion. These agreements are expected to be revenue neutral.

The New Business Tax System

In two separate announcements on 21 September 1999 and 11 November 1999, the Government outlined a major business tax reform package, *The New Business Tax System*. The reforms will provide Australia with internationally competitive business

tax arrangements. The revenue measures announced as part of this package are detailed below.

Further information on these measures can be found in the Treasurer's Press Releases No. 58 of 21 September 1999 and No. 74 of 11 November 1999, and the document *A Tax System Redesigned* released by the Ralph Committee.

Reduction in the company tax rate

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-60.0	-1260.0	-3480.0	-3135.0

Explanation

The rate of company tax will be reduced to 34 per cent for the 2000-01 income year and to 30 per cent from the 2001-02 income year. From 1 July 2001, these rates will also apply to other entities taxed like companies, such as trusts. The reduction in the company tax rate will make Australia a more internationally competitive location for business activity.

The New Business Tax System — changes to entity measures announced in A New Tax System

Implementing a unified entity tax system

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	*	*	*	*

Explanation

The unified entity regime, first announced in *A New Tax System*, will commence from 1 July 2001, although some features of the regime will commence from 1 July 2000. Key features of the unified entity regime include:

- taxing trusts, life insurers, co-operatives and limited partnerships like companies;
- simplifying the imputation system (with abolition of the intercorporate dividend rebate);
- refunding excess imputation credits to resident individuals and superannuation funds (including early refunds for members of closely held entities);
- providing for a system of consolidation for groups of companies and trusts, while addressing value shifting;

- treating non-commercial loans from members of closely held entities as equity; and
- achieving a consistent treatment of entity distributions.

The key elements of the unified entity regime, and their associated revenue implications, are described individually. The revenue estimates for those separate components of the regime take into account features such as the treatment of non-commercial loans from members of closely held entities and the consistent treatment of entity distributions.

Deferred implementation of unified entity tax system to trusts

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-40.0	-140.0	-445.0	5.0

Explanation

The taxing of trusts under the unified entity regime, as proposed in *A New Tax System*, will be deferred from 1 July 2000 to 1 July 2001. When implemented, the measure will provide for a flow-through treatment of collective investment vehicles and other excluded trusts. Other related aspects of the unified entity regime, including a consistent treatment of distributions and taxing co-operatives, will also be deferred to 1 July 2001.

The taxation of trusts under the unified entity regime will provide a more consistent taxation of business entities while being fairer, simpler and having greater integrity. The measure has been deferred in recognition of the current demands on business associated with the need to address Y2K compliance issues and the introduction of the GST and PAYG on 1 July 2000.

The revenue impact identified above represents the effect of modifying the business tax measures outlined in *A New Tax System*.

Early refunds of imputation credits

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-	-190.0	-

Explanation

A proposal to refund excess imputation credits was outlined in *A New Tax System*. From the 2000-01 income year, refundable imputation credits will be available on assessment. From 1 July 2001, an early refund mechanism will be introduced so that refunds will be available — via the distributing entity — to members of closely held

trusts and companies, and all co-operatives, on distribution. This will reduce the cash flow impact on members arising from taxing trusts and co-operatives like companies.

Refunding excess imputation credits will ensure that eligible taxpayers are taxed at their appropriate marginal rates of tax on assessment.

The revenue impact identified above represents the effect of modifying the business tax measures outlined in *A New Tax System*.

Removing the intercorporate dividend rebate on unfranked distributions

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-60.0	35.0	-70.0	-120.0

Explanation

This measure replaces the deferred company tax proposed in *A New Tax System*. All unfranked distributions between resident entities will be taxed to the recipient by removing the intercorporate dividend rebate on those distributions, except if the distribution is within a wholly owned group (or a consolidated group from 1 July 2001). The measure will take effect from 1 July 2000.

The revenue impact identified above represents the effect of modifying the business tax measures outlined in *A New Tax System*.

Introduction of a common start date for the commencement of tax reform measures applying to life insurers

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-180.0	-	40.0

Explanation

The measures announced in *A New Tax System* to broaden the tax base of life insurers are to be implemented from a common start date of 1 July 2000, rather than commencing on an income year basis as previously proposed. This will remove any competitive distortions that might otherwise arise between life insurers operating on the basis of different taxation accounting periods.

The revenue impact identified above represents the effect of modifying the business tax measures outlined in *A New Tax System*. It includes the effect of the introduction of a common start for life insurance policyholder measures.

Further Information

The revenue effect of delaying the life insurance policyholder measures until 1 July 2001 is included in the revenue measure *Delayed commencement of life policyholder reform*.

Transitional taxation of fees on life insurance policies

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-110.0	-110.0	-110.0

Explanation

As a transitional measure related to the introduction of the taxation reform of life insurers, one-third of a life insurer's management fees derived from life insurance policies taken out before 1 July 2000 will be exempt from tax during the five years following commencement of the new regime. This measure is to commence from 1 July 2000.

The transitional measure allows the up-front costs incurred by life insurers in obtaining existing life insurance business to continue to be recouped through the collection of management fees over the five-year transitional period.

The revenue impact identified above represents the effect of modifying the business tax measures outlined in *A New Tax System*.

Taxation of funeral bonds, scholarship plans and income bonds offered by Friendly Societies

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	*	*	*	*

Explanation

On 21 October 1999, the Government announced that the investment income earned by Friendly Societies on funeral bonds, scholarship plans and income bonds sold after 30 November 1999 will be subject to tax from 30 June 2001.

The measure will allow the products to be taxed consistently with other life insurance investment products. Funeral policies and scholarship plans taken out after 30 November 1999 will be taxed in a manner consistent with life insurance investment policies taken out after 30 June 2001. Income bonds taken out after 30 November 1999 will be taxed as debt products.

The measure was originally announced to commence from 11.45am AEST; 21 September 1999 (see Treasurer's Press Release No. 58 of 21 September 1999). The delayed commencement of the measure will allow Friendly Societies time to establish benefit funds and appropriate disclosure documents to cater for the new arrangements.

Delayed commencement of life policyholder reform

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-30.0	-30.0	-

Explanation

The reforms to the taxation of new life insurance policyholders outlined in *A New Tax System* are to be delayed until 1 July 2001. The deferral follows concerns raised by life insurers about the need to design new policies and their ability to undertake the necessary administrative system changes to accommodate the reform measures.

The revenue impact identified above represents the effect of modifying the business tax measures outlined in *A New Tax System*.

Consolidation — losses of acquired companies

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-	-190.0	-380.0

Explanation

The consolidated tax treatment for groups of companies and trusts outlined in *A New Tax System* is to commence from 1 July 2001. Consolidated groups will be able to bring realised carry-forward losses of a subsidiary entity into the group — subject to limits on the amount that can be brought in and the period over which the losses can be claimed.

The rules for an entity bringing losses into a consolidated group and pooling the losses within the group replace the entitlement of that entity, outside of consolidation, to offset a loss carried forward against its own future income or capital gains. They also replace the entitlement, under the existing law, of the entity to transfer losses to members of the same wholly owned company group.

Consolidation — value shifting and loss duplication in groups

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-	-	75.0

Explanation

With the consolidated tax treatment for groups of companies and trusts, outlined in *A New Tax System*, to commence from 1 July 2001, existing grouping provisions will be repealed. This will prevent the creation of artificial losses by value shifting between companies in the same group and duplication of losses through multiple layers of ownership (that is, through company chains). The interim measures, *Interim value shifting and loss duplication measures*, will apply from 22 February 1999 until the commencement of consolidation.

Rollover relief for entity restructuring

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	*	*	*	*

Explanation

On 11 November 1999, the Government announced the following measures:

- ongoing rollover relief for the transfer of assets or of an entire business from an individual, partnership or joint venture of individuals to a company or fixed trust, subject to certain conditions;
- transitional rollover relief for the transfer of assets or the direct transfer of an entire business from a fixed trust to a company and for rollovers from a company to a prospective collective investment vehicle, subject to certain conditions; and
- early consultation with State and Territory Governments, with the objective of removing any tax obstacles to entity restructuring.

The rollover relief measures will have effect from date of announcement. The transitional rollover relief measure will apply until 1 July 2001.

The New Business Tax System — depreciation measures

Removal of accelerated depreciation

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	30.0	1050.0	2260.0	2300.0

Explanation

Accelerated depreciation for plant and equipment will be replaced with a system under which depreciation rates will be determined by the effective life of the asset. Taxpayers will also be able to reassess the effective life of plant and equipment acquired after the time of announcement. The measure took effect from 11.45 am AEST; 21 September 1999. Assets commenced to be constructed or acquired before the time of effect will retain access to accelerated depreciation.

This measure does not apply to small business taxpayers with a three-year annual average turnover of less than \$1 million, pending introduction of *The Simplified Tax System* for small business from 1 July 2001. The special rates applying to certain primary producer assets, research and development, computer software and Australian films will remain unchanged.

The revenue estimates for the measure reflect the impact of removing accelerated depreciation for all taxpayers. The effect of excluding small businesses from the measure is reflected in the measure *Small business exemption from accelerated depreciation, balancing charge offset and low-value pooling measures*.

Removal of balancing charge offset

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	20.0	400.0	360.0	170.0

Explanation

The existing balancing charge offset for disposals of plant and equipment was removed from 11.45 am AEST; 21 September 1999. The measure will not apply to small business taxpayers with a three-year annual average turnover of less than \$1 million until 1 July 2001, or to involuntary disposals of plant and equipment.

Plant and equipment disposals occurring from the time of effect of this measure will no longer be subject to capital gains tax (CGT) arrangements. This means that the CGT indexed cost bases of the relevant assets will be frozen at their 30 September 1999 value and the excess of disposal proceeds over the frozen indexed cost base will be taxed as balancing adjustments.

The revenue estimates for the measure reflect the impact of removing the balancing charge offset for all taxpayers. The effect of excluding small businesses from the measure is reflected in the measure *Small business exemption from accelerated depreciation, balancing charge offset and low-value pooling measures*.

Pooling of low-value depreciable assets

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	30.0	410.0	40.0

Explanation

From 1 July 2000, the expensing of plant items costing \$300 or less will be replaced with a system whereby taxpayers other than small business taxpayers will be able to elect to write off all items costing less than \$1,000 through a low-value pool. The low-value pool will be depreciated at a declining balance rate of 37½ per cent per annum. The \$300 limit will continue to apply for small business taxpayers with a three-year annual average turnover of less than \$1 million until 1 July 2001.

The option to include assets with opening tax values of less than \$1,000 in the low-value pool will provide a mechanism for taxpayers to simplify their record keeping in relation to low-value assets for taxation purposes.

The revenue estimates for the measure reflect the impact of allowing pooling for all taxpayers. The effect of excluding small businesses from the measure is reflected in the measure *Small business exemption from accelerated depreciation, balancing charge offset and low-value pooling measures*.

Allow write-off for indefeasible rights of use

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-11.0	-51.0	-37.0	-36.0

Explanation

Australian companies will be able to write off expenditure on indefeasible rights of use over telecommunications submarine cable systems. The measure applies to contracts entered into after 11.45 am AEST; 21 September 1999.

Effective life depreciation for the mining, quarrying and resources industries

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-	-	15.0

Explanation

From 1 July 2001, the existing special allowable capital expenditure provisions for the mining, quarrying and resources industry will be replaced with a system of tax depreciation based on the shorter of the effective life of the asset and, where the asset will be abandoned at the end of the project, the life of the project.

Assets commenced to be constructed or acquired before 1 July 2001 will retain access to the current allowable capital expenditure provisions.

The New Business Tax System — small business measures

Cash accounting for small business

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-	-220.0	-320.0

Explanation

From 1 July 2001, as part of *The Simplified Tax System*, small businesses with a three-year annual average turnover of less than \$1 million will be able to use a cash accounting regime as an alternative to the accrual system, including exemption from reform of the prepayment rules set out in the revenue measure entitled *Tightening the 13-month rule for advance expenditure*.

The measure also includes access to a simplified trading stock regime, which will provide an alternative to an annual requirement for stocktaking and stock valuation.

Simplified depreciation arrangements for small business

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-	-60.0	-220.0

Explanation

From 1 July 2001, as part of *The Simplified Tax System*, small businesses with a three-year annual average turnover of less than \$1 million will be subject to a

simplified depreciation regime. This will include access to a pooling arrangement for assets with effective lives of less than 25 years and immediate write-off for assets costing less than \$1,000. The pooled assets will be depreciated at a declining balance rate of 30 per cent per annum.

Small business exemption from accelerated depreciation, balancing charge offset and low-value pooling measures

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-219.0	-474.0	257.0

Explanation

As an interim measure, until the introduction of *The Simplified Tax System* from 1 July 2001, measures set out in *Removal of accelerated depreciation*, *Removal of balancing charge offset* and *Pooling of low-value depreciable assets* will not apply to small business taxpayers with three-year annual average turnovers of less than \$1 million. In addition, the immediate deductibility of plant items costing up to \$300 will be extended to 1 July 2001 for small business taxpayers.

To qualify for accelerated depreciation tax benefits, the plant and equipment may not be used predominantly for leasing or for related activities (other than short-term hire). This means that plant and equipment used in rental properties would not be eligible for accelerated depreciation.

The New Business Tax System — capital gains tax measures

Reform of CGT for individuals

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	210.0	230.0	210.0

Explanation

Indexation of the cost base for calculating capital gains for individuals was frozen as at 30 September 1999 and averaging of capital gains is no longer available, with effect from 21 September 1999.

For assets acquired at, or prior to, 11.45 am AEST; 21 September 1999, and held for at least one year, individual taxpayers are to have the choice of including in their assessable income either half the realised nominal gain, or the whole of the difference between the disposal price and the frozen indexed cost base. For assets acquired after 11.45 am AEST; 21 September 1999, and held for at least one year, capital gains are to be taxed at half the difference between the disposal price and the original cost.

Reform of CGT for superannuation and related funds

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-70.0	-50.0	-70.0

Explanation

Indexation of the cost base for calculating the capital gains of superannuation funds was frozen as at 30 September 1999.

For assets acquired at, or prior to, 11.45 am AEST; 21 September 1999, and held for at least one year, complying superannuation and related funds are to have the choice of including in their assessable income either two-thirds of the nominal gain or the whole of the difference between the disposal price and the frozen indexed cost base. For assets acquired after 11.45 am AEST; 21 September 1999, and held for at least one year, capital gains are to be taxed at two-thirds of the difference between the disposal price and the original cost.

Reform of CGT for other entities

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	10.0	40.0	50.0

Explanation

Indexation of the cost base for calculating capital gains for other entities (companies and trusts) is to be frozen as at 30 September 1999.

This is consistent with the freezing of indexation at 30 September 1999 for individuals and for superannuation and related funds. While companies will lose the benefit of indexation, they will receive the ongoing benefit of a lower company tax rate. In addition, shareholders that are either individuals or superannuation funds will benefit directly from CGT reform.

CGT rollover relief for scrip-for-scrip acquisitions

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	2.0	-19.0	-5.0

Explanation

CGT rollover relief will be provided when there is an exchange of interests in companies or fixed trusts because of a takeover. The measure is to apply to companies and trusts regardless of whether or not they are widely held. As a result, CGT liability will be deferred at the time of the takeover until ultimate disposal of the replacement asset. The measure will take effect from the date of Royal Assent of the relevant legislation.

Improving incentives for venture capital investment

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	*	*	*	*

Explanation

Investment in innovative Australian firms will be promoted by providing certain CGT exemptions for Australian superannuation funds and non-resident tax-exempt pension funds. Australian widely held superannuation funds will be provided with an exemption where they receive income from a Pooled Development Fund that represents gains on the disposal of eligible venture capital investment. Non-resident tax-exempt pension funds from certain countries will be tax exempt on gains on the disposal of eligible venture capital investments. The measure commences on the date of Royal Assent of the relevant legislation.

Providing a new small business 15-year CGT exemption and streamlining of the existing small business provisions

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	*	*	*	*

Explanation

CGT relief for small business will be extended by providing an exemption for small business taxpayers where an active asset has been held continuously for at least 15 years. The taxpayer must also retire because they are incapacitated, or have reached

the age of 55 or more. The measure will apply to CGT events on or after 20 September 2000 — 15 years after the commencement of the CGT.

The existing 50 per cent CGT goodwill exemption is to be replaced by a 50 per cent CGT exemption on active business assets (including goodwill) disposed of by small business taxpayers with effect from 21 September 1999. The CGT small business rollover and retirement exemption provisions are to be streamlined with effect from 21 September 1999.

The New Business Tax System — integrity measures

Addressing lease assignments

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	15.0	45.0	55.0

Explanation

The full consideration received on disposing of leases or interests in leased plant will be included in assessable income. The measure will also apply to disposals of majority interests in wholly owned subsidiaries that are used mainly to lease assets. The date of effect for this measure is 22 February 1999.

The measure was required in order to address the tax avoidance opportunities that were highlighted in *A Platform for Consultation*, which was released on 22 February 1999.

Interim value shifting and loss duplication measures

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	60.0	42.0	-

Explanation

Two interim measures are to take effect from 22 February 1999 and remain in place until the start of the consolidation regime on 1 July 2001 (see *Consolidation — Value shifting and loss duplication in groups* and *Value shifting measures outside groups*).

The first measure prevents loss duplication through a chain of companies upon transfer of revenue losses. The second measure denies tax recognition of artificial losses that are the result of a valuable debt between two commonly owned companies being forgiven by the creditor company.

Repeal of excess deduction rules for mining operations

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	30.0	40.0	35.0

Explanation

This measure consists of two parts:

- excess deductions carried forward from the previous income year that were available to a taxpayer at 11.45 am AEST; 21 September 1999 are to be treated as allowable deductions at that time, rather than at the end of the income year as was previously the case; and
- deductions for exploration and prospecting expenditure and allowable capital expenditure, including deductions allowable under the measure component above, will be deductible without limit. If these deductions exceed the available income, the excess will contribute to a tax loss for the year. This applies to assessments for the 1999-2000 income year and later income years.

Prevent duplication of unrealised losses

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	65.0	90.0	85.0

Explanation

With effect from 1.00 pm AEDST; 11 November 1999, where there is a change in the majority underlying ownership of a company, losses realised in respect of assets held at the time of the ownership change are to be made subject to the same business test. The losses made subject to the same business test will not exceed the company's net unrealised loss at the time of the change.

The measure was originally announced to commence from 11.45 am AEST; 21 September 1999 (see Treasurer's Press Release No. 58 of 21 September 1999). The delayed commencement will synchronise the commencement of this measure with the measure *Prevent inter-entity loss multiplication* and, thus, significantly reduce compliance costs.

Remove defects in the continuity of ownership test***Revenue (\$m)***

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	35.0	35.0	35.0

Explanation

With effect from 11.45 am AEST; 21 September 1999, the continuity of majority ownership test for a company to deduct a loss was modified so that, broadly, it will be satisfied only if:

- there is no substantial change in the proportionate shareholding among a group of continuing owners; and
- majority ownership is maintained throughout the period from when the loss was incurred.

Disposal of loss assets within majority-owned groups***Revenue (\$m)***

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	60.0	50.0	15.0

Explanation

With effect from 21 October 1999, where an asset that has declined in value is sold by one company to another within the same majority-owned group, tax system recognition of the revenue or capital loss will be deferred until the group disposes of the asset. The measure will be of less significance, but still required, when consolidated tax treatment replaces the existing grouping provisions for wholly owned company groups, as under consolidation the tax system disregards transactions between entities within a consolidated group.

Prevent inter-entity loss multiplication***Revenue (\$m)***

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	15.0	20.0	25.0

Explanation

From 11 November 1999, losses on equity or debt in the interposed entities will be denied to the extent of the carry-forward (realised or unrealised) losses where:

- there are entities interposed between a company and its underlying beneficial owners;
- the majority underlying ownership in the company changes; and
- the company has one or more realised carry-forward losses or an unrealised net loss, subject to the same business test.

This measure will prevent carry-forward losses of a company in which ownership has changed from being replicated through the disposal of equity or debt in entities interposed between the loss company and its original underlying owners.

Value shifting measures outside groups

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-	-	140.0

Explanation

The measures apply general value shifting rules to assets of entities and interests in entities, including shares in companies and units in trusts, and are to take effect from 1 July 2001. The measures relating to interests in entities will generally apply to interests of controllers and their associates. Entities within consolidated groups will not be subject to these rules. These measures will prevent inappropriate tax outcomes (including artificially increased capital losses and artificially reduced capital gains) resulting where value is shifted between entities or between assets. These measures are related to the *Interim value shifting and loss duplication measures*, which are to take effect from 22 February 1999.

Tightening the 13-month rule for advance expenditure

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	15.0	220.0	325.0	260.0

Explanation

Expenditure in respect of things to be done within 13 months of the expenditure being incurred is to be deductible over the period during which the services are provided, rather than being immediately deductible as at present. This measure applies to all expenditure incurred after 11.45 am AEST; 21 September 1999, but excludes those prepayments to which the taxpayer is irrevocably committed under a contractual obligation entered into prior to that time. A transitional arrangement will phase-in the initial impact of this measure over a period of five years.

Individuals not carrying on a business, and small businesses with a three-year average annual turnover of less than \$1 million are exempt from the measure. From 1 July 2001 small business taxpayers operating under *The Simplified Tax System* will remain exempt from this reform, as outlined in *Cash accounting for small business*.

Tightening the 13-month rule for advance expenditure under tax shelters

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	70.0	100.0	90.0

Explanation

Expenditure incurred in respect of things to be done within 13 months is to be deductible over the period during which the services are provided where such expenditure is in respect of a tax shelter arrangement. The measure applies to all expenditure incurred after 1.00 pm AEDST; 11 November 1999 but excludes those prepayments to which the taxpayer is irrevocably committed under a contractual obligation entered into prior to that time. No transitional arrangements apply to prepayments affected by this measure.

In broad terms, this proposal is directed at arrangements managed by a person other than the taxpayer, where deductions exceed income from the arrangement in the same year. It does not apply to prepayments by a small business or outside of a business (for example, by an individual) that are made in respect of a standard negatively geared investment, such as a rental property or shares.

This measure will mean that all revenue prepayments relating to participation in a tax shelter will be deducted over the period to which they relate. If, in substance, the payment contributes to the creation of, or is directed towards acquiring, an asset — that is, it is of a capital nature — it will not be immediately deductible, consistent with the current law. The created or acquired asset will then be treated under the relevant provisions of the tax law.

Treatment of losses from non-commercial activities

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	50.0	310.0	240.0

Explanation

This measure is designed to ensure that only losses arising from commercial business activities can be deducted from other income. A deduction is allowable provided the activity from which the loss arises satisfies at least one of the criteria listed below. The

criteria have been designed so that they do not disadvantage genuine business activities, and have been modelled on comparable provisions in other countries.

- The loss arises in relation to the rental of a real property or share investments (or similar) by individuals.
- The loss relates to an activity with assessable income greater than \$20,000.
- Total assets of the particular activity exceed \$500,000 in real property, or \$100,000 of other assets excluding passenger motor vehicles. Under this test, the value to be used for the real property test is the greater of cost or market value. The value test for other assets is to be the tax value. These tests will enable taxpayers to use existing information to determine eligibility.
- The particular activity has produced taxable income in three of the last five years.
- The loss arises in circumstances outside the control of the taxpayer, including natural disasters, or from an activity with a significant commercial purpose or character.

For those activities meeting at least one of the listed criteria, losses are deductible against other income in the same income year, or a future year. If a loss cannot be offset against other income in the year that it arises, the loss can be offset in a future year when there is a profit from this, or a like, activity, or against other income when one of the criteria is satisfied. This measure takes effect from 1 July 2000.

Alienation of personal services income

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	380.0	480.0	495.0

Explanation

Alienation of personal services income occurs where an entity is interposed between the individual providing personal services and the entity or person who requires the services, so that the entity derives the income rather than the individual. The income can then be split between other members of the interposed entity or retained within the interposed entity, allowing less tax to be paid or tax to be deferred. A greater amount of deductions may also be claimed against assessable income than if the individual were employed directly by the service requirer.

With effect from 1 July 2000, income earned by an interposed entity for the personal services of an individual will be treated for tax purposes as the income of the individual where:

- the interposed entity receives 80 per cent or more of the payments it receives for the personal services of the service provider from one service requirer during the income year and is unable to obtain from the Commissioner of Taxation a decision that the personal services were provided in the manner of a personal services business, as determined by a range of criteria; or
- the interposed entity does not provide the services in the manner of a personal services business.

Deductions for work related expenses will be limited to those that would be allowable if the individual were employed directly by the service requirer.

Amending dividend streaming and franking credit trading rules

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	*	*	*	*

Explanation

Dividend streaming and franking credit trading rules are to be amended to reduce the 45 day holding period with effect from 1 July 2000 (and with the length of the reduced holding period to be decided after further analysis and consultation). The exemption for small transactions is to be raised from \$2,000 to \$5,000 to apply for the 1999-2000 and subsequent income years. The rules applying to trusts will also be simplified and clarified prior to the commencement of the unified entity regime.

The New Business Tax System — international taxation measures

Imputation credits for foreign dividend withholding tax

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-	-	-340.0

Explanation

The measure will commence from 1 July 2001 and will provide imputation credits of up to 15 per cent of repatriated dividends for foreign dividend withholding tax (DWT) paid, including for DWT paid on repatriated exempt dividends.

Under existing arrangements shareholders of Australian companies that are expanding offshore can face high effective tax rates on their foreign investment. This can arise where foreign company tax, foreign DWT and personal tax are imposed on foreign source income distributed to shareholders. This measure will allow companies to

partially frank their dividends where they have paid foreign DWT on foreign source income, thereby reducing the effective rate of tax on offshore investments.

Thin capitalisation provisions

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-	50.0	480.0

Explanation

A new thin capitalisation regime will be introduced for the 2001-02 income year to prevent foreign and domestically based multinationals allocating a disproportionate share of debt to their Australian operations and therefore not paying an appropriate share of their tax in Australia.

The new thin capitalisation measures will apply to the total debt of the Australian operations of multinational groups (including branches of those groups). They will cover inward investment of foreign multinationals and outward investment of Australian based multinationals. The measures include a safe harbour debt to equity ratio of 3:1 — with interest deductions being fully deductible where the safe harbour gearing ratio is met. Where gearing exceeds the safe harbour ratio, interest deductions will be denied to the extent that gearing of the Australian operation does not satisfy the arm's length test (that the gearing could have been borne by an independent entity). Separate rules will apply to financial institutions.

This measure will replace the existing thin capitalisation provisions and allow the removal of quarantining of interest expenses on foreign source income and the repeal of the debt creation rules.

Gains on the disposal of interposed non-resident entities

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-	-	40.0

Explanation

The tax legislation will be amended to counter the avoidance by non-residents of Australian CGT by disposing of an interposed entity holding Australian assets rather than the assets themselves. The measure will be targeted at tax avoidance rather than commercial transactions. The regime will not apply where the gain on the sale of an interposed entity is subject to tax in a broad exemption listed country or would have been subject to tax in such a country except for recognised rollover relief. The measure will apply from 1 July 2001.

Foreign income account

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	*	*	*	*

Explanation

The foreign dividend account will be replaced by a foreign income account that will extend the relief from Australian dividend withholding tax when Australian companies receive non-portfolio foreign source dividends and subsequently pay unfranked dividends to non-resident investors to all types of foreign income, including portfolio dividends, foreign branch profits and capital gains. The foreign income account will include a refund mechanism for company tax on inter-entity distributions paid by holding companies that are 100 per cent owned by a non-resident. This measure will apply from 1 July 2001.

The revenue impact of this measure is included in the estimates relating to the deferred company tax measure in *A New Tax System and Removing the intercorporate dividend rebate on unfranked dividends*.

Consistent treatment of resident entities deriving foreign source income

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	*	*	*	*

Explanation

The tax treatment of the foreign source income of resident trusts subject to entity taxation will be made consistent with that applying to companies. This will allow resident trusts to claim 'underlying' foreign tax credits for investments in foreign entities and provide them with exemptions for non-portfolio dividends and branch profits allowed to companies. This measure will apply from 1 July 2001.

The revenue impact of this measure is included in the estimates relating to taxing trusts as companies.

Simplifying and strengthening the rules for foreign trusts

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	*	*	*	*

Explanation

The taxation treatment of foreign trusts will be simplified and strengthened to counter tax avoidance. The measures will apply from 1 July 2001.

Foreign fixed trusts will only be accruals taxed under the Foreign Investment Fund rules unless there are foreign beneficiaries; transfers to foreign discretionary trusts will be subject to the transferor trust rules. Certain exemptions from the transferor trust measures will be removed. An amnesty will be provided to allow foreign trusts affected by the removal of the exemptions to be wound up with distributions from those trusts to be taxed at 10 per cent.

The revenue impact of this measure is included in the estimates for taxing trusts like companies.

Foreign expatriates and residents departing Australia

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	*	*	*	*

Explanation

Measures will be introduced to apply from 1 July 2001 to reform the taxation treatment of foreign expatriates and residents departing Australia. Temporary residents will be exempt from tax on foreign source income relating to assets (and associated liabilities) acquired before taking up residence. Share discounts given to employees under qualifying schemes will be taxed when the employee ceases to be a resident. Residents departing Australia will be required to provide security where capital gains tax liabilities are deferred.

These measures are to counter the disincentive to employing foreign expatriates caused by Australia's residency rules and the high top personal tax rate. The tightening of other rules ensures that Australian tax is collected on income earned in Australia by foreign expatriates.

The New Business Tax System — other business tax measures

Extending the scope of involuntary disposals

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	*	*	*	*

Explanation

This measure amends the existing law to provide capital gains tax and depreciable plant balancing charge rollover relief where a private acquirer has recourse to a statutory power to compulsorily acquire an asset.

This measure will address an inequity in the tax system. It will apply, for example, where land may be subject to a mining lease or a private utility has recourse to a statutory power to acquire and the vendor has little choice but to sell. The measure applies to involuntary disposals after 1.00 pm AEDST; 11 November 1999.

Recognition of blackhole expenditures

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-	-30.0	-65.0

Explanation

From 1 July 2001, a range of business expenditure that is either not deductible or not deductible in accordance with their economic characteristics (ie blackhole expenditures) will be fully recognised in the tax system either as being expensed, amortised or capitalised.

The revenue estimates for the measure reflect the impact of allowing this consistent taxation treatment across all types of blackhole expenditures except for those relating to the taxation of leases and rights.

High level reform to tax design and other measures

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-	-57.0	-45.0

Explanation

The Government has announced in principle support for a range of measures on the basis that they are subject to further consultation, including:

- implementing a cashflow / tax value approach to determining taxable income;
- rules for assigning tax value to different types of assets and liabilities;
- the treatment of leases and rights and financial assets and liabilities;
- including buildings and structures as part of a simplified depreciation regime;
- the treatment of partnerships and other joint activities;
- a treatment of interest and private items;
- a high level arm's length rule; and
- foreign source income rules and other aspects of international taxation.

Indirect Tax

Incentive to switch to lower sulphur diesels

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-	-	18.0

Explanation

The rate of excise on diesel fuel that contains sulphur levels above 50 parts per million (ppm) will be increased. This will encourage the production and consumption of more environmentally-friendly fuel types by private users and urban transport.

Further Information

The relevant excise payable on high sulphur fuel above 50 ppm will increase by 1 cent per litre from 1 January 2003 and 2 cents per litre from 1 January 2004.

Change of Diesel Fuel Rebate Scheme (DFRS) arrangements for rail excise and off-road diesel

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	333.1	322.0	317.0

Explanation

A rebate of diesel fuel excise will be provided for the off-road use of diesel and like fuels under the DFRS. The full rebate will be provided to existing eligible activities under the DFRS — for agriculture, fishing, mining operations and ‘other’ (hospitals, nursing and aged persons homes and other medical institutions, and electricity generation at residential premises). In addition, the full rebate will be extended to business use of rail transport and marine use.

Further Information

These rebates will no longer be able to be obtained for excise paid on diesel that is used in construction, power generation or manufacturing as proposed in *A New Tax System*. This represents a saving of revenue to the Government.

Supporting renewable remote power generation

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	66.0	66.0	66.0

Explanation

As part of the amendments to *A New Tax System* announced by the Prime Minister on 31 May 1999, the Government will not rebate the excise on diesel used for power generation and will use the funds to finance Special Purpose Payments for the States and Territories.

Further Information

This measure reflects the revenue implications of not providing a diesel fuel credit that would have been provided by the Commonwealth under *A New Tax System*. Information on the corresponding payment to the States and Territories can be found in the related expense measure *Supporting renewable remote power generation*.

Application of excise on alcoholic cooking essences***Revenue (\$m)***

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	4.4	5.1	5.3	5.5

Explanation

This measure removes concessional tax treatment of alcohol based food essences that are retailed in bottle sizes greater than 50 ml (or 100 ml in the case of vanilla essence). These essences are highly alcoholic and sold in bottle sizes much larger than those traditionally associated with retail food essences. This measure applies the same tax treatment as that applicable to spirit based beverages.

Sales tax concession for taxis for the disabled***Revenue (\$m)***

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	*	*	*	*

Explanation

On 5 November 1999, the Government announced that it would amend the sales tax law to encourage the increased construction of purpose built vehicles that are used to provide transport for disabled persons. The sales tax law will be amended to exclude from sales tax, that part of the taxable value of a vehicle designed to be driven by a person suffering from a physical impairment, or designed to be used to transport such a person, that represents the additional costs attributable to making it suitable for that purpose.

The amendments will apply to dealings in such vehicles on or after 26 June 1998, the date the NSW Government announced the release of 400 additional wheelchair accessible taxi licenses.

Fringe Benefits Tax (FBT)

Extension of FBT exemption for remote area housing to all employers

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-15.0	-15.0	-15.0

Explanation

The Government will extend to all employers the FBT exemption that currently applies to remote area housing provided by primary producers. This measure will take effect from 1 April 2000.

Adoption of dual gross-up formula for FBT

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-35.0	-35.0	-35.0

Explanation

A *New Tax System* announced that the FBT gross-up rate would be changed from July 2000 to ensure neutrality of treatment between cash salary and fringe benefits following the introduction of the GST. In order to avoid disadvantaging employers in situations where GST input credits are not available, employers will be allowed to apply the existing FBT gross-up formula to fringe benefits on which no GST is payable, or where input credits may not be claimed. The GST-inclusive gross-up will apply in all other situations.

Non-Tax Revenue

Additional payments from the States and Territories for GST administration

Revenue (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	60.0	60.0	60.0	60.0

Explanation

Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, the States and Territories will compensate the Commonwealth for the agreed costs incurred by the Australian Taxation Office (ATO) in administering the GST.

This measure reflects the estimated increase in compensation from the States and Territories which will result from the ATO incurring higher administrative costs associated with the exclusion of items such as basic food from the GST revenue base.

Further Information

For further information, see the related expense measure *Funding for the ATO to cover the increased cost of administering the GST*.

EXPENSES

Agriculture, Fisheries and Forestry

Commonwealth contribution for trade liberalisation research

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Agriculture, Fisheries and Forestry – Australia	0.5	-	-	-

Explanation

The Government has agreed to provide an additional \$500,000 to the Australian Bureau of Agricultural and Resource Economics (ABARE) to undertake research on trade liberalisation and to disseminate the results, particularly amongst developing countries.

Further Information

ABARE has committed these funds for World Trade Organisation agricultural trade research. Industry has agreed to match the Government's contribution.

Assistance to the Australian lamb industry

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Agriculture, Fisheries and Forestry – Australia	7.9	9.5	1.6	-

Explanation

In response to the tariff and quota restrictions imposed on Australian lamb imports by the United States of America, the Government has decided to provide assistance to the Australian lamb industry. The assistance will take two forms.

The first is a reduction in the *ad valorem* transaction levy from two per cent to one per cent. The Government has agreed to pay, for up to two years from

1 September 1999, the equivalent of half the transaction levy applying to all lamb sales in Australia, at an estimated cost of \$13 million over two years.

The second element provides for around \$6 million over two years to establish a Lamb Industry Development Programme. This programme will provide assistance to industry to enhance performance, improve lamb quality, develop new markets, develop infrastructure and encourage improved on-farm productivity and innovation.

Exceptional circumstances assistance — Batlow fruit growers, New South Wales

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Agriculture, Fisheries and Forestry – Australia	0.7	0.7	-	-
Department of Family and Community Services	0.1	0.1	..	-
Department of Health and Aged Care	..	..	-	-
Total	0.8	0.8	..	-

Explanation

The Government has agreed to provide exceptional circumstances assistance to fruit growers in the Batlow area of New South Wales who have suffered frost damage and who relied on fruit production for at least 65 per cent of their 1997-98 farm income.

Eligible farmers will gain access to income support payments, interest rate subsidies and concessional access to a Health Care Card, Family Payments and the Youth Allowance for a twelve month period. Under the assistance arrangements, relief payments may be continued for a further period of up to twelve months.

This is a cross portfolio measure between Agriculture, Fisheries and Forestry — Australia, the Department of Family and Community Services and the Department of Health and Aged Care.

Exceptional circumstances assistance — Mallee region, Victoria

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Agriculture, Fisheries and Forestry – Australia	4.4	4.7	0.4	-
Department of Family and Community Services	0.3	0.4	0.1	-
Department of Health and Aged Care	0.1	0.1	-	-
Total	4.8	5.2	0.5	-

Explanation

The Government has agreed to provide exceptional circumstances assistance to farmers in the Millewa and eastern and southern Mallee regions in Victoria, for whom ineffective rainfall during important stages of crop development led to crop failure.

Eligible farmers will gain access to income support payments, interest rate subsidies and concessional access to a Health Care Card, Family Payments and the Youth Allowance for a twelve month period. Under the assistance arrangements, relief payments may be continued for a further period of up to twelve months.

This is a cross portfolio measure between Agriculture, Fisheries and Forestry — Australia, the Department of Family and Community Services and the Department of Health and Aged Care.

Attorney-General's

Revised funding arrangements for the Australian Federal Police (AFP) Reform Programme and AFP Adjustments Scheme (AFPAS)

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Federal Police	12.0	18.0	20.0	-

Explanation

This measure will take forward the Government's commitment towards the Australian Federal Police Reform Programme. The purpose of Reform Programme is to improve the skills and operational capability of the AFP through increased staffing, training and development, and upgrading equipment and forensic facilities. This additional funding is subject to the adoption of a new Certified Agreement.

In addition, the Government has decided to provide the AFP with an equity injection of \$105 million from 1999-2000 to 2001-02 to enable it to extinguish accumulated liabilities under the present Australian Federal Police Adjustments Scheme (AFPAS) and the Cessation Payment Scheme. These schemes are planned to cease on

5 January 2000, subject to the adoption of a new Certified Agreement. The funding will allow members of the AFP to access any outstanding entitlements accrued under the AFPAS scheme, which commenced in 1990. It is anticipated that payments made to employees as a result of the extinguishment will be spread over three years.

Civilian police for the UN Transitional Administration in East Timor

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Federal Police	26.2	-	-	-

Explanation

The Government will provide funding for the AFP to contribute to the UN Transitional Administration in East Timor (UNTAET) civilian police force. The additional funding is for 80 personnel, including the use of police from other jurisdictions. The AFP's role will also extend to providing assistance in designing and establishing a new law and order infrastructure in East Timor. Funding for 2000-01 and beyond will be considered in the 2000-01 Budget process.

Further Information

For further information see the related expense and net capital investment measure under the Defence portfolio entitled *East Timor peace enforcement and peacekeeping*, and expense measures entitled *Aid for East Timor* in the Foreign Affairs and Trade portfolio; *Provision of safe haven to internally displaced persons from East Timor* in the Immigration and Multicultural Affairs portfolio. In addition, there are two related revenue measures entitled *UN reimbursements for East Timor deployment* and *Defence — East Timor levy*.

Communications, Information Technology and the Arts

Telstra Social Bonus — Trials in Innovative Government Electronic Regional Services (TIGERS)

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Communications, Information Technology and the Arts	3.0	2.0	5.0	-

Explanation

As part of the Telstra Social Bonus Programme associated with the sale of a further 16.6 per cent of Telstra, the Government will provide \$10 million over the period 1999-2000 to 2001-02 to trial a range of innovative means to improve access to government services in regional and remote areas through delivery over the Internet,

through call centres and over-the-counter facilities (supported electronically). In part this will build on work already being carried out in Launceston to trial a Government Information Centre.

A key objective of these trials will be the integration of services across the three tiers of government, building on the success of Service Tasmania. The TIGERS programme will complement the Building IT Strengths, *Intelligent Island* and local government programmes to maximise local Tasmanian involvement in the development of innovative government service delivery solutions.

Telstra Social Bonus — NetAlert

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Communications, Information Technology and the Arts	2.0	-	1.0	-

Explanation

As part of the Telstra Social Bonus Programme associated with the sale of a further 16.6 per cent of Telstra, the Government will provide an additional \$3 million for a national community education programme to promote safe Internet content. This funding will also provide for research and development grants to develop online content software, including means for providing adult verification of overseas sourced content at the Internet Service Provider level. The NetAlert Secretariat will be located in Tasmania with oversight and policy direction from a board with national representation.

Telstra Social Bonus — Networking the Nation Local Government Fund

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Communications, Information Technology and the Arts	5.0	3.0	15.0	12.0

Explanation

As part of the Telstra Social Bonus Programme associated with the sale of a further 16.6 per cent of Telstra, the Government will provide \$45 million over the period 1999-2000 to 2003-04 for a Local Government Fund to be administered under the auspices of the *Networking the Nation* programme.

The Fund will be used to assist local government authorities in regional Australia to provide online access to their own information and services and public points of access to advanced telecommunications services such as the Internet. Each State will be

allocated funding of \$6 million; \$6 million will be divided among the Territories; and the remaining \$3 million will be maintained in a national pool.

Telstra Social Bonus — Launceston Broadband Project

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Communications, Information Technology and the Arts	3.0	3.0	3.0	3.0

Explanation

As part of the Telstra Social Bonus Programme associated with the sale of a further 16.6 per cent of Telstra, the Government will provide \$15 million over the period 1999-2000 to 2003-04 to establish a multimedia development centre in Tasmania. This programme also provides for a development fund for small businesses and advanced Internet access in Launceston linking up to 5,000 customers. The Government's contribution of \$15 million will be matched by an equal contribution from Telstra. These initiatives are intended to develop information technology and telecommunication skills in Tasmania.

Telstra Social Bonus — Building IT Strengths (BITS)

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Communications, Information Technology and the Arts	37.0	10.0	56.0	30.0

Explanation

As part of the Telstra Social Bonus Programme associated with the sale of a further 16.6 per cent of Telstra, the Government will provide \$158 million over the period 1999-2000 to 2003-04 for a range of initiatives to strengthen the competitiveness of the Australian information industries sector. The programme will help address market failures that currently inhibit the development and commercialisation of innovative ideas in the information technology and telecommunication (IT&T) industries and facilitate the availability and use of leading-edge network technologies.

The \$158 million funding will be provided to develop three key initiatives:

- \$78 million to establish at least one business incubator centre in each mainland State and Territory to foster the commercialisation of IT&T ideas and research and development through providing start-up capital and business development services to build industries so that they are able to attract capital investment from the venture capital industry;

- \$40 million for the Australian Advanced Communications Infrastructure Development initiative to support projects to establish and develop advanced network test-beds and other applications of IT&T; and
- \$40 million for developing Tasmania as an *Intelligent Island* building on existing Tasmanian Government initiatives to develop further an internationally competitive IT&T sector. The programme will be overseen by a Board comprising representatives of the Commonwealth and Tasmanian governments, industry and the Tasmanian tertiary education sector.

Telstra Social Bonus — Connecting Tasmanian Schools

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Communications, Information Technology and the Arts	15.0	-	-	-

Explanation

As part of the Telstra Social Bonus Programme associated with the sale of a further 16.6 per cent of Telstra, the Government will provide \$15 million in 1999-2000 towards establishing local area and wide area networks, linking Tasmanian schools to enhance the use of information technology and the Internet in Tasmanian classrooms. The programme will also provide additional computers and support equipment for government and non-government schools.

In addition to the Commonwealth's contribution of \$15 million, Telstra will provide \$5 million and an additional \$12 million will be allocated from Tasmania's existing *Networking the Nation* allocation. The Tasmanian Government is expected to provide a further \$16 million, bringing the total programme budget to \$48 million. The computers and networks provided will be equipped with appropriate filtering technology to protect children from exposure to unsuitable material.

Telstra Social Bonus — expanded mobile phone coverage

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Communications, Information Technology and the Arts	3.0	-	-	-

Explanation

As part of the Telstra Social Bonus Programme associated with the sale of a further 16.6 per cent of Telstra, the Government has decided to provide an additional \$3 million in 1999-2000 to expand mobile phone coverage in major regional centres in South Australia, Western Australia and Tasmania. \$1 million is to be allocated to each

State. This initiative builds on funding of \$25 million announced in 1998, which provided for continuous mobile phone coverage along the nation's busiest highways.

Telstra Social Bonus — Building Additional Rural Networks (BARN)

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Communications, Information Technology and the Arts	10.0	10.0	20.0	20.0

Explanation

As part of the Telstra Social Bonus Programme associated with the sale of a further 16.6 per cent of Telstra, the Government will provide funding of \$70 million over the period 1999-2000 to 2003-04 to expand the *Networking the Nation* programme to promote ongoing, self-sustaining improvement in the service, quality and price of regional telecommunications services.

The programme will work with State and Territory Governments and regional communities to agglomerate demand for telecommunications services in regional areas and in doing so improve the commercial case for enhanced services. The programme will promote innovative solutions for service delivery (eg wireless and satellite) and provide scope for new commercial entrants to offer services to regional Australia and enhancing competition in these areas.

Defence

East Timor peace enforcement and peacekeeping

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Defence	710.0	810.0	767.0	615.0

Explanation

The Department of Defence will be provided with supplementary funding for its participation in the UN sponsored peace enforcement and peacekeeping operations in East Timor. The supplementation for 1999-2000 covers the deployment of up to 6,500 personnel in East Timor in support of Australia's leading-nation role in INTERFET, which is operating under a peace enforcement mandate from the UN. Australian forces are to be scaled back to 1,500 personnel early in 2000 with the transition to a peacekeeping operation under the auspices of the UNTAET.

In addition to the costs of deployment for these operations, supplementation covers the net additional cost of raising overall ADF capacity to sustain Australia's involvement in the peacekeeping operation and maintain acceptable levels of overall

readiness. This involves an increase in the number of fully operational Army battalions from four to six, and an increase in Air Force personnel.

Funding across the forward estimate period is based on a planning scenario which assumes an ongoing deployment as part of the UN peacekeeping operation. The actual deployment will depend on the length of the UN peacekeeping operation, while the ongoing need for the additional battalions will be examined in the context of the Government's Defence White Paper next year.

Australia bears the full responsibility for funding its own involvement in INTERFET, and has also incurred some costs on behalf of other INTERFET contributing nations. With the transition to a UN peacekeeping operation, the UN becomes responsible for some of the costs of deployment. UN reimbursements are based on UN cost schedules and do not cover the full costs to Australia of its deployment for the UN peacekeeping operation. Details are outlined in the revenue measure titled *United Nations reimbursements for East Timor deployment* under the Defence portfolio.

The deployment of ADF personnel in East Timor also involves a cost to the budget through the income tax exemption for pay and allowances of ADF personnel on eligible duty in a specified area outside Australia (Section 23AD of the *Income Tax Assessment Act 1936*). It is estimated that this exemption will reduce revenue by around \$131 million over the next four years relative to budget-time estimates. This cost is included in budget figuring as a variation rather than a measure because the exemption is allowed under existing legislation.

Further Information

For further information see the related net capital investment measure under the Defence portfolio entitled *East Timor peace enforcement and peacekeeping*, and expense measures entitled *Civilian police for the UN Transitional Administration in East Timor* in the Attorney-General's portfolio; *Aid for East Timor* in the Foreign Affairs and Trade portfolio; *Provision of safe haven to internally displaced persons from East Timor* in the Immigration and Multicultural Affairs portfolio. In addition, there are two related revenue measures entitled *UN reimbursements for East Timor deployment* and *Defence — East Timor levy*.

Education, Training and Youth Affairs

Youth Pathways Action Plan taskforce

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Education, Training and Youth Affairs	-	-	-	-
Department of Family and Community Services	-	-	-	-
Total	-	-	-	-

Explanation

The Commonwealth has established a Youth Pathways Action Plan taskforce to advise on the scope and direction of a proposed Youth Pathways Action Plan. The cost of the taskforce and secretariat is \$1.0 million in 1999-2000, and will be absorbed on a shared basis by the Departments of Education, Training and Youth Affairs and Family and Community Services within their existing resources.

The objectives of the Youth Pathways Action Plan will be to:

- improve support for young people and their families during young peoples' transition to independence; and
- strengthen pathways for those young people who do not, or are not likely to, go straight from school to further education and training or full-time employment and those who are not fully engaged with their community.

The taskforce will report by March 2000.

This is a cross portfolio measure between the Department of Education, Training and Youth Affairs and the Department of Family and Community Services.

Additional funds for higher education staff salaries

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Education, Training and Youth Affairs	42.5	43.3	43.8	44.1

Explanation

The Government has decided to provide funding to enable an additional two per cent salary increase for university staff, contingent upon substantial and fundamental workplace reform in individual higher education institutions. This is in addition to funding for salary movements provided through current indexation arrangements. Funding will be available from the 2000 academic year.

The additional two per cent salary increase will require \$84.9 million in 1999-2000 and \$262.2 million over the period 2000-01 to 2002-03. The Government has decided that savings will be identified in the Budget process equivalent to half of this funding requirement.

To be eligible for additional funding, universities must demonstrate improvements to work practices and that their enterprise agreements with staff include flexibilities which will improve the capacity of universities to meet the needs of students and the academic community.

Telstra Social Bonus — Tasmanian Environmental Tourism Employment and Training Initiative

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Education, Training and Youth Affairs	3.2	3.1	3.1	-

Explanation

As part of the Telstra Social Bonus Programme associated with the sale of a further 16.6 per cent of Telstra, the Government has decided to provide funding for an environmental tourism employment and training initiative in Tasmania. The funding will provide for the training and skilling of over 300 people over the next three years in the tourism and hospitality sector, with an emphasis on eco-tourism and the wilderness experience.

Overall objectives of the initiative are growth and sustainability in the eco-tourism sector and the development of a training culture for the sector. This will include:

- development and delivery of training for employment in tourism;
- improving business performance; and
- new apprenticeships for the eco-tourism sector.

Grandfathering of benefits for some ABSTUDY students

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Education, Training and Youth Affairs	-	-	-	-

Explanation

The Government has decided to grandfather the benefits of some ABSTUDY recipients who would have been financially disadvantaged under new arrangements, which align ABSTUDY benefits with benefits payable to non-indigenous students from

1 January 2000. The cost of grandfathering benefits in 1999-2000 is \$3.4 million. These costs will be met within existing resources. Funding for the period 2000-03 will be determined in the 2000-01 Budget context.

The measure will apply only to continuing students aged 21 years and over who are not eligible for mainstream-related entitlements and clients in receipt of the Pensioner Education Supplement. Benefits will be grandfathered at 1999 rates for the duration of continuing students' existing courses.

Environment and Heritage

Compressed Natural Gas and Liquid Petroleum Gas vehicle conversion

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of the Environment and Heritage	-	15.0	20.0	20.0

Explanation

The Government will provide \$75 million in grants over four years from 2000-01 to 2003-04 under *The New Tax System — Measures for a Better Environment* to implement an Alternative Fuels Conversion Programme. This programme supports the conversion of conventionally fuelled vehicles with a gross vehicle mass weight of at least 3.5 tonnes to either Compressed Natural Gas (CNG) or Liquid Petroleum Gas (LPG).

Supporting photovoltaics systems

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of the Environment and Heritage	-	4.0	6.0	9.0

Explanation

The Government will provide \$31 million over four years from 2000-01 to 2003-04 under *The New Tax System — Measures for a Better Environment* to support the utilisation of photovoltaics on residential and community use buildings. A cash rebate will be available where residences and community use buildings such as schools and community halls are installed with a photovoltaic system for the conversion of sunlight into electricity. This measure will not cover solar thermal generation, such as solar hot water systems because these systems will benefit from the Government's proposed +2 per cent renewables target programme.

Supporting the development and commercialisation of renewable energy

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of the Environment and Heritage	-	4.0	5.0	7.0

Explanation

The Government will provide \$26 million over four years from 2000-01 to 2003-04 under *The New Tax System — Measures for a Better Environment* to boost the commercialisation of renewable energy. The additional funding will be integrated with the Renewable Energy Commercialisation Programme announced in the Prime Minister's November 1997 *Safeguarding the Future* statement.

Supporting renewable remote power generation

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of the Environment and Heritage	-	66.0	66.0	66.0

Explanation

The Government will provide up to \$264 million over four years from 2000-01 to 2003-04 under *The New Tax System — Measures for a Better Environment* as rebates to support the replacement of diesel powered remote power generation with renewable energy. Funding will be made available via the Australian Greenhouse Office to States and Territories to subsidise cash rebates up to 50 per cent of the capital value of renewable remote area power supply systems.

Further Information

This decision is based on the premise that some \$66 million a year is collected from excise on diesel for power generation. For further information, see the related revenue measure *Supporting renewable remote power generation*.

Greenhouse Gas Abatement Programme

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of the Environment and Heritage	-	100.0	100.0	100.0

Explanation

The Government will provide a further \$400 million over four years from 2000-01 to 2003-04 under *The New Tax System — Measures for a Better Environment* through the

Greenhouse Gas Abatement Programme to support measures, particularly in rural and regional areas, that assist Australia in meeting its obligations on climate change. The measure will support activities that are likely to lead to substantial reductions in greenhouse emissions or substantial enhancement of carbon sinks; and are consistent with ecologically sustainable development. In making programme choices the Government will also take into account the potential for job creation, new technologies, innovative processes, export potential and the capacity of the programme to act as a catalyst for further non-government investment.

Diesel National Environment Protection Measure (NEPM)

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of the Environment and Heritage	-	10.0	10.0	10.0

Explanation

The Government will provide \$40 million over four years from 2000-01 to 2003-04 under *The New Tax System — Measures for a Better Environment* to develop a diesel NEPM. The NEPM will address the issue of emissions from all diesel vehicles currently in use in Australia (the 'in-service fleet') through the establishment of in-service emission standards and testing capabilities in each major city. Furthermore, the NEPM will explore the option of extending the use of these testing facilities to an inspection and maintenance testing programme for petrol vehicles.

Oil recycling

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of the Environment and Heritage	-	15.0	15.0	15.0

Explanation

The Government will provide \$60 million over four years from 2000-01 to 2003-04 under *The New Tax System — Measures for a Better Environment* to support the development of a comprehensive system of product stewardship and assist the development of environmentally and ecologically sustainable refining and reuse of waste oil.

Additional funding for heritage initiatives***Expenses (\$m)***

	1999-00	2000-01	2001-02	2002-03
Department of the Environment and Heritage	0.3	-	-	-

Explanation

The Government will provide funds of \$286,000 for heritage grants projects in 1999-2000 to be offset from unexpended National Estate Grants Programme money to be returned to the Commonwealth from several States. Grants will be provided for the Irish Famine Memorial, the search for the *HMB Endeavour*, a feasibility study for the development of an aquatic park/nature reserve at Serpentine Creek, Queensland and additional grants under the Cultural Heritage Projects Programme.

Sale of Halon to the United States for essential use***Expenses (\$m)***

	1999-00	2000-01	2001-02	2002-03
Department of the Environment and Heritage	3.5	6.0	-	-

Explanation

The Government has agreed that proceeds from the sale of surplus Halon 1301 to the United States Department of Defense should be retained by the Department of the Environment and Heritage to fund ozone protection activity including the ongoing management of the National Halon Bank.

Further Information

The Commonwealth operates the National Halon Bank which maintains sufficient stock of Halon to meet Australia's essential use needs to 2030 and also collects, decants, recycles and destroys surplus Halon. Halon is an ozone depleting substance used for fire suppression in fixed systems where other alternatives or human evacuation is not regarded as a feasible option.

See also the related revenue measure under the Environment and Heritage portfolio titled *Sale of Halon to the United States for essential use*.

Funding to offset the reduction in revenue related to the Environment Management Charge (EMC)

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Great Barrier Reef Marine Park Authority	0.5	-	-	-

Explanation

The Government will provide \$470,000 in 1999-2000 to meet a shortfall in estimated receipts from the EMC.

Further Information

The Great Barrier Reef Marine Park Authority receives a Special Appropriation equivalent to the EMC. Funding for the Authority was reduced in the 1996-97 Budget proportionate to a rise in the revenue expected to be received through an increase in the EMC. The level of the EMC was ultimately set at \$4 per visitor per day with a range of concessions available. The availability of concessions had a higher than estimated impact on EMC revenue and has led to a shortfall in funding for the Authority.

Family and Community Services

A New Tax System — pension supplement

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Family and Community Services	1.2	450.3	441.3	738.3
Department of Veterans' Affairs	-	50.0	49.0	82.0
Total	1.2	500.3	490.3	820.3

Explanation

As part of the amendments to *A New Tax System* announced on 28 May 1999, the Government will provide an up-front increase in the maximum rates of all allowances and pensions of 4 per cent from 1 July 2000.

The 4 per cent increase to pensions and allowances comprises an advance of 2 per cent for future indexation adjustments, and a real increase of 2 per cent. This compares to an increase in pensions and allowances in *A New Tax System* of 1½ per cent, compared to what they would have otherwise been.

For pensioners, the 4 per cent increase will be paid as a pension supplement on top of the base pension. The base pension will continue to be underpinned by the

Government's legislative commitment to maintain the single rate of pension of at least 25 per cent of Male Total Average Weekly Earnings.

The increase in expenses in 2002-03 reflects the additional cost of incorporating the supplement to the base running cost of the portfolio.

This is a cross portfolio measure between the Department of Family and Community Services and the Department of Veterans' Affairs.

A New Tax System — extend Family Allowance and Family Tax Benefit (FTB) to families with dependent children aged 16-24 years

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Family and Community Services	50.3	54.7	54.8	54.7

Explanation

As part of the 1999-2000 Budget package for families, the Government announced that, from 1 July 2000, it was extending FTB (Part A) to families of dependent young persons up to the age of 21 who would not otherwise qualify for Youth Allowance because of the parental income test.

In June 1999, as part of the amendments to *A New Tax System*, the Government announced plans to:

- Bring forward from 1 July 2000 to 1 October 1999 the date from which these families can qualify for Family Allowance (FTB from 1 July 2000);
- Extend Family Allowance to dependent full time students aged 21 to 24 years; and
- Provide payment of a new flat rate (\$50 per fortnight) for dependants aged 18 years and over.

The legislative amendments for this initiative are contained in the *Social Security (Family Allowance & Related Matters) Legislation Amendment Act 1999* that received Royal Assent on 22 September 1999. A technical amendment to the *Health Insurance Act 1973* further ensures that young people covered by this initiative will retain their Health Care Card. This benefit may be claimed as a direct payment, or through the taxation system as a rebate.

Pilot programme to provide free pre-marriage education for couples

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Family and Community Services	0.9	0.1	-	-

Explanation

The Government has decided to introduce a trial voucher scheme, providing free access to pre-marriage education for couples planning to marry.

Participating couples will have access to pre-marriage education from a range of accredited providers. Relationship education kits will also be made available to couples in rural and remote areas and to those who prefer an alternative approach.

Further Information

This initiative responds to a key recommendation of the Report of the House of Representatives Standing Committee on Legal and Constitutional Affairs (*To Have and to Hold*). This report highlights the importance of pre-marriage education in developing lasting relationship skills.

A New Tax System — Aged Persons Savings Bonus and Self Funded Retirees Supplementary Bonus

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Family and Community Services	0.7	181.9	0.1	..

Explanation

As part of the amendments to *A New Tax System*, the Government has decided to reduce the minimum eligibility age for the Self Funded Retirees Supplementary Bonus (SFRSB). Previously people had to be of age pension age (61.5 years for women and 65 years for men) or over on 1 July 2000. The new minimum age limit for the SFRSB is age 55 or over on 1 July 2000.

This change will mean a significant increase in the number of eligible people accessing the SFRSB. Self-funded status is to be assessed according to eligibility criteria:

- the person did not receive a Commonwealth income support payment for the period 1 July 1999 to 30 June 2000; and
- the person did not receive in excess of \$1,000 of income from business or wages.

Further Information

The qualification criteria for the original SFRSB group (ie, people of age pension age or over on 1 July 2000) remain unchanged (ie, they have to be an Australian resident on 1 July 2000; they are not allowed to have received a Commonwealth Income Support Payment from 1 April 2000 until 30 June 2000; and they must have over \$1,000 of annual savings and investment income).

Additional resources for Supported Accommodation Assistance Programme

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Family and Community Services	-	15.0	15.0	15.0

Explanation

As part of the amendments to *A New Tax System*, the Government will provide additional funding for the Supported Accommodation Assistance Programme (SAAP) augmenting that announced in the 1999-2000 Budget.

The additional \$15 million per annum, commencing in 2000-01 for the period of the new SAAP agreement (to 2003-04), will be directed to provide new and enhanced services in areas of highest need, and to promote best practice and innovation.

The measure provides assistance to people who are homeless or at risk of homelessness due to social disadvantage or housing and income crisis. The measure relates to all three key aspects of the portfolio's strategic framework: preventing dependency, providing assistance in times of need and promoting engagement in work and other aspects of life.

Further Information

SAAP services are currently delivered through a network of approximately 1,200 community organisations. SAAP is Australia's primary service delivery response to homelessness including, for example, homeless youth and domestic violence victims and aims to provide transitional support and accommodation in order to help homeless people or those at risk to achieve self-reliance and independence.

Commonwealth-State Disability Agreement — additional funding to address unmet need in State provided disability services

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Family and Community Services	-	50.0	100.0	-

Explanation

The Government will provide additional funding of \$50 million in 2000-01 and \$100 million in 2001-02 to address unmet need for State provided disability services. The Commonwealth will address this need by purchasing from the States and Territories in-home support and respite care services for families with aging carers.

This funding is conditional upon the States and Territories also committing significant additional funds to address the remaining priority areas of unmet need as identified by the Australian Institute of Health and Welfare.

This measure demonstrates the Government's commitment to people with disabilities.

Finance and Administration

Flooding in New South Wales and Queensland 1998 — assistance to farmers suffering significant loss

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Finance and Administration	0.1	-	-	-
Department of Family and Community Services	0.1	-	-	-
Total	0.2	-	-	-

Explanation

This measure provides *ex gratia* income support payments for up to three months to farmers still suffering significant loss of income from the 1998 flooding in northern New South Wales and southern Queensland.

This is a cross portfolio measure between the Department of Finance and Administration and the Department of Family and Community Services.

Poultry farmers — assistance to those directly affected by Newcastle disease

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Finance and Administration	0.2	-	-	-

Explanation

This measure provides *ex gratia* income support payments to farmers whose businesses were affected by Newcastle disease. Total assistance is estimated at \$0.375 million. \$0.173 million was provided in 1998-99 and the remainder of \$0.202 million in 1999-2000.

This is a cross portfolio measure between the Department of Finance and Administration and the Department of Family and Community Services.

GST — implementation and monitoring in the Commonwealth Government sector

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Finance and Administration	4.5	-	-	-

Explanation

The Government has decided that the Department of Finance and Administration is to provide assistance to Commonwealth agencies with the implementation of the GST. A unit is to be established within the Department to ensure that agencies receive the coordinated advice necessary for successful implementation of the GST, and to monitor the progress of implementation by agencies. The cost of \$4.5 million for establishing and maintaining the unit is to be funded using the Department's existing cash reserves.

Foreign Affairs and Trade

Australia's contribution to the Heavily Indebted Poor Countries (HIPC) initiative

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
AusAID	12.0	11.5	11.5	-

Explanation

The Government has decided to contribute an additional \$35 million to the HIPC Initiative over three years from 1999-2000 to 2001-02.

The HIPC Initiative is a multilateral plan to provide debt relief to the world's poorest countries who are pursuing sound adjustment and reform programmes supported by the International Monetary Fund (IMF) and World Bank. The Government recognises that international debt is a serious problem and supports the HIPC initiative as part of a lasting solution to this.

Aid for East Timor

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
AusAID	60.0	-	-	-

Explanation

AusAID will be supplemented in 1999-2000 to fund Australia's contribution to the humanitarian and reconstruction needs of East Timor and to support the establishment and operations of UNTAET. Aid funding for East Timor in future years will be considered in the 2000-01 Budget process.

Further Information

For further information see the related expense and net capital investment measures under the Defence portfolio entitled *East Timor peace enforcement and peacekeeping*, and expense measures entitled *Civilian police for the UN Transitional Administration in East Timor* in the Attorney-General's portfolio and *Provision of safe haven to internally displaced persons from East Timor* in the Immigration and Multicultural Affairs portfolio. In addition, there are two related revenue measures entitled *UN reimbursements for East Timor deployment* and *Defence — East Timor levy*.

Health and Aged Care

General Practice Memorandum of Understanding

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Health and Aged Care	29.8	62.1	85.2	98.4
Department of Veterans' Affairs	1.1	2.6	3.8	5.1
Total	30.9	64.7	89.0	103.5

Explanation

On 6 August 1999, the Government entered into a three-year Memorandum of Understanding (MoU) with the Royal Australian College of General Practitioners, the Rural Doctors Association of Australia and the Australian Divisions of General Practice. The General Practice MoU will be in effect from 1 July 1999 to 30 June 2002.

The MoU will improve financial certainty for Government and general practice, thereby ensuring both the viability of general practice, and sustainability of Medicare over the longer term. It will also create a framework within which to modernise the Medicare Benefits Schedule in order to deliver better quality care to patients.

Through the MoU, the Government has guaranteed funding of \$7.7 billion over three years on Medicare rebates for patients for general practitioner (GP) consultations. As part of this arrangement, Medicare rebates for GP consultations will increase by approximately 2.3 per cent on 1 November 1999.

Other initiatives of the MoU include:

- an additional \$26.5 million over three years in new and existing initiatives to encourage GPs to practise in rural and remote areas;
- implementation of facilities to enable patient paid Medicare claims to be lodged electronically from the GP's surgery;
- continued Government funding for a range of general practice funding programmes, which currently include the Practice Incentives Programme, the General Practice Immunisation Incentives scheme, and the GP Links programme;
- commitments to increase the intake of indigenous students to medical courses; and
- a shared commitment by the Government and the general practice profession to develop new initiatives to promote quality general practice over the life of the MoU, including investigating means of:
 - enabling GPs to undertake population health activities to improve patient care and health outcomes, particularly in National Health Priority areas;

- improving access for patients to a range of vaccines in the GPs surgery; and
- promoting the quality use of pathology, diagnostic imaging and pharmaceuticals.

This is a cross-portfolio measure between the Department of Health and Aged Care and the Department of Veterans' Affairs.

Aged Care Residential Care Subsidy Principles 1997 — change to definition of 'homeowner' to ensure protection for people with low value homes

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Health and Aged Care	0.6	0.8	0.8	0.8

Explanation

The Government has agreed to an amendment to the residential aged care subordinate legislation that will amend the definition of 'homeowner' so that residents of aged care facilities who have low value homes are not considered 'homeowners'.

The amendment will ensure better protection for residents of aged care facilities, and will enable providers of residential aged care (particularly in rural areas where many residents are owners of low value housing) to claim an appropriate level of remuneration through concessional and assisted resident supplements.

Further Information

The Residential Care Subsidy Principles 1997 which underlie the *Aged Care Act 1997*, enable providers of residential aged care to charge a resident an accommodation bond or charge on a sliding scale in circumstances where the resident's total assets (including the home) are valued at \$23,500 or more. For residents whose total assets are valued at less than \$23,500 and who are not homeowners, providers can receive a concessional resident supplement, or an assisted resident supplement for those residents whose total assets are valued between \$23,500 and \$37,500.

The amendment to the Principles corrects an anomaly, in that there are some residents who are homeowners of low value homes and whose total assets are less than \$23,500, but the provider is precluded from claiming concessional resident supplement due to the residents' 'homeowner' status.

Childhood Nutrition Programme

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Health and Aged Care	-	-	-	-

Explanation

On 28 May 1999, the Government announced funding for child nutrition of \$15 million over the years 1999-2000 to 2001-02. This funding is to be absorbed by the Department of Health and Aged Care.

Further Information

There is evidence that the diet of a child has an impact on health throughout life. Diseases such as late onset diabetes and cardiovascular disease can have their origins in poor nutrition in childhood. Optimum nutrition from conception is also necessary for healthy cognitive, physical and dental development.

Social coalitions, involving food suppliers and business, government, non-government and community organisations, will be formed to establish projects to improve the diet of young children. The programme targets young children and their parents in selected high need communities, such as rural and remote areas, indigenous and lower socio-economic communities.

The initiative will be developed and implemented within the framework of the National Public Health Nutrition Strategy, and will complement the National Breast Feeding Strategy.

Private Health Insurance — reduction in Medicare payment lag times for simplified billing

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Health and Aged Care	-	-	-	-

Explanation

The Government has agreed to reduce the minimum Medicare payment lag times for all simplified billing claims from 16 to 10 days. The process of simplified billing incorporates three aspects:

- The number of bills a patient receives for in-hospital care is greatly reduced, ideally to a single bill;

- The health fund or approved billing agency makes claims on behalf of the patient from Medicare and, in the case of a private billing agency, from the patient's health fund; and
- Informed financial consent whereby patients, prior to being admitted, are made aware of any possible out-of-pocket costs.

Simplified billing is an important element of the Government's initiatives to increase the viability of private health insurance.

In 1999-2000 only, there will be a cash impact of \$0.9 million, however this change will not affect expenses or the fiscal balance. Reducing the Medicare payment lag times for all simplified billing claims will have two effects. Firstly, increasing the attractiveness of using simplified billing, and secondly, increasing the attractiveness of providing a service involving no or known medical gaps during an in-hospital episode of care.

Australia New Zealand Food Authority — additional funding

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Australia New Zealand Food Authority	-	-	-	-

Explanation

Additional funds are being provided to the Australia New Zealand Food Authority (ANZFA) for it to meet statutory responsibilities and stakeholder needs in an environment of new technologies and increased levels of consumer concerns about food.

Further Information

An additional \$3 million will be provided to ANZFA in 1999-2000 by reallocation within the Health and Aged Care portfolio. This will ensure that ANZFA can undertake its scientific assessment caseload and other work associated with consulting with the community, industry and its government partners; and communicating with stakeholders on the outcome of its work.

With the additional funding ANZFA will be able to manage current and emerging food regulatory issues more effectively, including:

- rapid growth in the range and scientific complexity of new genetically modified foods which require safety assessment and individual approvals;
- 'novel foods' which have not traditionally been found in the diet require individual pre-market scientific assessment and approval;
- a major overhaul of the Australian Food Standards Code is being undertaken;

- continuing work on the development of uniform national food safety standards using a risk based approach; and
- the development of new technologies for use in food manufacture, as well as new products and storage techniques. Food regulation and safety assessments must keep up with these innovations to facilitate increased consumer choice and a competitive food industry.

Immigration and Multicultural Affairs

Enhanced border protection

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Immigration and Multicultural Affairs	10.4	30.5	31.1	31.7
Australian Customs Service	3.1	4.0	3.9	3.9
Total	13.5	34.5	35.0	35.6

Explanation

In response to the recommendations of the Task Force on Coastal Surveillance, the Government has decided to implement a number of initiatives to detect, deter, and prevent the entry of illegal immigrants into Australia. These initiatives include an enhanced immigration presence overseas, and material and technical assistance to law enforcement and other authorities in Papua New Guinea and Indonesia. In addition, there will be a significant increase in the resources available to the Department of Immigration and Multicultural Affairs over the four years for it to engage, on a user pays basis, additional surveillance activity from Coastwatch.

The Government will also provide additional resources to the Australian Customs Service for the establishment and operation of a 24-hour-a-day National Surveillance Centre, including additional planning and analytical staff and enhanced electronic communications links to assist in better management of the national coastal surveillance effort.

See also the related capital measure under the Attorney-General's portfolio entitled *Enhanced border protection*.

This is a cross portfolio measure between the Department of Immigration and Multicultural Affairs and the Australian Customs Service.

Extension of regulation of the migration advice industry

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Immigration and Multicultural Affairs	0.5	1.7	1.8	1.3

Explanation

The Government has decided to extend, until March 2003, the arrangements for statutory self-regulation of the migration advice industry that came into effect in March 1998. Under these arrangements the migration advice industry was moved from full government regulation to statutory self-regulation under the auspices of the Migration Agents Registration Authority (MARA). These arrangements were subject to a sunset clause and were due to cease operation in March 2000. The extension of statutory self-regulation will encourage further development of industry standards and competency levels while ensuring consumer protection.

Further Information

The measure is budget neutral. Migration agent registration fees collected by MARA on behalf of the Commonwealth are returned to MARA for administration of its statutory function.

See also the related revenue measure under the Immigration and Multicultural Affairs portfolio titled *Extension of regulation of the migration advice industry*.

Provision of safe haven to displaced Kosovars

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Defence	28.9*	-	-	-
Department of Health and Aged Care	17.3	-	-	-
Department of Immigration and Multicultural Affairs	27.5	-	-	-
Total	73.7	-	-	-

* In addition to this, the Department of Defence spent \$7 million in 1998-99 by reprogramming within the global budget. Total Defence expenditure for the measure is \$35.9 million.

Explanation

In response to a request from the United Nations High Commissioner for Refugees, the Government provided temporary safe haven in Australia for nearly 4,000 displaced persons from Kosovo. The Government has provided for a range of services to be made available to the Kosovars, including:

- transport to and from Australia;

- accommodation in safe haven centres established at a number of military establishments around Australia;
- necessary health care for the duration of their stay in Australia;
- social support services, such as interpreting and counselling services; and
- a small living allowance.

Kosovars who returned home between 31 August 1999 and 31 October 1999 were also provided with a Winter Reconstruction Allowance of \$3,000 per adult and \$500 per child to assist them to rebuild their lives in Kosovo.

This is a cross portfolio measure between the Department of Immigration and Multicultural Affairs, the Department of Defence and the Department of Health and Aged Care.

Provision of safe haven to internally displaced persons from East Timor

Expenses

	1999-00	2000-01	2001-02	2002-03
Department of Defence	8.0	-	-	-
Department of Health and Aged Care	6.5	-	-	-
Department of Immigration and Multicultural Affairs	20.8	-	-	-
Total	35.3	-	-	-

Explanation

The Government has provided temporary safe haven and support services for around 1500 East Timorese evacuees. Services are being provided to the East Timorese on the same basis as the services provided to the Kosovars, including accommodation in safe haven centres established at a number of military establishments around Australia and necessary health care for the duration of their stay in Australia. The Department of Immigration and Multicultural Affairs is being provided with \$20.8 million for social support services such as interpreting and counselling, and a small living allowance.

This is a cross portfolio measure between the Department of Immigration and Multicultural Affairs, the Department of Defence and the Department of Health and Aged Care.

Further Information

For further information see the related expense and net capital investment measures under the Defence portfolio entitled *East Timor peace enforcement and peacekeeping*, and expense measures entitled *Civilian police for the UN Transitional Administration in East Timor* in the Attorney-General's portfolio and *Aid for East Timor* in the Foreign Affairs

and Trade portfolio. In addition, there are two related revenue measures entitled *UN reimbursements for East Timor deployment* and *Defence — East Timor levy*.

Introduction of a temporary protection visa subclass

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Immigration and Multicultural Affairs	-	-	-	-
Department of Family and Community Services	1.2	0.1	0.1	0.1
Total	1.2	0.1	0.1	0.1

Explanation

The Government will implement a range of measures to maintain the integrity of Australia's refugee protection arrangements by decreasing the attractiveness of Australia to unauthorised arrivals. As a part of this package of measures the Government has introduced new temporary protection visa arrangements to reduce the attractiveness of Australia to unauthorised arrivals, while still ensuring that Australia provides protection to refugees in accordance with its international obligations. These arrangements will prevent unauthorised arrivals found to be in need of refugee protection from obtaining permanent visas in the first instance. The temporary visa will cease to be valid if the holder leaves Australia and they will have no automatic right of return. Temporary visas will be counted within the 12,000 place annual humanitarian program.

The expenses associated with this measure relate primarily to changes to departmental systems and processes to allow holders of the new temporary protection visas to access special benefit and family allowance, if eligible.

Further Information

The remaining measures in the package are primarily legislative.

This is a cross portfolio measure between the Department of Immigration and Multicultural Affairs and the Department of Family and Community Services.

Industry, Science and Resources

Women and the Olympics

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Sports Commission	0.1	-	-	-

Explanation

The Government will provide assistance for projects celebrating the centenary of women's participation in the Olympic Games. These projects are to be developed jointly by the Australian Sports Commission (ASC) and the Office of the Status of Women (OSW).

Further Information

The Sydney Organising Committee for the Olympic Games has endorsed this initiative and, together with the ASC and OSW, will be seeking other funding through corporate support for these projects.

St John's Ambulance — first aid services for the Sydney 2000 Games

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Industry, Science and Resources	0.1	-	-	-

Explanation

The Government will provide assistance to support provision of ambulance services for the Sydney 2000 Olympic and Paralympic Games. This funding forms part of an agreement between the Commonwealth and New South Wales Governments to assist St John's Ambulance Australia to meet some of the costs of providing first aid services to the Sydney 2000 Games. The Commonwealth and New South Wales Governments will each contribute an amount of \$125,000.

Paralympic torch relay***Expenses (\$m)***

	1999-00	2000-01	2001-02	2002-03
Department of Industry, Science and Resources	0.5	-	-	-

Explanation

The Government will provide assistance to enable the Paralympic Torch Relay to extend to all Australian states and mainland territories. This will involve the progressive transfer of a single flame by aircraft to each capital city and a relay and ceremony in each city.

This will give Australians the opportunity to support the Paralympians and the Paralympic Games in general.

Olympic media unit***Expenses (\$m)***

	1999-00	2000-01	2001-02	2002-03
Department of Industry, Science and Resources	0.5	0.3	-	-

Explanation

The Government will provide assistance to establish an Olympic Media Unit to implement a Whole-of-Government Media Strategy for the Sydney 2000 Games, particularly given the extent of intra-Commonwealth and inter-jurisdiction work involved.

Schoolchildren attending the Paralympics***Expenses (\$m)***

	1999-00	2000-01	2001-02	2002-03
Department of Industry, Science and Resources	1.5	-	-	-

Explanation

The Government will provide a sliding-scale subsidy scheme to support the attendance of schoolchildren residing outside the Sydney basin at the Sydney 2000 Paralympic Games. This will give young Australians the opportunity to experience the Games.

Further Information

Under this scheme subsidies will be available for students of eligible primary and secondary schools located 200 kilometres or more by road from Sydney Olympic Park. The further the children are required to travel to attend the Games, the greater the subsidy available.

Telstra Social Bonus — upgrade of the Domain International Athletics Centre, Hobart

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Industry, Science and Resources	0.6	-	-	-

Explanation

As part of the Telstra Social Bonus Programme associated with the sale of a further 16.6 per cent of Telstra, the Government will provide funding to upgrade facilities at the Domain International Athletics Centre, Hobart. This will help ensure that the Centre maintains its status as a national and international athletics venue.

Further Information

These funds will be used for clubrooms, extended grandstands and canopy cover for seating, an indoor training centre and improved office space, change rooms and kiosk. The Tasmanian State Government and the Hobart City Council have already contributed to the upgrade of the athletics track to international standards.

Book industry assistance plan

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Various Portfolios	-	60.0	60.0	60.0

Explanation

The Government will provide \$240 million over four years from 2000-01 to 2003-04 to fund a range of initiatives related to the book industry. The main objectives of the book industry assistance plan are to reduce the retail price paid for textbooks by students studying at Australian educational institutions, to provide financial assistance for initiatives by book printers and publishers to revitalise the industry and to provide assistance to Australian creators of books.

Further Information

- The Department of Education, Training and Youth Affairs will administer an eight per cent Textbook Subsidy to be paid to retailers offering refunds to students and a programme of grants to primary schools for the purpose of upgrading their holdings of Australian books.
- The Department of Industry, Science and Resources will enhance the recently introduced Printing Industry Competitiveness Scheme with the establishment of an Innovation, Infrastructure and Development Fund and a Skills Development Programme.
- The Department of Communications, Information Technology and the Arts will introduce an Education Lending Right Scheme to make payments to Australian creators and writers whose works are held in educational libraries, will fund a campaign to promote the intrinsic value of books, reading and literacy, and will fund the Australian Bureau of Statistics to collect, on an annual basis, data on book publishing and retail sales.
- The precise allocation of funding to the relevant portfolios was still to be finalised at time of publication.

Development of Erythropoietin (EPO) detection test

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Industry, Science and Resources	1.5	-	-	-

Explanation

In 1999-2000 the Government will contribute \$1.5 million to the second phase of Australia's research project on the detection of EPO. Government commitment and support will reinforce Australia's leading role in the fight against drugs in sport. Commonwealth assistance for the second phase of research is based on securing a similar contribution from the International Olympic Committee and the international collaboration required to develop an effective EPO detection test prior to the Olympics.

Further Information

In 1997-98 the Government provided \$3 million for research, sampling and analysis programmes to assist preparations for the potential drug testing requirements of the Sydney Olympics. A \$1.8 million programme of research undertaken over the last two years by the Australian Institute of Sport and the Australian Sports Drug Testing Laboratory has demonstrated a scientific basis for detecting EPO, but a second phase of research and validation trials is required to develop a reliable and robust detection protocol.

Transport and Regional Services

Local Government Financial Assistance Grants

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Transport and Regional Services	-	911.7	944.9	979.0

Explanation

General purpose grants to local government are provided under the *Local Government (Financial Assistance) Act 1995*. Under the agreement reached between the Commonwealth and the States and Territories on the reform of Commonwealth-State financial relations in April 1999, payment of financial assistance grants to local government was to become the responsibility of the States from 1 July 2000. As funding beyond 1999-2000 was not required under the agreement, associated funding in the forward estimates was removed during the development of the 1999-2000 Budget.

On 28 May 1999, the Prime Minister announced changes to *A New Tax System*. As a result of the changes the agreement with the States and Territories was revised in June 1999. Under the new arrangements, the Commonwealth retained responsibility for the payment of financial assistance grants to local government and funding for future years is required.

Identified Local Road Grants

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Transport and Regional Services	-	404.6	419.3	434.4

Explanation

Identified local roads grants to local government are provided under the *Local Government (Financial Assistance) Act 1995*. Under the agreement reached between the Commonwealth and the States and Territories on the reform of Commonwealth-State financial relations in April 1999, payment of identified local road grants to local government were to become the responsibility of the States from 1 July 2000. As funding beyond 1999-2000 was not required under the agreement, associated funding in the forward estimates was removed during the development of the 1999-2000 Budget.

On 28 May 1999, the Prime Minister announced changes to the Commonwealth's *A New Tax System* package. As a result of the changes the agreement with the States and Territories was revised in June 1999. Under the new arrangements, the

Commonwealth retained responsibility for the payment of identified local road grants to local government and funding for future years is required.

Telstra Social Bonus — Flinders Island Runway

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Transport and Regional Services	0.2	-	-	-

Explanation

As part of the Telstra Social Bonus Programme associated with the sale of a further 16.6 per cent of Telstra, the Government will provide funding of \$0.2 million in 1999-2000 for improvements to the runway at the Whitemark Airport on Flinders Island.

Funding will be provided to assist in sealing the Whitemark Airport runway. Improved runway conditions will support the local economy by facilitating tourism and transportation of produce. It will also enable the continued landing of Royal Flying Doctor aircraft. The local council will meet the remaining cost of upgrade and maintenance.

Geelong Road

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Transport and Regional Services	-	-	60.0	60.0

Explanation

As part of the National Highway and Roads of National Importance Programmes, the Government will provide funding of up to \$120 million to be paid over 2001-02 and 2002-03, for improvements to Geelong Road. The improvements will provide economic benefits together with improved safety benefits. The Commonwealth's funding will be matched by contributions from the Victorian Government.

The National Highway and Roads of National Importance Programmes

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Transport and Regional Services	-	30.0	30.0	30.0

Explanation

As part of the National Highway and Roads of National Importance Programmes, the Government will provide additional funding of \$30 million per annum from 2000-01 for specific road projects. In particular, these projects will include initiatives to improve the standard of key national freight routes, including the upgrade of bridges.

Establishment of the Australian Rural Partnerships Foundation

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Transport and Regional Services	10.7	1.0	0.7	0.7

Explanation

The Government, in partnership with the Sidney Myer Fund, will establish a philanthropic foundation, the Australian Rural Partnerships Foundation to further assist regional, rural and remote communities to identify and reach their full potential in responding to social, cultural and economic change. As a partnership between government, business, philanthropy and community, the Foundation will provide a mechanism to encourage the private sector and others in the community to take the initiative. It will provide grants for community capacity building, project facilitation and seeding grants for community and economic development initiatives. In addition to the direct funding, the Foundation will be granted tax deductibility status for private sector and other contributions to the Foundation.

For further information see the related revenue measure entitled *Establishment of the Australian Rural Partnerships Foundation*.

Alice Springs to Darwin Rail Link

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Transport and Regional Services	25.0	10.0	30.0	-

Explanation

The Commonwealth, South Australian and Northern Territory governments have agreed to provide additional funds for construction of the Alice Springs to Darwin Rail

Link. The Commonwealth will provide an additional \$65 million over three years. The South Australian and Northern Territory governments will provide an additional \$115 million. This additional funding will increase the governments' contribution to \$480 million. The remaining \$750 million required to fund the project will be raised by the preferred project developer.

Treasury

A New Tax System — grants to balance State and Territory budgets

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of the Treasury:				
Revision to Intergovernmental Agreement	–	966.5	195.4	332.0
Special input tax credit for leased motor vehicles	–	–	94.7	28.1
Application of GST to financial services	–	–	-52.0	-23.5
Total	–	966.5	238.1	336.6

Explanation

Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, the States and Territories will receive all of the revenue from the GST in return for the abolition of financial assistance grants and the removal of a range of inefficient State and Territory taxes. A Commonwealth guarantee that the budgetary position of each State and Territory will be no worse off in the initial years following the introduction of the GST is met by providing budget balancing advances and grants to the States and Territories.

Since the 1999-2000 Budget, three measures have affected estimated grants to balance State and Territory budgets.

- The amendments to the tax reform programme which were announced by the Prime Minister on 28 May 1999. These amendments included the exemption of basic food and some health and education items from the GST revenue base.
- The provision of a special input tax credit in respect of motor vehicles acquired subject to wholesale sales tax before 2 December 1998 for the purpose of an operating lease, where those vehicles are sold from 1 July 2000. The effect of the credit is to offset the GST payable on the sale of such vehicles in circumstances where that GST liability would have imposed an unanticipated cost on lessors that could not be recovered under the terms of the leases concerned.
- The finalisation of arrangements for the application of the GST to financial services.

Further Information

The food, health, education and other exemptions from the GST which were announced by the Government on 28 May 1999 were estimated at the time to reduce total GST revenue by around \$3,300 million in 2000-01, \$3,900 million in 2001-02 and \$4,100 million in 2002-03.

- Under the revised *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* which was signed by the Commonwealth, States and Territories in June 1999, the impact of reduced GST revenue on State budgets is partly offset by:
 - A deferral of the removal of selected State and Territory taxes, which increased estimated State and Territory budget revenues by around \$1,100 million in 2000-01, \$2,300 million in 2001-02 and \$2,400 million in 2002-03.
 - The Commonwealth retaining responsibility for general purpose payments to local government then estimated to be around \$1,300 million in 2000-01, \$1,400 million in 2001-02 and \$1450 million in 2002-03.

The special input tax credit in respect of leased motor vehicles is estimated to reduce GST revenue by \$50 million in 2000-01, \$45 million in 2001-02 and \$35 million in 2002-03.

The final arrangements for the application of the GST to financial services are estimated to increase GST revenues by \$25 million in 2000-01, \$27 million in 2001-02 and \$29 million in 2002-03.

Assistance for cellar door and mail order sales of wine

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of the Treasury	-	14.7	15.4	16.1

Explanation

As part of *The New Tax System*, the current wholesale sales tax regime for wine will be replaced by the GST and the wine equalisation tax (WET). The Government has undertaken to ensure that the States continue arrangements to provide tax relief for cellar door and mail order sales. Under existing arrangements, the States provide a 15 per cent rebate of the wholesale price of wine, and beverages consisting primarily of wine, at the cellar door and through mail order sales to unlicensed persons.

The new regime will begin on 1 July 2000. Under the new regime, the Government will provide funding so that where the total rebate provided by the States does not cover a winemaker's liability for WET on the value of the wholesale sales up to \$300,000 per year, additional assistance is available up to this amount.

Additional funding for retail price monitoring

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Competition and Consumer Commission	5.0	-	-	-

Explanation

The Government has decided to provide the ACCC with additional funding in 1999-2000 to expand the monitoring of retail prices during the transition to *The New Tax System*. The funding will be used to monitor retail prices before the GST is implemented on 1 July 2000.

The additional funding provided in 1999-2000 will enable the ACCC to undertake four additional data collections in 1999-2000.

In the 1999-2000 Budget the Government provided the ACCC with funding of \$28 million over three years to monitor retail prices and to report to the Treasurer on instances where consumers have not benefited from reductions in the tax rate, or have been exposed to greater than necessary price rises. Funding was also provided to provide information to the community at large through a national advertising campaign and to enable the ACCC to take enforcement action where there are breaches of the new prohibition on price exploitation in the *Trade Practices Act 1974*.

Funding for the ATO to cover the increased cost of administering the GST

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	60.0	60.0	60.0	60.0

Explanation

The Government has decided to provide the ATO with additional funding to cover the increased cost of administering the GST, which arise from the partial exclusion of food from the GST base.

The additional expense incurred by the ATO will be offset by additional compensation payments from the State and Territory Governments. The first of these payments will be made in 2000-01.

Further Information

For further information, see the related revenue measure *Additional payments from the States and Territories for GST administration*.

Conversion of Diesel Fuel Credit Scheme to Diesel and Alternative Fuels Grants Scheme

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	-261.8	-294.0	-314.0

Explanation

The Government has converted the Diesel Fuel Credit Scheme, announced in *A New Tax System*, into the Diesel and Alternative Fuels Grants Scheme. Grants will be paid for the business-related on-road use of diesel and like fuels, (as well as alternative fuels) to all vehicles over 20 tonnes gross vehicle mass (GVM); and to regional transport vehicles weighing between 4.5 and 20 tonnes GVM that undertake their operations in service of regional areas.

Vehicles under 20 tonnes will no longer be able to access the grants on the use of these fuels in the metropolitan areas of Newcastle-Sydney-Wollongong, Melbourne-Geelong, Sunshine Coast-Brisbane-Gold Coast, Perth, Adelaide and Canberra, which represents a saving in Government expenses.

Maintain the current price relativities between diesel and CNG and other alternative transport fuels

Expenses (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Taxation Office	-	9.0	12.0	18.0

Explanation

The Government will ensure that the price differential between diesel and CNG and other alternative fuels, which existed before *A New Tax System* reduced the effective diesel excise rate for operators of large vehicles, will be maintained.

The differential between diesel and CNG and other alternative fuels will be maintained by providing users of those alternative fuels, certified as renewable by the Australian Greenhouse Office, with clean fuel credits administered through a grants scheme. The grants scheme will be administered by the Australian Taxation Office. Vehicles using these fuels will be required to meet relevant emission standards.

Further Information

Restoring the existing price differential between diesel and alternative fuels, in conjunction with a conversion assistance programme for gaseous fuels, will encourage wider use of alternative fuels and improve air quality by reducing greenhouse gas emissions.

CAPITAL

Attorney-General's

Enhanced border protection

Net Capital Investment (\$m)

	1999-00	2000-01	2001-02	2002-03
Australian Customs Service	2.9	-0.8	-0.8	-0.8
Department of Immigration and Multicultural Affairs	1.2	-0.3	-0.3	-0.3
Total	4.1	-1.1	-1.1	-1.1

Explanation

In response to the Report of the Task Force on Coastal Surveillance, the Government has decided to provide an equity injection to the Australian Customs Service to establish a 24-hour-a-day National Surveillance Centre. This funding will provide enhanced electronic communications links to assist in better management of the national coastal surveillance effort.

The increase during 1999-2000 in the non-financial assets of the Department of Immigration and Multicultural Affairs provides for the additional fit-out and accommodation requirements associated with enhanced immigration compliance activity overseas. These assets are depreciated over the following years.

See the related expense measure under the Immigration and Multicultural Affairs Portfolio entitled *Enhanced border protection*.

This is a cross portfolio measure between the Department of Immigration and Multicultural Affairs and the Australian Customs Service.

Defence

East Timor peace enforcement and peacekeeping

Net Capital Investment (\$m)

	1999-00	2000-01	2001-02	2002-03
Department of Defence	135.0	256.0	111.0	27.0

Explanation

The Department of Defence will be provided with supplementary capital funding for a range of additional equipment for the ADF to support the ADF's participation in the United Nations sponsored peace enforcement and peacekeeping operations in East Timor. The capital supplementation for 1999-2000 will enable upgrading or replacement of existing equipment to sustain East Timor operations. The additional equipment requirements include vehicles, communications and command and control devices.

Further Information

For further information see the related expense measure under the Defence portfolio entitled *East Timor peace enforcement and peacekeeping*, and expense measures entitled *Civilian police for the UN Transitional Administration in East Timor* in the Attorney-General's portfolio; *Aid for East Timor* in the Foreign Affairs and Trade portfolio; *Provision of safe haven to internally displaced persons from East Timor* in the Immigration and Multicultural Affairs portfolio. In addition, there are two related revenue measures entitled *UN reimbursements for East Timor deployment* and *Defence — East Timor levy*.

Environment and Heritage

Capital improvements — Kakadu and Uluru Kata-Tjuta National Parks

Net Capital Investment (\$m)

	1999-00	2000-01	2001-02	2002-03
National Parks and Wildlife	6.3	-	-	-

Explanation

The Government will provide an equity injection of \$6.3 million in 1999-2000 to make capital improvements in the Kakadu and Uluru Kata-Tjuta National Parks. The capital improvements will enhance tourism infrastructure, visitor experience, protection of the environment and will minimise the ecological impact of tourism.