

Part I: Revenue Measures

Table 1: Revenue Measures since the 2000-01 MYEFO^(a)

	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
Agriculture, Fisheries and Forestry				
Australia's response to foot and mouth disease and other quarantine risks	17.2	18.0	18.0	18.0
Extension of dairy industry adjustment levy	-	-	-	-
Portfolio total	17.2	18.0	18.0	18.0
Attorney-General's				
Australia's response to foot and mouth disease and other quarantine risks	82.7	82.7	82.7	82.7
Government response to the Productivity Commission report on general tariffs	-	-40.5	-41.4	-42.4
Portfolio total	82.7	42.2	41.3	40.3
Communications, Information Technology and the Arts				
Increase in GSM 900 licence fees	32.1	32.1	32.1	32.1
Radiocommunications licensing arrangements	-1.6	-1.6	-1.6	-1.6
Strategy on electromagnetic public health issues	1.0	1.0	1.0	1.0
Portfolio total	31.5	31.5	31.5	31.5
Education, Training and Youth Affairs				
Backing Australia's Ability - 2,000 additional targeted university places	-	0.1	0.4	0.8
Backing Australia's Ability - Postgraduate Education Loans Scheme	-	2.4	8.1	12.1
Higher education places for regional universities and campuses	-	..	0.1	0.2
Income-contingent loans for bridging courses for overseas trained professionals	-	-	0.1	0.1
Portfolio total	-	2.5	8.7	13.2
Family and Community Services				
New social security arrangements between Australia and New Zealand	-	-16.3	-32.6	-49.2
Portfolio total	-	-16.3	-32.6	-49.2
Immigration and Multicultural Affairs				
Backing Australia's Ability - attracting information and communications technology workers	0.8	0.8	0.9	0.9
Increase in the permanent migrant intake	1.4	1.4	1.4	1.4
New social security arrangements between Australia and New Zealand	13.1	13.2	13.3	13.4
Onshore processing of students in points tested categories	2.4	2.5	2.7	2.8

Table 1: Revenue Measures since the 2000-01 MYEFO^(a) (continued)

	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
Immigration and Multicultural Affairs (continued)				
Reform of independent executives visa arrangements	1.5	2.4	2.4	2.5
Strategy to strengthen Australia's immigration services to priority areas - extension of Electronic Travel Authority arrangements	-0.3	-1.5	-1.5	-1.6
Portfolio total	18.9	18.9	19.2	19.4
Treasury				
Income tax				
Allowing participants in the Simplified Tax System to account for the value of stock under existing methods	*	*	*	*
Apportionment of deductions for donations of property	-	-	-2.0	-4.0
Backing Australia's Ability - 175 per cent 'premium' tax concession for additional research and development expenditure	-30.0	-90.0	-105.0	-110.0
Backing Australia's Ability - changes to the definition of research and development activities	*	*	*	*
Backing Australia's Ability - effective life write-off for research and development plant	25.0	95.0	115.0	95.0
Backing Australia's Ability - research and development tax offset for small companies	-	-6.0	-3.0	-2.0
Capital gains tax relief for shareholders of listed investment companies	-5.0	-20.0	-20.0	-20.0
Capital gains tax rollover relief for shares from insurance company demutualisations	-	-	-	-
Capital gains tax treatment of shares held in trust under employee share schemes	*	*	*	*
Changes to prepayment arrangements for non-business and small business taxpayers	-20.0	-	-	-
Changes to the overseas defence forces rebate and the United Nations (UN) armed forces rebate	*	*	*	*
Deductibility of certain gifts	*	*	*	*
Depreciation of second hand assets where the end user does not change	15.0	40.0	65.0	70.0
Extended lodgement date for Business Activity Statements	-	-	-	-
Extension of income tax exemption for not-for-profit organisations to include the information and communications technology industry	..	..	..	..
Foreign branch access to funds free of interest withholding tax	-9.0	-9.0	-9.0	-9.0
Fringe benefits reporting - exclusion of benefits associated with Australian Defence Force (ADF) removals	*	*	*	*
GDP-adjusted method for PAYG instalments for individuals and some companies and superannuation funds	-200.0	-10.0	-10.0	-10.0

Table 1: Revenue Measures since the 2000-01 MYEFO^(a) (continued)

	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
Treasury (continued)				
Increase in the Medicare levy low income thresholds	-35.0	-20.0	-20.0	-20.0
Increasing the depreciating assets threshold for the Simplified Tax System	-2.0	-5.0	-5.0	-10.0
Not proceeding with the early refunding of excess imputation credits	185.0	-	10.0	10.0
Pensioners below seniors age: increase in rebates	-35.0	-36.0	-33.0	-34.0
Reduction in surcharge on certain termination payments	-14.0	-21.0	-17.0	-21.0
Refining the uniform capital allowance system	*	*	*	*
Reformed debt/equity tax borderline	*	*	*	*
Reform of thin capitalisation - amendments to the proposed rules	-70.0	-45.0	-60.0	-70.0
Relaxing the 'grouping' rule for the Simplified Tax System	*	*	*	*
Retrospective changes to the exclusive use intention test for research and development	*	*	*	*
Revised business tax reform implementation timetable	215.0	255.0	-145.0	-95.0
Senior Australians and pensioners: increase in Medicare levy threshold	-44.0	-46.0	-43.0	-45.0
Senior Australians: increase in rebates	-306.0	-315.0	-298.0	-307.0
Taxation treatment of datacasting transmitter licences	*	*	*	*
Withdrawal of entity taxation exposure draft legislation	-110.0	-450.0	-265.0	-300.0
Indirect tax				
Abolition of petroleum fuels excise indexation	-150.0	-425.0	-785.0	-1135.0
Funding for Airservices Australia and aviation industry compliance	11.7	11.7	4.7	4.7
Reduced excise and customs duty on petroleum fuels	-485.0	-505.0	-525.0	-545.0
Reduction of excise on draught beer	-150.0	-160.0	-160.0	-160.0
Non-tax revenue				
Increase in financial sector levy for the Superannuation Complaints Tribunal	0.7	0.7	0.7	0.7
Portfolio total	-1212.6	-1760.6	-2309.6	-2716.6
Total impact of revenue measures(b)	-1062.3	-1663.8	-2223.5	-2643.4

* The nature of the measure is such that a reliable estimate cannot be provided.

(a) A minus sign before an estimate indicates a reduction in revenue, no sign before an estimate indicates a gain to revenue.

(b) Measures may not add due to rounding.

Table 2: Revenue Measures up to the 2000-01 MYEFO^{(a)(b)}

	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
Agriculture, Fisheries and Forestry				
Wool Industry - changes in wool levy arrangements	-32.2	-33.0	-32.1	-32.1
Portfolio Total	-32.2	-33.0	-32.1	-32.1
Attorney-General's				
Extension of the Import Credit Scheme	-	-	-	-
Portfolio Total	-	-	-	-
Treasury				
Income tax				
Amendment to transitional measures for the merging of share premium and share capital accounts	-	-	-	-
Amendments to Pay As You Go instalments for certain beneficiaries of trusts	5.0	5.0	5.0	5.0
Change in the status of constitutionally protected superannuation funds	nfp	nfp	nfp	nfp
Changes to the Simplified Tax System	2.0	-2.0	-1.0	3.0
Deductibility of certain gifts	*	*	*	*
Double taxation agreements	*	*	*	*
Eligibility for immediate deductibility for GST-related expenditure	-	-	-	-
Entity taxation	10.0	-60.0	-25.0	-25.0
Exemption for artists from the non-commercial losses measures	-7.0	-7.0	-3.0	-3.0
Income tax exemption for local government businesses	-	-	-	-
Medicare levy surcharge - treatment of high front end deductibles	*	*	*	*
No Australian Business Number withholding on input taxed supplies	-	-	-	-
Removal of capital gains tax changes for life insurers and superannuation funds	-60.0	-70.0	-90.0	-100.0
Rollover relief for merger of companies under Part 9 of the <i>Life Insurance Act 1995</i>	-	-	-	-
Taxation aspects of the restructure of the Australian Wool Research and Promotion Organisation	-	-	-	-
Tax benefits for organisations promoting prevention or control of disease or illness in people	*	*	*	*
Indirect tax				
Excise concession for micro-breweries	-0.3	-0.3	-0.3	-0.3
Petrol and diesel excise reduction - increase in reduction to 6.7 cents per litre	-100.0	-102.0	-105.0	-109.0
Removing campervans, motor homes and commercial vehicles from luxury car tax	-5.0	-5.0	-5.0	-5.0
Removing the excise-free status of methanol blended with petrol	-	-	-	-

Table 2: Revenue Measures up to the 2000-01 MYEFO^{(a)(b)} (continued)

	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
Treasury (continued)				
Fringe benefits tax				
Converting rebates to a fringe benefits tax exemption for non-profit hospitals	-15.0	-15.0	-15.0	-15.0
Fringe benefits reporting - exclusion for emergency vehicles	*	*	*	*
Fringe benefits tax exemption for police housing in regional areas	*	*	*	*
Fringe benefits tax exemption for free travel on public transport by police officers	-5.0	-5.0	-5.0	-5.0
Non-tax revenue				
Additional payments from the States and Territories for GST administration	141.0	-	-	-
Superannuation Complaints Tribunal	-	-	-	-
Portfolio total	-34.3	-261.3	-244.3	-254.3
Decisions taken but not reported in MYEFO	nfp	nfp	nfp	nfp
Total impact of revenue measure(c)	-66.5	-294.3	-276.4	-286.4

* The nature of the measure is such that a reliable estimate cannot be provided.

(a) A minus sign before an estimate indicates a reduction in revenue, no sign before an estimate indicates a gain to revenue.

(b) These estimates are as published in MYEFO. Descriptions of the measures are provided in MYEFO.

(c) Measures may not add due to rounding.

Agriculture, Fisheries and Forestry

Extension of dairy industry adjustment levy

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Department of Agriculture, Fisheries and Forestry:	-	-	-	-

Explanation

The Government has agreed to extend the dairy industry adjustment levy of 11 cents per litre on market milk sales to fund additional assistance for the dairy industry.

The levy was introduced on 1 July 2000 as a part of the dairy industry adjustment package to assist dairy farmers following full deregulation of the dairy industry, and is now expected to conclude during 2008-09.

See also related expense measures titled *Additional assistance for dairy farmers* in the Agriculture, Fisheries and Forestry Portfolio, and *Expansion of the Dairy Regional Assistance Programme* in the Employment, Workplace Relations and Small Business Portfolio.

Attorney-General's

Australia's response to foot and mouth disease and other quarantine risks

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Customs Service:	82.7	82.7	82.7	82.7
Department of Agriculture, Fisheries and Forestry:	17.2	18.0	18.0	18.0
Total:	99.9	100.7	100.7	100.7

Explanation

The Government has agreed to an increase in the passenger movement charge of \$8 to \$38 per passenger from 1 July 2001 to offset the increased cost of inspecting passengers, mail and cargo at Australia's international airports. An additional \$72 million per annum will be collected from this charge. It is anticipated that \$10.7 million per annum will be collected from the extension of existing commercial clearance fees.

See related expenses measure titled *Australia's response to foot and mouth disease and other quarantine risks* in the Agriculture, Fisheries and Forestry portfolio.

Government response to the Productivity Commission report on general tariffs

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Customs Service:	-	-40.5	-41.4	-42.4

Explanation

The Government will expand the current Policy and Project By-Laws (PBL) from 1 July 2002. PBL duty concessions and exemptions provide a concessional tariff rate where this contributes to industry policy objectives. The new scheme will roll five current By-laws into one new expanded By-law for projects, allowing a streamlined application process and widening tariff exemption for certain industry sectors. This will benefit local manufacturers by reducing business input costs, making Australian industry more efficient and competitive.

The Government has ensured that major projects benefiting from the new arrangements will offer full, fair and reasonable access to contracts and tenders for local Australian manufacturers.

See also the related expense measure titled *Government response to the Productivity Commission report on general tariffs* in the Industry Science and Resources portfolio.

Communications, Information Technology and the Arts

Increase in GSM 900 licence fees

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Communications Authority:	32.1	32.1	32.1	32.1

Explanation

The current annual apparatus licence fees for spectrum held by Telstra, Optus and Vodafone to provide GSM mobile telephony services have been increased in order to align the licence fees more closely with the market value of the spectrum. The carriers will be permitted to delay payment of the additional component of their 2001-02 fee from June 2001 until August 2001. This delay will boost cash receipts by a further \$32.1 million in 2001-02, but will have no impact on accrual revenue.

Further information

Telstra, Optus and Vodafone were awarded apparatus licences in the 900 MHz radiofrequency band in the early 1990s to operate GSM mobile telephony services. They have paid annual licence fees since then. They were granted an extra 10 MHz of spectrum in 1996, for which they paid a one-off charge of \$110 million in addition to their annual licence fee. Subsequent licence allocations for mobile telephony have been price-based, usually through auctions.

The average prices paid at auction for spectrum licences for mobile telephony purposes are considerably higher (on a per MHz basis) than the equivalent annual fees currently paid by Telstra, Optus and Vodafone.

Radiocommunications licensing arrangements

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Communications Authority:	-1.6	-1.6	-1.6	-1.6

Explanation

The Australian Communications Authority will abolish individual licensing for radio-transmitters for most small boats and aircraft from July 2001. The individual licensing arrangements are not essential for the purpose of managing the radio frequency spectrum or personal/equipment safety. By removing this cost impost on

the operators of aircraft and small boats, this measure should encourage the wider installation of equipment that could improve personal and equipment safety.

See also the related expense measure *Radiocommunications licensing arrangements* in the Communications, Information Technology and the Arts portfolio.

Strategy on electromagnetic public health issues

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Communications Authority:	1.0	1.0	1.0	1.0

Explanation

The Government will continue the electromagnetic energy levy on radiocommunications apparatus licences. The levy will fund research into the possible health effects of electromagnetic energy emission from radio communication devices, including mobile phones.

See also the related expense measure titled *Strategy on electromagnetic public health issues* in the Health and Aged Care portfolio.

Education, Training and Youth Affairs

Backing Australia's Ability — 2,000 additional targeted university places

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Department of Education, Training and Youth Affairs:	-	0.1	0.4	0.8

Explanation

The Government will fund 2,000 additional targeted university undergraduate places per year from 2002. These places rise to nearly 5,500 a year by 2005 as students continue through the system.

This measure shows the impact on Commonwealth revenue arising from the indexation of student debts for those students benefiting from the expansion of undergraduate places who participate in the Higher Education Contribution Scheme (HECS).

Australian students undertaking higher education courses funded by the Commonwealth may elect to accept an income contingent, interest-free loan from the Commonwealth under the HECS.

HECS debts which are older than 12 months are indexed by the Consumer Price Index. The indexation component of student debt is classified as non-tax revenue to the Commonwealth.

See also the related expense measure titled *Backing Australia's Ability — 2,000 additional targeted university places* in the Education, Training and Youth Affairs portfolio.

Backing Australia's Ability — Postgraduate Education Loans Scheme

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Department of Education, Training and Youth Affairs:	-	2.4	8.1	12.1

Explanation

The Government will provide, from the commencement of the 2002 academic year, an income contingent loan facility similar to the Higher Education Contribution Scheme for eligible students enrolled in fee-paying postgraduate non-research courses. In 2002, almost 45,000 continuing and commencing students are expected to take up loans as a result of this initiative.

This measure shows the impact on Commonwealth revenue arising from the indexation of student debts under the Postgraduate Education Loans Scheme for students enrolled in eligible courses.

Student Postgraduate Education Loans Scheme debts which are older than 12 months are indexed to the Consumer Price Index. The indexation component of student debt is classified as non-tax revenue to the Commonwealth.

See also the related expense measure titled *Backing Australia's Ability — Postgraduate Education Loans Scheme* in the Education, Training and Youth Affairs portfolio.

Higher education places for regional universities and campuses

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Department of Education, Training and Youth Affairs:	-	..	0.1	0.2

Explanation

The Government will fund 670 additional university undergraduate places per year from 2002. These places rise to 1,832 places per year by 2005 as students continue through the system. The new places will be allocated to regional universities and campuses to increase access to higher education and address increased demand due to demographic growth.

This measure shows the impact on Commonwealth revenue arising from the indexation of student debts for those students benefiting from the expansion of undergraduate places who participate in the Higher Education Contribution Scheme (HECS).

Australian students undertaking higher education courses funded by the Commonwealth may elect to accept an income contingent, interest-free loan from the Commonwealth under HECS.

HECS debts which are older than 12 months are indexed by the Consumer Price Index. The indexation component of student debt is classified as non-tax revenue to the Commonwealth.

See also the related expense measure titled *Higher education places for regional universities and campuses* in the Education, Training and Youth Affairs portfolio.

Income-contingent loans for bridging courses for overseas trained professionals

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Department of Education, Training and Youth Affairs:	-	-	0.1	0.1

Explanation

The Government has decided that eligible overseas trained permanent resident professionals who are preparing to meet formal recognition requirements will be liable to pay full course costs for bridging courses, but will be eligible to receive a Higher Education Contribution Scheme style income-contingent loan.

Outstanding debts under the new loan scheme will be indexed by the Consumer Price Index. The component of these debts which results from indexation is classified as non-tax revenue to the Commonwealth.

See also the related expense measure titled *Income-contingent loans for bridging courses for overseas trained professionals* in the Education, Training and Youth Affairs portfolio.

Family and Community Services

New social security arrangements between Australia and New Zealand

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Department of Family and Community Services:	-	-16.3	-32.6	-49.2

Explanation

Following a joint review with the New Zealand Government, the Commonwealth announced that from 26 February 2001, changed arrangements would apply to New Zealand citizens seeking to claim social security payments in Australia. Most New Zealand citizens who move to Australia after that date will only be able to access the full range of income support payments and employment assistance if they have permanent resident status in Australia.

In addition, a new social security agreement with New Zealand (replacing the existing agreement) will commence from 1 July 2002. The new agreement will cover age pensions, disability support pensions and carer payments. Australia and New Zealand will share financial responsibility for these pensions, each paying a proportion of the pension based on the length of time that recipients have spent in each country.

Under the previous agreement, the New Zealand Government reimbursed to Australia a proportion of social security payments paid to New Zealand citizens resident in Australia. Under the new agreement, the revenue from this reimbursement will decline from that which would have otherwise been received, as each country will pay benefits in accordance with the period of time a person has lived in each country.

See also the related expense measure titled *New social security arrangements between Australia and New Zealand* in the Family and Community Services portfolio, and related expense, capital and revenue measures titled *New social security arrangements between Australia and New Zealand* in the Immigration and Multicultural Affairs portfolio.

Immigration and Multicultural Affairs

Backing Australia's Ability — attracting information and communications technology workers

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Department of Immigration and Multicultural Affairs:	0.8	0.8	0.9	0.9

Explanation

The Government's initiatives to attract and retain more information and communications technology workers from overseas will result in additional revenue. Additional revenue is expected as a higher visa application charge is applied to applications lodged in Australia compared to applications lodged outside Australia.

From 1 July 2001, successful Australian-educated overseas students with information and communications technology qualifications will be able to apply for visas for permanent residence under the Skilled-Independent and related categories without leaving Australia.

See also the related expense measure titled *Backing Australia's Ability — attracting information and communications technology workers* in the Immigration and Multicultural Affairs portfolio.

Increase in the permanent migrant intake

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Department of Immigration and Multicultural Affairs:	1.4	1.4	1.4	1.4

Explanation

The Government will increase the Permanent Migration (Non-Humanitarian) Programme to 85,000 places with an additional reserve of 8,000 places in 2001-02.

Additional revenue for the Department of Immigration and Multicultural Affairs relates to the visa application charge for health and adult English education purposes.

The increase in the permanent migrant intake also increases expenses in a number of portfolios for services accessed by migrants. See also the related expense measure titled *Increase in the permanent migrant intake* in the Immigration and Multicultural Affairs portfolio.

New social security arrangements between Australia and New Zealand

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Department of Immigration and Multicultural Affairs:	13.1	13.2	13.3	13.4

Explanation

The Government has identified additional revenue flowing from an expected increase in New Zealand citizens applying for permanent residence in Australia. This expected increase in applications is a result of new bilateral social security arrangements agreed between Australia and New Zealand in early 2001.

Under the new arrangements, most New Zealand citizens arriving in Australia after 26 February 2001 will be able to access the broad range of income support payments only if they become a permanent resident.

See also the related capital and expense measures titled *New social security arrangements between Australia and New Zealand* in the Immigration and Multicultural Affairs portfolio and related expense and revenue measures titled *New social security arrangements between Australia and New Zealand* in the Family and Community Services portfolios.

Onshore processing of students in points tested categories

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Department of Immigration and Multicultural Affairs:	2.4	2.5	2.7	2.8

Explanation

The Government will reform the processing of student visas in points tested categories, to allow students who have completed their study in Australia to apply for migration onshore. These reforms will improve Australia's competitiveness in attracting skilled migrants.

The additional revenue for this measure results from the higher visa application charge for applications lodged in Australia.

This reform provides broader access to the opportunities offered to information and communication technology overseas students announced by the Government as part of *Backing Australia's Ability*.

See also the related expense measure titled *Onshore processing of students in points tested categories* in the Immigration and Multicultural Affairs portfolio.

Reform of independent executives visa arrangements

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Department of Immigration and Multicultural Affairs:	1.5	2.4	2.4	2.5

Explanation

The Government will reform the visa arrangements for independent executives. The reforms will include enhanced monitoring to ensure compliance with the conditions of the new arrangements.

The reform is in response to recommendations by the Business Advisory Panel (established by the Minister for Immigration and Multicultural Affairs) following a review of the business entry programme by the Australian National Audit Office.

Additional revenue for this measure flows from increased visa application charges that coincide with additional scrutiny of visa applications and additional monitoring processes.

See also the related expense measure titled *Reform of independent executives visa arrangements* in the Immigration and Multicultural Affairs portfolio.

Strategy to strengthen Australia's immigration services to priority areas — extension of Electronic Travel Authority arrangements

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Department of Immigration and Multicultural Affairs:	-0.3	-1.5	-1.5	-1.6

Explanation

The Government will improve Australia's immigration services to priority areas by increasing the use of Electronic Travel Authority arrangements which allow for short term visitors from selected countries to be issued with visas electronically. This approach will facilitate the ready entry of tourists to Australia, without compromising entry criteria.

The Minister for Immigration and Multicultural Affairs will approve the extension of these arrangements after considering the security and other risk factors for the countries concerned.

The reduction in revenue is due to the forgone visa application charges for visitor visas (currently \$60 each) in lieu of Electronic Travel Authorities, which are issued free of charge.

See also the related expense measure titled *Strategy to strengthen Australia's immigration services to priority areas — extension of Electronic Travel Authority arrangements* in the Immigration and Multicultural Affairs portfolio.

Treasury

Income tax

Allowing participants in the Simplified Tax System to account for the value of stock under existing methods

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	*	*	*	*

Explanation

The Simplified Tax System accounting method, with certain exceptions, uses cash-based values rather than accrual-based values to calculate assessable income and deductions. However, in order to reduce complexity and administration costs, the requirement to convert accrual-based stock values into cash-based stock values will be removed.

This measure was announced on 7 December 2000 and will commence on 1 July 2001.

Further information

This measure will enable new participants in the Simplified Tax System to continue to account for the change in value of their trading stock on the same basis that they may have used before joining.

Apportionment of deductions for donations of property

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	-	-	-2.0	-4.0

Explanation

On 30 March 2001, the Government announced new arrangements to allow deductions to be spread over five years for all donations of property greater than \$5,000 made to deductible gift recipients. The new arrangements will apply from 1 July 2002.

This measure builds upon the package of measures announced by the Government in March 1999 that allowed, among other things, the apportionment over five years of deductions for certain gifts to cultural, environmental and heritage organisations. Extending eligibility for apportionment of deductions to all deductible gift recipients will encourage property donations for other worthwhile activities such as health, medical research and education.

Further information

Apportionment, or allowing income tax deductions to be spread over five years, will assist potential donors of property who might otherwise be unable to realise the full benefit of the income tax deduction in a single year.

Backing Australia's Ability — 175 per cent 'premium' tax concession for additional research and development expenditure

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	-30.0	-90.0	-105.0	-110.0

Explanation

Companies that improve their research and development (R&D) effort are eligible to receive a 175 per cent concession.

This incentive was announced in *Backing Australia's Ability* on 29 January 2001 and is available for expenditure incurred after 30 June 2001.

Further information

The 175 per cent premium covers all R&D expenditure excluding plant, pilot plant, contracted plant, plant leases, core technology, R&D related interest and items excluded from the 125 per cent R&D tax concession. Grouping and other anti-avoidance rules will apply to the concession.

Further information on this concession may be found in *Backing Australia's Ability* or at www.innovation.gov.au.

Backing Australia's Ability — changes to the definition of research and development activities

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	*	*	*	*

Explanation

The definition of 'research and development activities' is being changed to require that core research and development (R&D) activities contain both innovation **and** high levels of technical risk. The change will also ensure that expenditure on the list of activities defined as not being R&D in nature will not qualify for the R&D tax

concession. In addition, R&D projects will need to have a documented plan before the core activities of the project are commenced.

This change was announced in *Backing Australia's Ability* on 29 January 2001 and has effect from that date.

Further information

The definition of 'research and development activities' is being changed in response to recent Federal Court and Administrative Appeals Tribunal decisions which have broadened the definition beyond its intended scope. It is expected that these changes will exclude only a small number of projects. The measure protects the revenue base and its impact is expected to be small.

Further information on this concession may be found in *Backing Australia's Ability* or at www.innovation.gov.au.

Backing Australia's Ability — effective life write-off for research and development plant

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	25.0	95.0	115.0	95.0

Explanation

This measure provides for research and development (R&D) plant to be written off over its effective life. The eligible depreciation deduction will be increased by 25 per cent for the period in which the plant is used for R&D activities. Plant partially used in R&D activities from the time of commencement may receive a partial concession.

Before the time of commencement, R&D plant was written off over three years, provided that it was exclusively used for R&D activities.

This change was announced in *Backing Australia's Ability* and has effect from 29 January 2001. The above costing reflects this start date.

Further information

See also the related revenue measure titled *Retrospective changes to the exclusive use intention test for research and development* in the Treasury portfolio.

Backing Australia's Ability — research and development tax offset for small companies

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	-	-6.0	-3.0	-2.0

Explanation

Companies with an annual turnover of less than \$5 million per year and research and development (R&D) expenditure of \$1 million or less per year are eligible to receive a tax offset equivalent to the value of the R&D tax concession. The offset reduces existing tax liabilities to the Commonwealth. If the company has no tax liability remaining it receives a cash refund.

The rebate was announced in *Backing Australia's Ability* on 29 January 2001 and is available for expenditure incurred after 30 June 2001.

Further information

Further information on this concession may be found in *Backing Australia's Ability* or at www.innovation.gov.au.

Capital gains tax relief for shareholders of listed investment companies

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	-5.0	-20.0	-20.0	-20.0

Explanation

This measure will provide shareholders in listed investment companies (LICs) with comparable tax treatment to investors in managed funds for distributions sourced from eligible capital gains.

That is, shareholders in LICs can directly benefit from the 50 per cent capital gains tax discount on assets realised by LICs which have been held for more than 12 months.

The measure is to commence from 1 July 2001.

Capital gains tax rollover relief for shares from insurance company demutualisations

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	-	-	-	-

Explanation

On 21 March 2001, the Government announced that if a demutualised insurance company is taken over before shares can be transferred to members who could not be located at the time of the demutualisation, the capital gains tax (CGT) rollover relief for that transfer will continue to apply.

This measure will apply to shares held by a trust on behalf of members who could not be located at the time of the demutualisation, on the condition that the shares held by the trust would otherwise qualify for the CGT scrip-for-scrip rollover relief provisions. It applies to scrip-for-scrip transactions that occur from 10 December 1999 onwards.

Further information

The scrip-for-scrip rollover provisions, introduced as part of *The New Tax System*, allow CGT rollover relief where original equity interests in one entity are exchanged for replacement equity interests in another entity. This rollover defers recognition of any capital gain until the disposal of the replacement equity interests.

Further details may be found in the Assistant Treasurer's Press Release No. 9 of 21 March 2001.

Capital gains tax treatment of shares held in trust under employee share schemes

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	*	*	*	*

Explanation

For employee share schemes where the plan has a trust structure and the employee is taxed up front, the cost base of the shares or rights for capital gains tax (CGT) purposes will be their market value when acquired by the employee, for the purposes of Division 13A of the *Income Tax Assessment Act 1936*. This applies to employee acquisitions for Division 13A purposes that occur after 5:00 p.m. eastern daylight savings time, 27 February 2001.

Typically, this cost base will be the market value at the time a trustee acquires the share or right on behalf of the employee. The measure will also ensure that the 12 month qualifying period for the 50 per cent CGT discount begins at that time.

Changes to prepayment arrangements for non-business and small business taxpayers

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	-20.0	-	-	-

Explanation

As part of the New Business Tax System (Simplified Tax System) Bill 2000, the Government introduced a new rule for determining deductions for the prepaid expenditures of Simplified Tax System (STS) taxpayers, and the non-business prepayments of individuals. The new rule will allow an immediate deduction for prepayments for things to be done (for example, the provision of services, insurance or rental accommodation) over a period not exceeding 12 months and that are to be completed by the end of the next income year. The new rule will come into effect on 1 July 2001 and will apply from the taxpayer's first income year commencing on or after that date.

Small business taxpayers that do not enter the STS and non-individual entities (companies and trusts) with deductible non-business expenditure will apportion their prepayments over the period during which the services are provided. These changes will, from 1 July 2001, give effect to the Government's 21 September 1999 announcement on prepayments for these taxpayers. The balance of the transitional provisions that were announced on 21 September 1999 will apply to these taxpayers.

Further information

The transitional provisions have the effect of phasing in the up-front tax impact of moving to an apportionment basis for deducting prepayments.

Changes to the overseas defence forces rebate and the United Nations (UN) armed forces rebate

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	*	*	*	*

Explanation

The *Income Tax Assessment Act 1936* is to be amended to prevent periods of overseas service qualifying for both the taxation exemption available under Section 23AG and either the taxation rebate available under Section 23AB (UN armed forces rebate) or the taxation rebate available under Section 79B (overseas defence forces rebate).

Further information

The proposed treatment is consistent with existing arrangements whereby periods of overseas service cannot qualify for both the Section 79B rebate and the taxation exemption available under Section 23AD for Australian Defence Force (ADF) members engaged in 'warlike service'.

Deductibility of certain gifts

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
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 Foundation for Young Australians (a merger of the Queen Elizabeth II Silver Jubilee Trust for Young Australians and the Australian Youth Foundation);
- The Voluntary Service to Indigenous Communities Foundation; and
- Reconciliation Australia Limited.

The following organisations were listed in the 2000-01 MYEFO as being approved by the Government for gift deductibility status, subject to meeting the public fund requirements. As these requirements have now been met, donations and gifts of \$2 or more to these organisations have been made tax deductible:

- The Sir Earle Page Memorial Trust Public Fund;

- The Australian Nuffield Farming Scholars Public Fund;
- The Dymocks Literacy Foundation Limited;
- The Australian Chinese Ex-Services National Reunion War Memorial Fund (for donations to 15 December 2002); and
- The Royal Australian Airforce (RAAF) Memorial Trust Fund.

In addition, since the 2000-01 MYEFO there have been:

- 14 admissions to the Register for Cultural Organisations and 4 deletions; and
- 13 additions to the Register for Environmental Organisations.

Depreciation of second hand assets where the end user does not change

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	15.0	40.0	65.0	70.0

Explanation

This measure ensures that where ownership of a depreciating asset changes but the end user of the asset remains the same, the new owner must use the same depreciation method as the previous owner. Where the prime cost method of write-off is used, the new owner must use the same remaining effective life as the previous owner, while the same effective life must be used if the diminishing value method is used.

This measure will ensure that some taxpayers are not able to obtain an increased rate of write off for second hand assets while continuing to use the assets.

This measure was announced on 9 May 2001, and will be effective from that date. The commencement date of a similar measure in the uniform capital allowance system, in cases where assets are acquired from an associate, was also brought forward to 9 May 2001.

Further information

Further details may be found in the Treasurer's Press Release No. 31 of 9 May 2001.

Extended lodgment date for Business Activity Statements***Revenue (\$m)***

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	-	-	-	-

Explanation

The due dates for lodging quarterly activity statements, such as the Business Activity Statement (BAS), and associated payments have been extended permanently. The due dates for the March, June and September quarters have been extended by 7 days, and the due date for the December quarter has been extended by one month and 7 days. The new lodgement dates are 28 April, 28 July, 28 October and 28 February.

In addition, if the due dates for these obligations as well as obligations to report and/or pay all other tax debts fall on a weekend or public holiday, the lodgment and payment may now be made on the next working day, without the taxpayer incurring a penalty or general interest charge.

This measure was announced on 22 February 2001 and took effect on 1 April 2001.

Further information

The extended due dates apply to businesses that are required to report and pay their GST, PAYG withholding, PAYG instalment, deferred company instalment or FBT instalment obligations on a quarterly basis (that is, businesses with a turnover of less than \$20 million). The extended due dates do not apply to businesses that are required to pay GST monthly or that have chosen to do so.

Extension of income tax exemption for not-for-profit organisations to include the information and communications technology industry***Revenue (\$m)***

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	..	..	..	..

Explanation

Not-for-profit organisations established to develop information and communications technology (ICT) resources in Australia will be exempt from income tax, and will also obtain a fringe benefits tax (FBT) rebate. This measure will enable the ICT industry to benefit from taxation treatment similar to that accorded to certain other industries including primary industries, manufacturing, tourism and aviation.

Further information

The measure was announced on 29 March 2001 and applies from the start of the 2000-01 income and FBT years.

Foreign branch access to funds free of interest withholding tax

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	-9.0	-9.0	-9.0	-9.0

Explanation

The *Income Tax Assessment Act 1936* will be amended to exempt from interest withholding tax debentures issued by non-resident companies operating in Australia through permanent establishments. The exemption will apply to interest on debentures issued after 30 June 2001. The amendment will reduce compliance costs and reduce reliance on special rules under the proposed thin capitalisation rules. The measure will be enacted as part of the New Business Tax System (Thin Capitalisation and Other Measures) Bill 2001, and was announced in the press release giving details of the Bill on 21 February 2001.

Further information

Further details may be found in the Treasurer's Press Release No. 6 of 21 February 2001.

Fringe benefits reporting — exclusion of benefits associated with Australian Defence Force (ADF) removals

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	*	*	*	*

Explanation

Regulations have been made to exclude fringe benefits associated with the removal or storage of household effects of ADF members from the fringe benefits reporting requirement. To be eligible for the exclusion, the removal or storage must be as a result of a move undertaken at the direction of the Department of Defence. The exclusion applies to group certificates issued for the year of income ending 30 June 2001 and later years.

Further information

Further details may be found in the Minister for Veterans' Affairs' Press Release No. 18 of 16 February 2001.

GDP-adjusted method for PAYG instalments for individuals and some companies and superannuation funds

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	-200.0	-10.0	-10.0	-10.0

Explanation

All individuals, as well as some companies and superannuation funds, will now pay PAYG instalments based on an amount notified to them by the Australian Taxation Office (ATO). In addition, certain primary producers and special professionals (such as authors, entertainers and sportspersons) will now pay only two GDP-adjusted PAYG instalments at the third and fourth quarters of the income year.

This measure also allows taxpayers to opt out of this method and choose to either pay annually (if eligible) or to use the instalment rate times instalment income method.

This measure was announced on 22 February 2001. It generally applies to PAYG instalments for quarters ending on or after 31 March 2001, with the two instalment elements of the measure applying from the start of the 2001-02 income year.

Further information

This measure applies to all individuals, including those who are partners in GST-registered partnerships, and companies and superannuation funds with ordinary business and investment income from the previous year of \$1 million or less. The measure applies irrespective of taxpayers' GST status.

The quarterly instalments for eligible taxpayers will be calculated by the ATO on the basis of their business and investment income for the previous year, adjusted by a GDP factor. If taxpayers consider the amount calculated by the ATO to be too high, they continue to have the same rights to vary the instalment (and are subject to the same penalty and general interest charge provisions) as under the existing law.

Increase in the Medicare levy low income thresholds***Revenue (\$m)***

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	-35.0	-20.0	-20.0	-20.0

Explanation

The Medicare levy low income thresholds have been increased in line with CPI movements. The Medicare levy low income thresholds ensure that low income families and individuals are exempt from paying the levy. The thresholds to apply from the 2000-01 income year have been increased to \$13,807 for individuals and to \$23,299 for families. The additional amount of threshold for each dependent child or student has been increased to \$2,140. The legislation giving effect to the changes received Royal Assent on 22 March 2001.

Increasing the depreciating assets threshold for the Simplified Tax System***Revenue (\$m)***

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	-2.0	-5.0	-5.0	-10.0

Explanation

The Simplified Tax System (STS) has been designed to deliver benefits to small businesses and features turnover and assets tests to exclude larger businesses. The threshold to qualify for the STS was set at \$2 million of depreciating assets. To enable further businesses to take advantage of the STS, this threshold will be increased to \$3 million.

This measure was announced on 7 December 2000 and will commence on 1 July 2001.

Not proceeding with the early refunding of excess imputation credits***Revenue (\$m)***

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	185.0	-	10.0	10.0

Explanation

The Government had previously announced that from 1 July 2001, an early refund mechanism would be introduced so that refunds of excess imputation credits would be available to members of closely held trusts and companies on distribution rather than

just on assessment. This was designed to reduce the cash flow impact on members arising from taxing trusts like companies.

On 27 February 2001 the Government announced that it would not be legislating the New Business Tax System (Entity Taxation) Bill Exposure Draft released in October 2000. Accordingly, on 22 March 2001 the Government announced that, as the entity taxation exposure draft would not be legislated, the refunding of early imputation credits for closely held trusts and companies was not required.

Further information

Further details may be found in the Treasurer's Press Releases No. 8 of 27 February 2001 and No. 16 of 22 March 2001.

Pensioners below seniors age: increase in rebates

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	-35.0	-36.0	-33.0	-34.0

Explanation

In 1999-2000 the maximum pensioner rebate was \$1,358 for individuals and \$980 for each member of a couple, providing an effective tax free threshold of \$12,652 for individuals and up to \$21,524 for couples.

In *A New Tax System (Income Tax Laws Amendment) Act 1999*, the maximum rebate was increased to \$1,443 for individuals and \$1,026 for each member of a couple with effect from 1 July 2000. This provided an effective tax free threshold of \$14,998 for individuals and up to \$25,090 for couples.

Regulations gazetted on 11 May 2001 had the effect of increasing the maximum pensioner rebate for pensioners below seniors age to \$1,608 for individuals and \$1,155 for each member of a couple, providing an effective tax free threshold of \$15,970 for individuals and up to \$26,606 for couples. These regulations take effect from the 2000-01 income year.

Further Information

The Budget also provides an increase in the Medicare levy threshold for pensioners below seniors age and entitled to the pensioner rebate to \$15,970. This will ensure that such pensioners with incomes up to \$15,970 will be completely free from paying tax and completely free from the Medicare levy.

These rebates cut out at \$28,323 for individuals and \$22,035 for each member of a couple such that persons with taxable incomes up to those amounts pay less tax as a result of this measure.

See related revenue measures titled *Senior Australians and pensioners: increase in Medicare levy threshold* and *Senior Australians: increase in rebates* in the Treasury portfolio.

Reduction in surcharge on certain termination payments

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	-14.0	-21.0	-17.0	-21.0

Explanation

The Government will amend the *Termination Payments Tax (Assessment and Collection) Act 1997* and the *Superannuation Contributions Tax (Assessment and Collection) Act 1997*:

- to make the existing transitional arrangements permanent, so that after 19 August 2001 only the portion of an employer eligible termination payment that accrued after 20 August 1996 will be liable to the termination payments surcharge if the termination payment is retained by the taxpayer, or the superannuation contributions surcharge if the termination payment is rolled over into a superannuation fund;
- to include only the amount of the employer eligible termination payment divided by the taxpayer's years of service in the taxpayer's adjusted taxable income for surcharge purposes — for such payments less than the upper surcharge threshold (\$98,955 for the 2000-01 income year, indexed to average weekly ordinary times earnings); and
- so that the excessive component of an employer eligible termination payment is not liable to the termination payments surcharge, while retaining its liability to the Medicare levy and tax at 47 per cent as the excessive component of taxable income.

The first two amendments will apply from 20 August 1996 and the third will apply from 7:30pm AEST, 22 May 2001.

Refining the uniform capital allowance system

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	*	*	*	*

Explanation

A range of minor modifications will be made to the uniform capital allowance (UCA) system to clarify and enhance the UCA system and provide appropriate taxation treatment.

The UCA system, which represents a significant simplification of the tax law covering amortisation of capital expenditure, was announced by the Government on 11 November 1999. The commencement of the UCA system from 1 July 2001 was confirmed by the Government on 22 March 2001.

These modifications arose during the drafting process, and as a result of consultation with business groups and comments received on the exposure draft. They will improve the simplicity and consistency of the UCA system and include:

- providing greater certainty to taxpayers using the 'safe harbour' effective life schedule; and
- introducing a *de minimus* rule to reduce compliance costs for taxpayers who incur additional costs on a depreciating asset.

Further information

Further details may be found in the Treasurer's Press Release No. 31 of 9 May 2001 and in the draft legislation and explanatory statement which can be obtained from the Treasury website (www.treasury.gov.au/businessstax).

Reformed debt/equity tax borderline

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	*	*	*	*

Explanation

On 21 February, the Government announced that it will implement a new test to distinguish 'debt' from 'equity' for tax purposes.

Under this reform, an instrument will be classified as 'debt' if there is an obligation for the issuer to return the initial outlay to an investor. The cost of servicing debt generally will be deductible to the issuer for tax purposes. The servicing costs on other funding instruments will be treated as 'equity', and will generally be frankable. Under these rules, hybrid (part debt/part equity) instruments will be classified as either all debt or all equity. The commencement date of this measure is 1 July 2001.

Reform of thin capitalisation — amendments to the proposed rules

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	-70.0	-45.0	-60.0	-70.0

Explanation

On 21 February 2001, the exposure draft of the New Business Tax System (Thin Capitalisation and Other Measures) Bill 2001 was released for public comment. Following close consultation with taxpayers and their representatives, the draft thin capitalisation legislation will be amended to ensure the new rules operate as intended, and in particular do not prevent financial institutions undertaking normal business. As a result, the draft legislation will be amended to:

- afford greater transitional assistance to taxpayers. The new rules will now apply for their first full income year commencing after 30 June 2001;
- ensure transitional assistance granted under the reform of the debt/equity borderline is preserved in the application of the new thin capitalisation rules;
- modify the safe harbour calculation for authorised deposit-taking institutions (for example, banks), by lowering the safe harbour capital amount (as outlined in the draft legislation) to 4 per cent of risk weighted assets, coupled with several adjustments to the calculation itself;

- introduce a *de minimis* exemption from the new rules for taxpayers with total debt deductions below an annual amount of \$250,000; and
- classify leases and certain other like financing arrangements as eligible for the 'on-lending' rule, to ensure that lending arrangements do not obtain a tax-induced competitive advantage over leasing.

Further information

Thin capitalisation rules aim to ensure multinational companies pay their fair share of tax in Australia. These rules prevent taxpayers from allocating a disproportionate amount of debt to their Australian operations, given the preferential tax treatment of debt compared to equity. The rules achieve this by disallowing tax deductions relating to excessive debt financing. After allowing for the changes, the overall measure is expected to raise around \$1.1 billion over four years to 2004-05.

Relaxing the 'grouping' rule for the Simplified Tax System

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	*	*	*	*

Explanation

The grouping rules of the Simplified Tax System (STS) ensure that businesses that are part of a larger group of entities do not inappropriately gain access to STS benefits. Under the grouping rules, an entity's turnover will be grouped with that of another entity in certain circumstances, including where either entity controls the other.

Legislative tests of the control of an entity will be modified to reduce the possibility that an entity without actual control of another entity could incorrectly be deemed to have control. This measure will reduce the possibility of inadvertent grouping of such entities.

This measure was announced on 7 December 2000 and will commence on 1 July 2001.

Further information

The modifications will also reduce the possibility of inadvertent grouping of, among others, persons granted powers of attorney, where such persons would not benefit from their control of an entity.

Retrospective changes to the exclusive use intention test for research and development

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	*	*	*	*

Explanation

The Government has moved to retrospectively amend legislation to ensure that plant initially used for research and development (R&D) is eligible for the 125 per cent R&D tax concession. The measure ensures that companies obtain the concession when items of plant are used exclusively for R&D, before obtaining normal taxation treatment when the plant is then used for normal commercial purposes.

This measure was announced on 26 April 2001.

Further information

An ATO draft ruling was issued in 1999 which led to uncertainty for businesses claiming the R&D tax concession for plant used in R&D which was later used for commercial purposes. The amendment will ensure that legislation is in line with industry practice and provide certainty for businesses involved in the R&D process.

See also the related revenue measure titled *Backing Australia's Ability — effective life write-off for research and development plant* in the Treasury portfolio.

Revised business tax reform implementation timetable

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	215.0	255.0	-145.0	-95.0

Explanation

On 22 March 2001, the Government announced a revised timetable for the implementation of remaining business tax reforms. The revised timetable will allow an orderly phasing of the further reforms, thereby assisting business to adjust to the reforms to date.

The revised timetable will see some measures, originally to commence from 1 July 2001, now commence from 1 July 2002. These include the consolidation regime, general value shifting rules, foreign income account and the non-resident withholding tax regime.

The Government also announced that recognition of 'blackhole' expenditures will be addressed in a staged manner. The term 'blackhole' expenditure generally refers to expenditure undertaken for the purpose of earning assessable income that is not recognised by the tax system.

Some 'blackhole' expenditures will be addressed in the new capital allowance system that will take effect on 1 July 2001, while other 'blackhole' expenditures that can be separately identified and addressed in the law will be considered on a case by case basis, with possible commencement prior to 1 July 2002. The remaining 'blackhole' expenditures will be considered as part of the development of the tax value method.

Other measures, such as the taxation of financial arrangements and the taxation of leases, will not commence prior to 1 July 2002.

Further information

Further information on the revised timetable for business tax reform implementation can be found in the Treasurer's Press Release No. 16 of 22 March 2001.

Senior Australians and pensioners: increase in Medicare levy threshold

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	-44.0	-46.0	-43.0	-45.0

Explanation

This measure will increase the Medicare levy thresholds so that senior Australians and pensioners do not pay Medicare levy until they start to incur a tax liability. This is achieved by increasing the Medicare levy threshold to \$15,970 for pensioners below seniors age who are entitled to the pensioner rebate and to \$20,000 for senior Australians who are entitled to the low income aged persons rebate or pensioner rebate. These regulations take effect from the 2000-01 income year.

Further Information

Rebates for pensioners below pension age were increased under regulations gazetted on 11 May 2001, so that no income tax is payable on incomes up to \$15,970 from 2000-01. Rebates for persons of age pension age have been increased in this Budget, so that no income tax is payable on incomes up to \$20,000. The increase in the Medicare levy thresholds complement these rebate increases to ensure that persons up to the thresholds pay no Medicare levy and no income tax.

See also the related revenue measures titled *Senior Australians: increase in rebates* and *Pensioners below seniors age: increase in rebates* in the Treasury portfolio.

Senior Australians: increase in rebates

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	-306.0	-315.0	-298.0	-307.0

Explanation

In 1999-00 the maximum pensioner rebate and maximum low income aged persons rebate were \$1,358 for individuals and \$980 for each member of a couple, providing an effective tax free threshold of \$12,652 for individuals and up to \$21,524 for couples.

In *A New Tax System (Income Tax Laws Amendment) Act 1999*, the maximum rebates were increased to \$1,443 for individuals and \$1,026 for each member of a couple with effect from 1 July 2000. This provided an effective tax free threshold of \$14,998 for individuals and up to \$25,090 for couples.

Under regulations gazetted on 11 May 2001, the maximum rebates were further increased to \$1,608 for individuals and \$1,155 for each member of a couple, providing an effective tax free threshold of \$15,970 for individuals and up to \$26,606 for couples.

This Budget measure increases the maximum low income aged persons rebate and pensioner rebate for age and service (age) pensioners to \$2,230 for individuals and \$1,602 for each member of a couple with effect from the 2000-01 income year. This will provide an effective tax free threshold of \$20,000 for individuals and up to \$32,612 for couples.

Further Information

The Medicare levy threshold increase for senior Australians also announced in this Budget will ensure that individual senior Australians with incomes up to \$20,000 are completely free from the Medicare levy as well, and therefore pay no income tax up to that level.

These rebates cut out at \$37,840 for singles and \$29,122 for each member of a couple such that all eligible persons with taxable incomes up to those amounts will pay less tax as a result of this measure.

See related revenue measures titled *Senior Australians and pensioners: increase in Medicare levy threshold* and *Pensioners below seniors age: increase in rebates* in the Treasury portfolio.

Taxation treatment of datacasting transmitter licences

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	*	*	*	*

Explanation

From 1 July 2001, holders of datacasting transmitter licences will be able to write them off over their effective lives. Prior to this change deductions would not have been allowed over the life of this type of licence, rather, a capital loss would have been available once the licence expired.

Further information

Further details may be found in the Treasurer's Press Release No. 2 of 24 January 2001, titled *Taxation treatment of datacasting transmitter licences*.

Withdrawal of entity taxation exposure draft legislation

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	-110.0	-450.0	-265.0	-300.0

Explanation

On 27 February 2001 the Government withdrew the entity taxation exposure draft it released for public comment in October 2000 and will no longer be legislating it.

The Government withdrew the draft in response to issues raised through consultations and submissions. In particular, the submissions identified technical concerns and compliance issues.

The Government, assisted by the Board of Taxation, will commence a new round of consultations based on principles that will protect legitimate small business and farming arrangements whilst addressing any tax abuse in the trust area.

The revenue impact shown above reflects taxing non-fixed trusts under the current law rather than on an entity basis.

Further information

Further details may be found in the Treasurer's Press Releases No. 95 of 11 October 2000, No. 8 of 27 February 2001 and No. 16 of 22 March 2001.

Indirect tax

Abolition of petroleum fuels excise indexation

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	-150.0	-425.0	-785.0	-1135.0

Explanation

On 1 March 2001, the Government announced the abolition of all future half-yearly indexation of fuel excise.

The indexation of excise rates for excisable products (including petroleum fuels) was introduced in 1983. Since August 1983, excise rates have been indexed in line with increases in the Consumer Price Index during a previous six month period. This measure removes these automatic increases.

These changes will also apply to the customs duty on imported fuels.

Further information

See also the related revenue measure titled *Reduce excise and customs duty on petroleum fuels* in the Treasury portfolio.

The abolition of indexation of fuel excise results in a reduction in expenses under the Diesel Fuel Rebate Scheme (DFRS) of around \$20 million in 2001-02, \$70 million in 2002-03, \$140 million in 2003-04, and \$200 million in 2004-05.

Funding for Airservices Australia and aviation industry compliance

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	11.7	11.7	4.7	4.7

Explanation

The Government will continue the excise and customs duty on aviation gasoline and aviation turbine fuel that is directed to the funding of the Civil Aviation Safety Authority (CASA) and the Airservices Australia Location Specific Pricing Subsidy.

While there will be no overall change to the duty levied on the aviation industry, the Government is altering the respective shares paid to Airservices Australia and CASA. The duty directed to the funding of CASA will increase by 0.18 cents per litre to 2.548 cents per litre in order to partially fund the Government's aviation safety

initiatives. The temporary surcharge, announced in the 1998-99 Budget, to offset the Airservices Australia Location Specific Pricing Subsidy will continue for a further two years. The rate of duty, however, will be reduced by 0.18 cents per litre to 0.26 cents per litre.

Further information

See also the related expense and capital measures titled *Aviation industry compliance* and the related expense measure titled *Airservices Australia — Extension of Location Specific Pricing Subsidy* in the Transport and Regional Services portfolio.

Reduced excise and customs duty on petroleum fuels

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Taxation Office:	-485.0	-505.0	-525.0	-545.0

Explanation

On 1 March 2001, the Government announced reductions in excise and customs duty on petroleum fuels as part of a package of cuts to fuel taxes.

With effect from 2 March 2001, excise and customs duties were reduced by 1.5 cents per litre for unleaded petrol, leaded petrol and other petroleum products that attract equivalent rates of duty. Duty on aviation fuels and on those petroleum products attracting concessional rates of duty were reduced by a proportional amount.

The new rates for key petroleum products are:

Leaded petrol	\$0.40516 per litre
Unleaded petrol and diesel	\$0.38143 per litre
Aviation gasoline (avgas)	\$0.02808 per litre
Aviation turbine fuel (avtur)	\$0.02845 per litre
Fuel oil, heating oil, kerosene	\$0.07557 per litre

The ACCC is monitoring fuel prices to ensure that the reduction in excise is being fully passed on to motorists. The ACCC is also examining the feasibility of limiting price fluctuations of petrol and diesel.

Further information

In addition to the excise reductions, the Prime Minister announced on 1 March 2001 that an inquiry will be established into the structure of fuel taxation in Australia.

The reduction in excise and customs duty on petroleum fuels results in a reduction in expenses under the Diesel Fuel Rebate Scheme (DFRS) of around \$20 million in

2000-01, \$80 million in 2001-02, \$90 million in 2002-03, \$90 million in 2003-04, and \$90 million in 2004-05.

See also the related revenue measure titled *Abolition of petroleum fuels excise indexation* in the Treasury portfolio.

Reduction of excise on draught beer

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Tax Office:	-150.0	-160.0	-160.0	-160.0

Explanation

On 3 April 2001, the Parliament passed legislation to reduce excise and customs duty on draught beer from 4 April 2001.

The excise applying to beer products sold in containers of greater than 48 litres was reduced. Excise rates on beer products that apply from 4 April 2001 are:

	Not exceeding 48 litres	Greater than 48 litres
Low strength (1.15% to 3%)	\$44.08	\$15.96
Mid strength (3% to 3.5%)	\$37.42	\$17.33
Full strength (above 3.5%)	\$32.22	\$22.68

Excise on beer products is calculated at the above rates on the volume of alcohol exceeding 1.15 per cent.

The ACCC is monitoring draught beer prices to ensure that the reduction in excise is being fully passed on to consumers.

Non-tax revenue

Increase in financial sector levy for the Superannuation Complaints Tribunal

Revenue (\$m)

	2001-02	2002-03	2003-04	2004-05
Australian Prudential Regulation Authority:	0.7	0.7	0.7	0.7

Explanation

From 1 July 2001 the financial sector levy payable by superannuation funds to meet the administrative costs of the Superannuation Complaints Tribunal is to be adjusted to

offset an increase in the Tribunal's base funding of the same amount. The increased base funding flows from the Commonwealth's successful High Court appeal restoring the Tribunal's determinative function.

Further information

The Tribunal's review function was curtailed in 1998 as a result of a Federal court decision that held that this function involved an invalid exercise of a judicial power by an administrative review body. As a result the Tribunal's role was curtailed and in consequence its funding and the financial sector levy were reduced accordingly.

