

Part 1: Revenue Measures

Table 1: Revenue measures since the 2009-10 MYEFO^(a)

Page		2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
	AGRICULTURE, FISHERIES AND FORESTRY					
	<i>Department of Agriculture, Fisheries and Forestry</i>					
	Reform of Australia's biosecurity system					
90	– foundation elements of biosecurity reform(b)	-	5.0	5.0	5.0	5.0
91	– moving core business towards reform(b)	-	3.9	-	-	-
	Portfolio total	-	8.9	5.0	5.0	5.0
	ATTORNEY-GENERAL'S					
	<i>Administrative Appeals Tribunal</i>					
103	Improving Access to Justice(b)	-	0.9	1.0	1.0	1.0
	<i>Attorney-General's Department</i>					
112	Personal Property Securities Register – additional resourcing(b)	-	-	6.0	6.0	6.0
	<i>Australian Customs and Border Protection Service</i>					
23	Fuel tax – amending the arrangements for fuel ethanol	-	-	64.5	51.5	37.0
51	National Health and Hospitals Network – Prevention – increasing the excise and excise-equivalent customs duty on tobacco products	25.0	260.0	270.0	280.0	290.0
48	Stronger, fairer, simpler tax reform – growth dividend	-	-	-	3.0	8.0
	<i>Australian Transaction Reports and Analysis Centre</i>					
95	Australian Transaction Reports and Analysis Centre – regulatory activities cost recovery(b)	-	-	29.6	29.4	30.0
	<i>Family Court of Australia</i>					
103	Improving Access to Justice(b)	-	2.6	9.9	9.9	10.0
	<i>Federal Court of Australia</i>					
103	Improving Access to Justice(b)	-	3.3	5.3	5.3	5.3
	<i>Federal Magistrates Court of Australia</i>					
103	Improving Access to Justice(b)	-	9.2	-	-	-
	<i>High Court of Australia</i>					
103	Improving Access to Justice(b)	-	0.4	0.4	0.4	0.5
	<i>Insolvency and Trustee Service Australia</i>					
102	Easing debt pressures on those in financial stress(b)	-	3.0	3.2	3.2	3.2
	Portfolio total	25.0	279.4	389.8	389.7	390.8

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	BROADBAND, COMMUNICATIONS AND THE DIGITAL ECONOMY					
	<i>Australian Communications and Media Authority</i>					
118	NBN Co Limited – regulatory framework(b)	3.4	5.8	5.9	4.5	4.5
8	Rebate for broadcasting licence fees	-	-47.5	-121.5	-74.5	-
	Portfolio total	3.4	-41.7	-115.6	-70.0	4.5
	CROSS PORTFOLIO					
	<i>Various Agencies</i>					
9	Carbon Pollution Reduction Scheme – deferral	-	-	-2,880.0	-6,690.0	-5,770.0
	Portfolio total	-	-	-2,880.0	-6,690.0	-5,770.0
	EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS					
	<i>Department of Education, Employment and Workplace Relations</i>					
10	Education Services for Overseas Students Assurance Fund – loan	-	-	-	-	-
140	Job Ready program – onshore international graduates in trade occupations – new skills assessment(b)	-	27.2	23.7	25.8	15.5
147	Occupational Health and Safety Regulation – additional funding(b)	1.2	1.0	1.0	1.0	0.4
	Skills for Sustainable Growth					
149	– A Training System for the Future – A National Entitlement to a Quality Training Place(b)	-	21.7	22.8	29.9	31.4
151	– A Training System for the Future – National Vocational Education and Training Regulator – establishment(b)	-	2.4	11.4	15.9	20.7
	Portfolio total	1.2	52.4	59.0	72.7	68.1
	FAMILIES, HOUSING, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS					
	<i>Indigenous Business Australia</i>					
176	Home Ownership Program – transfer of funding from the Home Ownership on Indigenous Land Program(b)	-	-0.3	..	0.3	0.7
	Portfolio total	-	-0.3	..	0.3	0.7
	HEALTH AND AGEING					
	<i>Department of Health and Ageing</i>					
238	National Health and Hospitals Network – rebalancing financial responsibility in the federation(b)	-	-	283.0	295.0	307.0
250	Pharmaceutical Benefits Scheme – minor new listings(b)	nfp	nfp	nfp	nfp	nfp
252	Private health insurance – supporting lifetime health cover(b)	-	0.6	0.6	0.6	0.6
	Portfolio total	-	0.6	283.6	295.6	307.6

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IMMIGRATION AND CITIZENSHIP						
<i>Department of Immigration and Citizenship</i>						
11	Migration program – General Skilled Migration eligibility changes – visa revenue	-31.7	-103.0	-63.5	-35.9	-29.7
11	Work and Holiday visa (Subclass 462) – addition of new participant countries	-	0.4	0.4	0.4	0.4
	Portfolio total	-31.7	-102.6	-63.1	-35.5	-29.3
PRIME MINISTER AND CABINET						
<i>Australian National Audit Office</i>						
287	NBN Co Limited – financial statements audit(b)	0.1	0.5	1.0	1.7	2.0
<i>Office of the Renewable Energy Regulator</i>						
123	Renewable Energy Target – enhancement(b)	-	*	*	*	*
	Portfolio total	0.1	0.5	1.0	1.7	2.0
TREASURY						
<i>Australian Prudential Regulation Authority</i>						
299	Sustaining the Superannuation Complaints Tribunal's capabilities(b)	-	1.5	1.5	1.5	1.5
<i>Australian Securities and Investments Commission</i>						
276	Australian Business Number and Business Names Registration System – expansion(b)	-	9.5	38.7	39.5	40.2
<i>Australian Taxation Office</i>						
13	Amendment to the senior Australians tax offset regulations	-	-	-	-	-
13	ATO compliance program – dealing with the cash economy	-	32.0	99.8	160.2	199.8
194	Australia's civilian engagement in Afghanistan – an integrated whole-of-government approach(b)	-	-2.2	-1.2	..	-
269	Aviation Safety – Civil Aviation Safety Authority funding strategy(b)	-	20.7	21.8	22.9	24.6
196	Baghdad Embassy – transition towards civilian security arrangements(b)	-	-1.2	-0.1	-	-
<i>Capital gains tax</i>						
14	– limited roll-over for fixed trusts – improving integrity	*	*	*	*	*
14	– aligning scrip for scrip roll-over requirements with the <i>Corporations Act 2001</i>	-	*	*	*	*
15	– demerger relief for certain demerger groups	-	-	*	*	*
15	– extension of roll-over for changes to water entitlements	..	..	..	..	..
16	– extension of the roll-over for conversion of a body to an incorporated company	-	-	*	*	*

Table 1: Revenue measures since the 2009-10 MYEFO^(a) (continued)

Page		2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
	TREASURY (continued)					
	Capital gains tax					
16	– look-through treatment for earnout arrangements	-	-	-5.0	-5.0	-5.0
17	– roll-over for transfer by the Commonwealth Superannuation Corporation to the ARIA investment trust of certain assets	-	-	-	-	-
17	– share sale facility interactions with CGT roll-overs	-	-	*	*	*
18	Capital protected borrowings – change to benchmark interest rate	-2.0	-4.0	-6.0	-8.0	-8.0
	Consolidation					
19	– calculation and collection of income tax liabilities	-	-	-	-	-
20	– changes to the application dates of previously announced measures	*	*	*	*	*
20	– non-membership equity interests	-	25.0	50.0	110.0	200.0
21	– refinements to improve the operation of the consolidation regime	*	*	*	*	*
	Debt/equity tax rules					
22	– facilitating debt tax treatment of certain term subordinated notes	-	*	*	*	*
22	– further extending the debt/equity transitional period for Upper Tier 2 capital instruments	-	*	*	*	*
88	Drought policy reform – pilot of new measures in Western Australia(b)	-	..	..	-	-
23	Fuel tax – amending the arrangements for fuel ethanol	-	-	55.0	41.0	27.5
	GST					
23	– Government response to Board of Taxation report: GST cross-border transactions	-	-	-	*	*
24	– Government response to Board of Taxation report: minor changes	*	*	*	*	*
25	– Reform to the arrangement for exempting taxes, fees and charges from the GST	-	*	*	*	*
25	– Reforms to the GST financial supply provisions	-	-	-	-2.5	2.5
26	– Reforms to the GST margin scheme	-	-	-	-	-
26	– Sale of boats for export within 12 months of delivery	-	-	*	*	*
27	GST and cross-border transport supplies	-	..	..	..	..
27	GST compliance program – working together to improve voluntary compliance	-	494.2	729.9	771.8	695.5
28	Improvements to the Tax Running Balance Account Provisions	-	-	*	*	*
28	Income tax treatment of instalment warrants	-	-	-	-	-

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Page		2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
	TREASURY (continued)					
	International tax					
29	– additional benefits agreements between Australia and Aruba and Australia and Samoa	-	..	..	..	..
29	– Australia-Chile tax treaty	-	..	..	..	..
30	– Australia-Malaysia tax protocol	-	*	*	*	*
30	– Australia-Turkey tax treaty	-	..	*	*	*
31	– changing the definition of a managed investment trust for withholding tax purposes	-	*	*	*	*
31	– fifteen tax information exchange agreements	-	*	*	*	*
32	– update to the list of countries that have effective exchange of information arrangements with Australia	..	..	..	..	..
	Managed investment trusts					
33	– clarifying the capital account treatment announced in the 2009-10 Budget	-	*	*	*	*
34	– Government response to the Board of Taxation's Review	-	-	-	-50.0	-70.0
126	Middle East Area of Operations – continuation and enhancement of Australia's military contribution(b)	-	-62.9	-5.5	-	-
266	Migration Program – allocation of places for 2010-11(b)	-	15.0	30.3	45.1	60.6
51	National Health and Hospitals Network – Prevention – increasing the excise and excise-equivalent customs duty on tobacco products	230.0	985.0	1,015.0	1,040.0	1,090.0
	National Security					
109	– Pacific Police Development program – inclusion of Tonga and Vanuatu(b)	-	-0.2	-0.4	..	-
109	– Regional law enforcement counter-terrorism liaison and capacity building – continuation(b)	-	-0.1	-0.1	-0.1	-0.1
110	– Timor-Leste Police Development program – continuation(b)	-	-1.8	-1.7	-2.2	-2.3
111	– United Nations Mission in Timor-Leste – continued contribution(b)	-	-1.6	-1.6	-0.1	-
35	Non-commercial loan rules – clarification of the 2009-10 Budget measure	-	-	-	-	-
	Personal income tax					
35	– increase in the net medical expenses tax offset claim threshold	-	-	95.0	115.0	140.0
36	– increasing the Medicare levy low-income thresholds	-	-90.0	-45.0	-45.0	-45.0
	Philanthropy					
36	– extending deductible gift recipient status to all volunteer fire brigades and other emergency service entities	-	-	-6.0	-6.0	-6.0

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Page		2009-10 \$m	2010-11 \$m	2011-12 \$m	2012-13 \$m	2013-14 \$m
	TREASURY (continued)					
	Philanthropy					
37	– improving the regulatory framework for public ancillary funds	-	-	..	1.0	2.0
37	– updating the list of specifically listed deductible gift recipients	-0.1	-0.7	-0.4	-0.2	-
8	Rebate for broadcasting licence fees	-	7.0	20.0	9.0	-2.0
127	Solomon Islands – continued Australian Defence Force assistance to the Regional Assistance Mission to Solomon Islands (RAMSI)(b)	-	-1.5	-0.2	-	-
	Stronger, fairer, simpler tax reform					
38	– 50 per cent discount for interest income	-	-	-	-470.0	-480.0
39	– early start to the company tax rate cut for small business companies	-	-	-50.0	-300.0	-200.0
40	– Government superannuation contributions tax rebate for low income earners	-	-	-	-	-830.0
41	– increasing concessional contribution caps for individuals over 50 with low superannuation balances	-	-	-	-545.0	-785.0
42	– increasing the superannuation guarantee rate to 12 per cent	-	-	-	-	-240.0
43	– lowering the company tax rate	-	-	-	-300.0	-2,000.0
43	– phasing down interest withholding tax on financial institutions	-	-	-	-	-70.0
44	– raising the superannuation guarantee age limit from 70 to 75	-	-	-	-	15.0
45	– resource super profits tax	-	-	-	3,000.0	9,000.0
46	– small business instant asset write-off and simplified pooling	-	-	-	-	-1,030.0
47	– standard deduction for work-related expenses and the cost of managing tax affairs	-	-	-	-	-410.0
48	– growth dividend	-	-	-	197.0	392.0
	Superannuation					
48	– deductibility to funds of cost of providing terminal medical condition benefits	-	-1.5	-2.0	-2.0	-2.0
49	– extension of loss relief for merging superannuation funds involving a new complying superannuation entity	*	*	*	*	*
49	– minor amendments	-	*	*	*	*
50	– social security agreement with Austria	-	..	..	..	..
50	– transfer of state and territory unclaimed superannuation to the Commonwealth	-	-	28.8	0.4	0.4
51	TFN withholding for closely held trusts – clarification of the 2009-10 Budget measure	-	..	..	..	..

Table 1: Revenue measures since the 2009-10 MYEFO^(a) (continued)

Page		2009-10	2010-11	2011-12	2012-13	2013-14
		\$m	\$m	\$m	\$m	\$m
	TREASURY (continued)					
128	Timor-Leste – continuation of Australia's commitment to helping to maintain security and stability(b)	-	-6.9	-1.0	-	-
11	Work and Holiday visa (Subclass 462) – addition of new participant countries	-	7.8	8.1	8.4	9.7
	<i>Department of the Treasury</i>					
27	GST compliance program – working together to improve voluntary compliance	-	68.9	86.8	90.7	91.1
331	James Hardie Asbestos Compensation Fund(c)	-	9.4	9.9	10.5	11.1
	Portfolio total	227.9	1,501.3	2,164.3	3,927.9	5,818.1
	Total impact of revenue measures(d)	225.8	1,698.5	-156.1	-2,102.6	797.5

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

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

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

(b) These measures can also be found in the expense measures summary table.

(c) These measures can also be found in the capital measures summary table.

(d) Measures may not add due to rounding.

BROADBAND, COMMUNICATIONS AND THE DIGITAL ECONOMY

Rebate for broadcasting licence fees

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	7.0	20.0	9.0	-2.0
Australian Communications and Media Authority	-	-47.5	-121.5	-74.5	-
Total	-	-40.5	-101.5	-65.5	-2.0

The Government will provide broadcasters with a licence fee rebate of 33 per cent in 2010 and 50 per cent in 2011. This measure has an estimated cost to revenue of \$209.5 million.

The rebate will assist commercial broadcasters to continue to produce and screen Australian content. The assistance recognises the costs currently being incurred by commercial broadcasters in the switch to digital television.

Further information can be found in the press release of 7 February 2010 issued by the Minister for Broadband, Communications and the Digital Economy.

CROSS PORTFOLIO

Carbon Pollution Reduction Scheme — deferral

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Various Agencies	-	-	-2,880.0	-6,690.0	-5,770.0
<i>Related expense (\$m)</i>					
Various Agencies	-107.0	-429.7	-3,155.9	-7,141.2	-7,472.1
<i>Related capital (\$m)</i>					
Various Agencies	-	-9.4	-8.6	-3.3	-

The Government will not move to legislate the Carbon Pollution Reduction Scheme (CPRS) before the end of the current period of the Kyoto Protocol in 2012 and will only introduce the scheme when there is sufficient international action.

The Government remains committed to the introduction of the CPRS. However, the financial impact of deferring the CPRS will depend on the timing of its introduction. As the timing is uncertain, the financial implications of the scheme have been removed from the forward estimates.

The deferral of the CPRS package improves the fiscal balance by \$2.7 billion over five years from 2009-10. Additional net departmental savings have also been taken, amounting to \$237.6 million over five years from 2009-10. This takes the total savings from the measure to \$3.0 billion. This takes account of the impact of all CPRS policy decisions since the *Mid-Year Economic and Fiscal Outlook 2009-10*.

The deferral of the CPRS package improves the underlying cash balance by \$414.9 million over five years from 2009-10. Combined with the additional net departmental saves noted above, the deferral provides total savings of \$652.5 million over five years from 2009-10. The impact in underlying cash terms is smaller than in fiscal balance terms over this period primarily because the cash measure incorporated the receipts from the advanced sale of future vintage permits.

The \$652.5 million in cash savings from this measure will be spent on clean and renewable energy and energy efficiency measures through the new Renewable Energy Future Fund. See also the related Cross Portfolio expense measure titled *Renewable Energy Future Fund*.

EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS

Education Services for Overseas Students Assurance Fund — loan

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Department of Education, Employment and Workplace Relations	-	-	-	-	-
<i>Related expense (\$m)</i>					
<i>Department of Education, Employment and Workplace Relations</i>	-	-	-	-	-

The Government will provide the Education Services for Overseas Students (ESOS) Assurance Fund with a concessional loan of up to \$5.1 million in 2009-10 if required. This would assist the ESOS Assurance Fund to meet its obligations to international students studying in Australia. The loan would, if required, be repaid under an agreement between Department of Education, Employment and Workplace Relations and the Fund manager.

The ESOS Assurance Fund provides international students with a refund of course fees where their education provider cannot deliver the course and a suitable alternative course cannot be found. The loan would help ensure the ESOS Assurance Fund is able to respond in the short term to recent and any prospective closures of international education providers, which place pressure on the Fund's reserves. Further assistance to the ESOS Assurance Fund will be considered if required.

Further information can be found in the press release of 22 February 2010 issued by the Minister for Education, Employment and Workplace Relations.

IMMIGRATION AND CITIZENSHIP

Migration program — General Skilled Migration eligibility changes — visa revenue

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Department of Immigration and Citizenship	-31.7	-103.0	-63.5	-35.9	-29.7

The Government will forgo revenue of \$263.8 million over five years as a consequence of reforms to the eligibility criteria for the General Skilled Migration (GSM) program in response to the review of the Migration Occupations in Demand List (MODL).

Reforms include revoking the MODL from 8 February 2010, implementing a new and more targeted Skilled Occupations List, phasing out the Critical Skills List and changing the *Migration Act 1958* to give the Minister for Immigration and Citizenship the power to set the maximum number of visas that may be granted to applicants in any one occupation. These changes are expected to reduce the number of GSM program applications received and associated revenue from visa application charges.

Further information can be found in the Minister for Immigration and Citizenship's press release of 8 February 2010.

See also the related expense measure *Migration program – General Skilled Migration eligibility changes* in the Immigration and Citizenship portfolio.

Work and Holiday visa (Subclass 462) — addition of new participant countries

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	7.8	8.1	8.4	9.7
Department of Immigration and Citizenship	-	0.4	0.4	0.4	0.4
Total	-	8.2	8.5	8.8	10.1
<i>Related expense (\$m)</i>					
Department of the Treasury	-	2.0	2.8	2.9	3.7

The Government will expand the Work and Holiday visa program (Subclass 462) to include new participant countries.

The Work and Holiday visa is a 12-month temporary visa that encourages cultural exchange and closer ties between Australia and those countries included in the program. The visa allows people aged 18-30 to have an extended holiday supplemented by short-term employment.

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This measure provides an ongoing benefit to the fiscal balance which is estimated to be \$24.2 million over the forward estimates period. This comprises revenue from visa application charges (\$1.6 million) and other tax revenue (\$34 million). This measure also increases GST payments to the States and Territories by \$11.4 million over four years. Arrangements will commence once final agreement is reached between the Government and the new participant countries.

TREASURY

Amendment to the senior Australians tax offset regulations

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	-	-

The Government will amend the senior Australians tax offset regulations affecting the calculation of the rebate threshold, with effect from 1 July 2010. This measure does not have a cost to revenue; the cost was incorporated in *Personal income tax cuts – a tax plan for Australia's future* in the 2008-09 Budget (see page 14 of Budget Paper No. 2).

The rebate threshold is the amount of rebate income an eligible taxpayer can have before the amount of senior Australians tax offset is reduced. Currently, the formula specified in the regulations for calculating the rebate threshold fails to reflect the fact that the low income tax offset (LITO) is reduced when taxable income exceeds \$30,000. This measure will ensure that in situations where the rebate threshold exceeds \$30,000, the calculation of the rebate threshold incorporates the reduction in the LITO.

ATO compliance program — dealing with the cash economy

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	32.0	99.8	160.2	199.8
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	19.4	40.3	43.0	45.1
Department of the Treasury	-	5.7	24.1	48.9	68.0
<i>Total</i>	-	25.1	64.4	91.9	113.1

The Government will provide \$107.9 million over four years to the Australian Taxation Office (ATO) to address unfair competitive advantages that arise when some small business operators avoid their taxation obligations by conducting some or all of their business in the cash economy.

This measure will assist Australian small business to compete on a level playing field by addressing unfair tax practices through increasing the visibility of the ATO in the community.

This measure is expected to result in an additional \$491.8 million in revenue in fiscal balance terms over four years and an increase of \$39.9 million in ATO administered expenses over the same period. In underlying cash terms, the expected increase in revenue is \$366.5 million over four years, including \$146.7 million in GST collections that will be paid to the States and Territories.

Capital gains tax — limited roll-over for fixed trusts — improving integrity

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	*	*	*	*	*

The Government has refined the 2009-10 Budget measure, which provides a limited capital gains tax (CGT) roll-over for fixed trusts, to ensure the integrity of that measure with effect from 1 November 2008. This measure will have an ongoing unquantifiable revenue impact.

The 2009-10 Budget measure provided a CGT roll-over for transfers between trusts with no material discretionary elements (sometimes referred to as 'fixed trusts') and with the same beneficiaries.

This measure places limitations on the roll-over to ensure the integrity of the roll-over and other provisions of the tax law.

Capital gains tax — aligning scrip for scrip roll-over requirements with the *Corporations Act 2001*

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	*	*	*	*

The Government will make it easier for takeovers and mergers regulated by the *Corporations Act 2001* to qualify for a scrip for scrip roll-over, with effect from 6 January 2010. The measure will have an ongoing unquantifiable revenue impact.

One of the requirements of the roll-over is that members in the target entity must be able to participate in the merger or takeover on substantially the same terms. This differs from the member participation requirements in the *Corporations Act 2001*. As a result, a merger that meets the requirements of the *Corporations Act 2001* may not qualify for the roll-over. This measure removes this inconsistency.

Further information can be found in the press release of 6 January 2010 issued by the Assistant Treasurer.

Capital gains tax — demerger relief for certain demerger groups

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	*	*	*

The Government will amend the capital gains tax (CGT) demerger provisions so that an entity is excluded from being a member of a demerger group if it is a corporation sole or a complying superannuation entity, with effect from 7.30 pm (AEST) on 11 May 2010. This measure is expected to have a negligible revenue impact that is unquantifiable.

The CGT demerger provisions provide a roll-over for CGT consequences arising from the demerger of an entity from a demerger group.

The measure will correct a defect in the current legislation that prevents demerger groups from accessing demerger relief where the head entity is a corporation sole or a complying superannuation entity. This will facilitate a wider range of business restructures by expanding the scope of entities that can benefit from the roll-over.

Capital gains tax — extension of roll-over for changes to water entitlements

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	..	..	..	..	..

The Government will extend the capital gains tax (CGT) roll-over for transformation arrangements to any capital gains or losses arising from changes to water entitlements to include pre-transformation transactions. Transformation is the process by which an irrigator permanently changes (transforms) their right to water against an irrigation infrastructure operator into a statutory licence held by an entity other than the operator. The measure takes effect from the 2005-06 income year with transitional provisions applying until the date of Royal Assent. This measure will have an ongoing negligible revenue impact.

Currently, pre-transformation changes could trigger immediate CGT liabilities for parties dealing with water entitlements. Operators may undertake pre-transformation transactions to ensure irrigators are treated equitably during the transformation process.

This measure will enable taxpayers to defer any CGT consequences arising from the replacement of their water entitlements with one or more different water entitlements. This measure ensures that CGT is not a barrier to transformation.

Further information can be found in the press release of 2 December 2009 jointly issued by the Minister for Climate Change and Water and the Assistant Treasurer.

Capital gains tax — extension of the roll-over for conversion of a body to an incorporated company

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	*	*	*

The Government will expand the capital gains tax (CGT) roll-over for the conversion of a body to an incorporated company to include transfers of incorporation by Indigenous incorporated bodies and make the existing roll-over more accommodating to business practices, with effect from 7.30 pm (AEST) on 11 May 2010. This measure is expected to have a negligible revenue impact that is unquantifiable.

The measure will extend the roll-over to include Indigenous incorporated bodies transferring incorporation to the *Corporations (Aboriginal and Torres Straight Islander) Act 2006* and transfers of incorporation from that Act to the *Corporations Act 2001*. This will allow Indigenous incorporated bodies to transfer their incorporation without immediate CGT consequences.

The measure will also make the roll-over more flexible to accommodate situations where a body is wound up and then reincorporated under a different corporations law. This includes providing a roll-over for any gains or losses realised by the original entity when it ceases to own its CGT assets, trading stock, and depreciating and revenue assets that become assets of the newly incorporated entity as part of the reincorporation.

The expanded roll-over will also allow a taxpayer to receive shares on incorporation that reflect all of the interests and rights they held in the body prior to the transfer of incorporation.

Capital gains tax — look-through treatment for earnout arrangements

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-5.0	-5.0	-5.0

The Government will allow all payments under a qualifying earnout arrangement to be treated as relating to the underlying business asset. The measure will have effect from the date of Royal Assent of the enabling legislation, with transitional provisions available in certain cases from 17 October 2007. This measure has an ongoing cost to revenue that is estimated to cost \$15 million over the forward estimates period.

Earnout arrangements are used to structure the sale of a business (or business assets) to manage uncertainty about the value of the business. Under the earnout arrangement, an earnout right may entitle the buyer or seller to additional payments depending on the subsequent performance of the business.

Currently, an earnout right is treated as a separate capital gains tax (CGT) asset. This treatment can result in anomalous outcomes for taxpayers where the actual payments under the earnout right differ from the amounts estimated at the start of the arrangement, such as by reducing access to the CGT small business concessions.

This measure will ensure that the CGT treatment of earnout arrangements does not create an impediment to the efficient market for the sale of businesses or business assets.

Capital gains tax — roll-over for transfer by the Commonwealth Superannuation Corporation to the ARIA investment trust of certain assets

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	-	-

The Government will provide a capital gains tax (CGT) roll-over for the transfer by the proposed Commonwealth Superannuation Corporation of assets from the Military Superannuation Benefits Scheme to the Australian Reward Investment Alliance (ARIA) investment trust, with effect from 1 July 2010 until 30 June 2011. This measure has no revenue impact.

The CGT roll-over will ensure that no capital gain or loss will be recognised at the time of the transfer. The provision of this CGT roll-over reflects the involuntary nature of the transaction due to proposed changes in the governance of the funds.

Capital gains tax — share sale facility interactions with CGT roll-overs

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	*	*	*

The Government will allow Australian resident interest holders access to a broader range of capital gains tax (CGT) roll-overs where an entity restructures using a share or interest sale facility for foreign interest holders and ownership requirements are appropriately maintained, with effect from 7.30 pm (AEST) 11 May 2010. This measure is expected to have a negligible revenue impact that is unquantifiable.

Companies may use a share or interest sale facility to restructure when it would be impractical and expensive for them to comply with requirements in foreign jurisdictions relating to the issuing of interests to their foreign interest holders.

Where a business uses a share or interest sale facility, Australian resident interest holders may not be able to access a relevant CGT roll-over. This is because certain roll-overs require that all interest holders exchange their interests in the original entity for interests in the new entity. Under a share or interest sale facility, new interests which would have been allocated to foreign interest holders are allocated to an agent.

This measure will remove this impediment to business entities restructuring where the entity uses a share or interest sale facility in its restructure.

Capital protected borrowings — change to benchmark interest rate

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-2.0	-4.0	-6.0	-8.0	-8.0

The Government will adjust the benchmark interest rate that applies to capital protected borrowings to the Reserve Bank of Australia (RBA) indicator rate for standard variable housing loans plus 100 basis points, instead of the RBA indicator rate for standard variable housing loans as announced in the 2008-09 Budget. The measure will apply to capital protected borrowings entered into from 7:30 pm (AEST) 13 May 2008. This measure has an ongoing cost to revenue estimated to be \$28 million over the forward estimates period.

The Government will also extend the transitional arrangements for capital protected borrowings entered into at or before 7:30 pm (AEST) 13 May 2008 from the announced 13 May 2013 to 30 June 2013.

The adjusted benchmark interest rate better reflects the additional credit risk borne by lenders for the cost of capital protection that is paid on a deferred basis. Lifting the benchmark interest rate by 100 basis points will allow borrowers to allocate a smaller proportion of the expenses on the borrowings to the cost of capital protection, which is not deductible if on capital account.

Extending the current treatment for capital protected borrowings entered into on or before 7:30 pm (AEST) 13 May 2008 from 13 May 2013 to 30 June 2013 will reduce compliance costs for affected taxpayers in the 2012-13 income year.

Consolidation — calculation and collection of income tax liabilities

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	-	-

The Government will improve the operation of the rules relating to the calculation and collection of income tax liabilities from consolidated groups and multiple entry consolidated groups (MEC groups) by:

- clarifying that the Commissioner of Taxation can recover unpaid Pay As You Go (PAYG) liabilities under the liability for payment rules, with effect from 11 May 2010;
- clarifying that the liability for payment of tax rules applies to MEC groups, with effect from 11 May 2010;
- clarifying that an entity that pays its contribution amount under a tax sharing agreement can leave a consolidated group or MEC group clear from any further liability, with effect from the 2004-05 income year;
- ensuring that, where there is a change in the provisional head company of a MEC group during an income year, any PAYG instalments paid by the former provisional head company on behalf of the group are attributed to the group, with effect from 1 July 2002; and
- clarifying that relevant parts of the income tax law apply to MEC groups in the same way as they apply to consolidated groups, with effect from 1 July 2002.

These measures have no revenue impact.

These measures will improve the operation of the consolidation regime by ensuring that the rules relating to the calculation and collection of income tax liabilities apply consistently to consolidated groups and MEC groups and, in most cases, will confirm existing practice.

Consolidation — changes to the application dates of previously announced measures

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	*	*	*	*	*

The Government will modify the announced dates of effect of various measures to improve the operation of the consolidation regime. The announced dates of effect for many of the measures will be modified to ensure that consolidated groups are not disadvantaged by retrospective changes to the law. This measure will have an ongoing unquantifiable revenue impact.

Further information relating to the measures affected can be found in the press release of 13 May 2008 issued by the Treasurer and the then Assistant Treasurer and Minister for Competition Policy and Consumer Affairs.

Consolidation — non-membership equity interests

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	25.0	50.0	110.0	200.0

The Government will modify the consolidation regime so that non-membership equity interests issued by an entity that joins or leaves a consolidated group are taken into account under the tax cost setting rules, with effect from 10 February 2010. However, taxpayers will have the option to apply the measure with effect from 1 July 2002. This measure will have an ongoing gain to revenue estimated to be \$385 million over the forward estimates period.

When an entity joins a consolidated group, the tax cost setting rules operate to reset the tax costs of the joining entity's assets. This measure will ensure that, if the joining entity has issued non-membership equity interests, the tax costs of its assets are not understated by the value of those interests.

Similarly, when an entity leaves a consolidated group, the tax cost setting rules operate to reconstruct the tax costs of the membership interests held in the leaving entity by the group. This measure will ensure that, if the leaving entity has issued non-membership equity interests to members of the group, a tax cost will arise for those interests.

In addition, if the leaving entity has issued non-membership equity interests to entities that are not members of the group, this measure will ensure that the tax costs of the membership interests held by the group are not overstated by the value of those interests.

Consolidation — refinements to improve the operation of the consolidation regime

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	*	*	*	*	*

The Government will improve the operation of the consolidation regime by:

- simplifying the approach to making various consolidation choices, with effect from 1 July 2002;
- allowing a company that was a member of a multiple entry consolidated group since formation to be eligible to be appointed as the provisional head company of the group, with effect from 1 July 2002;
- as a transitional rule, allowing consolidated groups to make a choice to preserve the capital gains tax treatment of a gain or loss that arises prior to 23 August 2006 when an amount received in payment of a foreign currency trade receivable exceeds its tax cost setting amount, with effect from 1 July 2002; and
- correcting the formula for working out the adjustment for inherited deductions under the tax cost setting rules that apply when an entity leaves a consolidated group, with effect from 10 February 2010.

These measures will have an ongoing unquantifiable revenue impact.

These measures will improve the operation of the consolidation regime by ensuring that it operates as intended and correcting some technical deficiencies in the income tax law. In particular, the measures will ensure that a choice to form a consolidated group remains effective despite a defect in the notice to advise the Commissioner of Taxation of the choice.

Debt/equity tax rules — facilitating debt tax treatment of certain term subordinated notes

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	*	*	*	*

The Government has registered regulations that facilitate debt tax treatment of certain term subordinated notes. The regulations commenced on 15 April 2010 and apply to payments of principal or interest made under the relevant notes on or after 1 July 2001. This measure has an ongoing unquantifiable but minimal revenue impact.

The regulations provide that certain solvency and capital adequacy clauses in the relevant notes do not preclude the notes from being a debt interest under the debt/equity tax rules. The clauses allow or require the payment of principal or interest on the notes to be deferred in certain circumstances. Without the regulations, the clauses may make the obligation to pay the principal or interest a contingent obligation and consequently preclude the relevant note from being a debt interest for tax purposes.

Further information can be found in the press release of 20 April 2010 issued by the Assistant Treasurer.

Debt/equity tax rules — further extending the debt/equity transitional period for Upper Tier 2 capital instruments

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	*	*	*	*

The Government will extend further the debt/equity transitional period for Upper Tier 2 capital instruments to 1 July 2010, with effect from the date of Royal Assent of the enabling legislation. The measure has an ongoing unquantifiable revenue impact.

Extension of the debt/equity transitional period to 1 July 2010 will allow time to transition to the proposed regulations that will ensure that certain Upper Tier 2 subordinated notes are not precluded from being a debt interest under the debt/equity tax rules. The measure will apply to Upper Tier 2 instruments issued before 1 July 2001.

Further information can be found in the press release of 20 April 2010 issued by the Assistant Treasurer.

Fuel tax — amending the arrangements for fuel ethanol

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Customs and Border Protection Service	-	-	64.5	51.5	37.0
Australian Taxation Office	-	-	55.0	41.0	27.5
Total	-	-	119.5	92.5	64.5
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	-	3.5	-	-2.0

The Government will amend the 2004-05 Budget measure to introduce an energy content-based fuel excise system. This measure is estimated to have an increase in revenue of \$276.5 million and an increase in expenses of \$1.5 million over the forward estimates.

The excise and excise-equivalent customs duty rate for ethanol will be set at 25 cents per litre from 1 July 2011, phasing down to 12.5 cents per litre from 1 July 2015. There will be an offsetting grant payment to domestic ethanol producers that will be progressively reduced from 22.5 cents per litre on 1 July 2011 to zero by 1 July 2015. There will be no offsetting grants for excise-equivalent customs duty.

The measure will provide the Australian ethanol industry with adequate time to prepare for the forthcoming changes.

GST — Government response to Board of Taxation report: GST cross-border transactions

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	*	*
<i>Related expense (\$m)</i>					
Department of the Treasury	-	-	-	*	*

The Government will implement all the recommendations of the Board of Taxation from its *Review of the application of GST to cross-border transactions*, with effect from 1 July 2012. This measure will have an ongoing unquantifiable revenue impact and an ongoing unquantifiable impact on GST payments to the States and Territories.

The package will significantly reduce the number of non-residents who are unnecessarily drawn into Australia's GST system, through limiting the connected with Australia provisions; expanding the compulsory reverse charge provision; extending the GST-free rules for cross-border supplies; and removing the need for some non-residents to register.

Those components of the package that are a change to the GST base are subject to the unanimous agreement of the States and Territories.

GST — Government response to Board of Taxation report: minor changes

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	*	*	*	*	*
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	*	*	*	*	*

The Government has made further minor revisions to its 2009-10 Budget measure in response to the Board of Taxation's recommendations from its review of the legal framework for the administration of the goods and services tax (GST). This measure will remove unintended policy outcomes and ensure that the reforms achieve their maximum effectiveness in reducing compliance costs, streamlining the provisions and removing anomalies in the GST administrative framework. This measure will have an ongoing unquantifiable revenue impact and an ongoing unquantifiable impact on GST payments to the States and Territories.

The start date for the following components of the 2009-10 Budget measure has been revised to 1 July 2011:

- adopt the income tax self assessment regime for indirect taxes and refresh the period of review;
- reform the change of use adjustments;
- allow adjustments for pre-registration acquisitions;
- clarify the treatment of tax law partnerships;
- simplify the GST grouping membership interest rules and allow grouping of non-operating holding companies; and
- introduce a reverse charge for supplies of going concerns and farmland.

Further information can be found in the press release of 22 January 2010 issued by the Assistant Treasurer.

GST — Reform to the arrangement for exempting taxes, fees and charges from the GST

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	*	*	*	*
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	-	*	*	*	*

The Government will amend the GST law to replace the current mechanism for exempting Australian taxes, fees and charges with a principles-based legislative exemption, with effect from 1 July 2011. This measure will have an ongoing unquantifiable revenue impact and an ongoing unquantifiable impact on GST payments to the States and Territories.

The GST law currently specifies that Australian taxes, fees and charges are exempt from GST if they are included in a determination made by the Treasurer. This measure will allow the GST treatment of an Australian tax, fee or charge to be determined against legislative principles.

This measure will provide increased certainty to taxpayers and Government agencies in relation to the GST treatment of new taxes, fees and charges, as the tax treatment is not dependent on the item being listed in a determination. A principles-based legislative exemption will provide a more effective and transparent approach to exempting Australian taxes, fees and charges from the GST.

GST — Reforms to the GST financial supply provisions

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	-2.5	2.5
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	-	-	-	1.0	7.0

The Government will amend the financial supply provisions of the GST law to clarify the operation of the legislation and reduce compliance and administrative costs, particularly for many small businesses, with effect from 1 July 2012. This measure will have no net revenue impact over the forward estimates period. However, it will increase GST payments to the States and Territories by \$8 million over the forward estimates period.

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The reforms include increasing the threshold above which businesses need to interact with the financial supply provisions from \$50,000 to \$150,000 of input tax credits; delivering compliance savings for many more small businesses; protecting the GST base by reducing opportunities for businesses to inappropriately take advantage of the reduced input tax credit concessions by bundling services; and allowing small businesses accounting for GST on a cash basis to claim input tax credits upfront in relation to hire purchase arrangements.

Those components of the package that are a change to the GST base are subject to the unanimous agreement of the States and Territories.

GST — Reforms to the GST margin scheme

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	-	-
Related expense (\$m)					
Department of the Treasury	-	-	-	-	-

The Government will restructure the margin scheme provisions to clarify and simplify the current provisions, with effect from 1 July 2012. The Government will also make a minor technical amendment to ensure that a valuation can be obtained for the purposes of using the margin scheme for subdivided land. This measure has no revenue impact.

GST — Sale of boats for export within 12 months of delivery

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	*	*	*
Related expense (\$m)					
Department of the Treasury	-	-	*	*	*

The Government will allow eligible supplies of boats used for recreational purposes to be GST-free if the boats are exported from Australia within 12 months, with effect from 1 July 2011. The current limit is 60 days.

Further details of the measure will be determined after consultation. This measure will have an ongoing unquantifiable revenue impact and an ongoing unquantifiable impact on GST payments to the States and Territories.

The measure is subject to the unanimous agreement of the States and Territories.

GST and cross-border transport supplies

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	..	..	..	..
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	-	..	..	..	..

The Government will make a number of minor revisions to its 2009-10 Budget measure that reduces GST compliance costs for businesses involved in the domestic transport of exported and imported goods, to ensure that the place of consignment will always be determined by the place of delivery in the principal contract. This measure will have an ongoing negligible revenue impact and an ongoing negligible impact on GST payments to the States and Territories.

The measure will also ensure that ancillary services to the international transport of goods receive the same GST treatment as the transport supply that they facilitate.

GST compliance program — working together to improve voluntary compliance

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	494.2	729.9	771.8	695.5
Department of the Treasury	-	68.9	86.8	90.7	91.1
Total	-	563.1	816.7	862.5	786.6
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	-	216.9	391.9	478.2	474.3
<i>Australian Taxation Office</i>	-	62.4	86.8	90.7	91.1
Total	-	279.3	478.7	568.9	565.4
<i>Related capital (\$m)</i>					
<i>Australian Taxation Office</i>	-	6.5	-	-	-

The Government will provide \$337.5 million over four years to the Australian Taxation Office (ATO) to fund additional activities that promote voluntary GST compliance and provide a level playing field for Australian businesses. Arrangements for funding these activities will be settled with the States and Territories in accordance with the GST Administration Performance Agreement.

This measure will address issues relating to fraudulent GST refunds, systematic under-reporting of GST liabilities, non-lodgement of GST returns and non-payment of GST debts. It is expected to result in an additional \$2.7 billion in revenue over four years (in fiscal balance terms) due to increased taxpayer compliance.

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The measure includes \$6.5 million in capital funding for the ATO in 2010-11, which will provide additional capacity to store and analyse data that is obtained from external agencies.

This measure will result in an additional \$1.56 billion over four years in underlying cash GST collections that will be paid to the States and Territories. In underlying cash terms, the increase in non-GST taxation receipts is expected to be \$1.74 billion over four years.

Improvements to the Tax Running Balance Account Provisions

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	*	*	*
<i>Related expense (\$m)</i>					
Department of the Treasury	-	-	*	*	*

The Government will increase flexibility in managing running balance accounts and provide for interest to be paid to taxpayers where overpayments arise because of an amended franking deficit tax assessment. The measure will take effect from a date to be decided after public consultation. This measure has an ongoing unquantifiable revenue impact.

Running balance accounts are the main way the Commissioner accounts for taxpayers' tax debts and entitlements. The changes will enhance the Commissioner's ability to manage a taxpayer's accounts in a more efficient and informative way. The Government will consult on the best way to simplify, improve, and enhance the flexibility of the running balance account provisions and the provisions for paying interest on overpayments.

Income tax treatment of instalment warrants

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	-	-

The Government will amend the income tax treatment of qualifying instalment warrants to provide certainty for investors by treating them as the owner of the underlying asset for income tax purposes, with effect from 1 July 2007. This decision was reported in the *Mid-Year Economic and Fiscal Outlook 2009-10* as a decision taken but not yet announced. This measure has an ongoing unquantifiable revenue impact.

The measure will also ensure that the opportunity for non-recourse borrowing by trustees of superannuation funds permitted under prudential regulations is not undermined by its tax treatment.

Currently, a technical interpretation of the law does not support the accepted practice with respect to the income tax treatment of instalment warrants.

Further details can be found in the press releases of 10 March 2010 issued by the Minister for Financial Services, Superannuation and Corporate Law and the Assistant Treasurer.

International tax — additional benefits agreements between Australia and Aruba and Australia and Samoa

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	..	..	..	..

The Government has signed additional benefits agreements with Aruba and Samoa. These agreements allocate taxing rights over certain income derived by individuals between Australia and Aruba and Australia and Samoa. This measure has an ongoing negligible revenue impact.

The agreements allocate taxing rights over income from pensions, annuities, government services and certain payments made to visiting students and business apprentices. The agreements also establish an administrative mechanism to help resolve transfer pricing disputes between Australia and Aruba, and Australia and Samoa.

Both of these agreements were signed in conjunction with a tax information exchange agreement, which will provide for bilateral cooperation to prevent tax avoidance and evasion.

International tax — Australia-Chile tax treaty

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	..	..	..	..

The Government signed a new tax treaty with Chile on 10 March 2010. The treaty will enter into force after both countries advise that they have completed their domestic implementation requirements. This measure has an ongoing negligible revenue impact.

The treaty will remove and reduce tax barriers to the cross-border movement of people, capital and technology. In particular, this measure will reduce withholding tax on dividends, interest and royalty payments, and provide tax integrity measures.

Further information can be found in the press release of 10 March 2010 issued by the Assistant Treasurer.

International tax — Australia-Malaysia tax protocol

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	*	*	*	*

The Government signed a protocol to upgrade the exchange of information provisions in Australia's tax treaty with Malaysia on 24 February 2010. The protocol will enter into force after both countries advise that they have completed their domestic implementation requirements. This measure has an ongoing unquantifiable revenue impact.

The protocol will allow for the full exchange of information in relation to Australia's federal taxes and Malaysia's taxes.

Further information can be found in the press release of 24 February 2010 issued by the Assistant Treasurer.

International tax — Australia-Turkey tax treaty

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	..	*	*	*

The Government signed a new tax treaty with Turkey on 28 April 2010. The treaty will enter into force after both countries advise that they have completed their domestic implementation requirements. This measure has an ongoing unquantifiable revenue impact.

The treaty will remove and reduce tax barriers to the cross-border movement of people, capital and technology. In particular, this measure will reduce withholding tax on dividends, interest and royalty payments, and provide tax integrity measures.

Further information can be found in the press release of 29 April 2010 issued by the Assistant Treasurer.

International tax — changing the definition of a managed investment trust for withholding tax purposes

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	*	*	*	*

The Government will amend the definition of a managed investment trust (MIT) for withholding tax purposes to include certain wholesale managed investment schemes and certain widely held pooled superannuation trusts, with effect from the first income year starting on or after the date of Royal Assent of the enabling legislation. This measure has an ongoing unquantifiable revenue impact.

These changes will broaden the scope of the managed investment trust withholding tax rules. They will also more closely align those rules with, and have flow-on effects for, the MIT deemed capital account treatment measure.

The definition will also introduce tests to exclude trusts that are carrying on a trading business, are closely held, or are not managed in Australia. The operation of the rules will be clarified to make it clear that they can apply in cases where the trust has only one member and that member is itself a specified widely held entity.

International tax — fifteen tax information exchange agreements

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	*	*	*	*

The Government has signed tax information exchange agreements (TIEAs) with the following 15 countries:

- Anguilla;
- Aruba;
- the Bahamas;
- Belize;
- the Cayman Islands;
- Dominica;
- Grenada;
- Monaco;

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- Samoa;
- San Marino;
- St Kitts and Nevis;
- St Lucia;
- Saint Vincent and the Grenadines;
- Turks and Caicos Islands; and
- Vanuatu.

Each of these agreements will enter into force after both jurisdictions advise that they have completed their domestic requirements. This measure has an ongoing unquantifiable revenue impact.

The measure allows for the full exchange of information in relation to Australia's federal taxes and the taxes of the relevant jurisdiction.

International tax — update to the list of countries that have effective exchange of information arrangements with Australia

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	..	..	..	..	..

The Government will update the list of countries reported in the *Taxation Administration Regulations 1976* whose residents are eligible to access a reduced rate of withholding tax on certain distributions from Australian managed investment trusts. This measure has an ongoing negligible revenue impact.

The reduced withholding tax rate is restricted to residents of countries with which Australia has exchange of information arrangements and which are listed in the Regulations. This requirement safeguards the integrity of the managed investment trust withholding tax system and signals Australia's commitment to using effective exchange of information to reduce opportunities for international tax evasion and avoidance.

This measure updates the list to include:

- Antigua and Barbuda;
- the British Virgin Islands;

- the Isle of Man; and
- Jersey.

Managed investment trusts — clarifying the capital account treatment announced in the 2009-10 Budget

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	*	*	*	*

The Government will refine certain aspects of the 2009-10 Budget measure that allows eligible Australian managed investment trusts (MITs) to make an irrevocable election to apply the capital gains tax (CGT) regime as the primary code for taxing certain disposals of assets by:

- expanding the definition of MIT to ensure that a broader range of widely held trusts, such as state-operated trusts and certain wholesale trusts, are able to make an election, with effect from the 2008-09 income year;
- expanding the scope of eligible assets, with effect from the 2008-09 income year;
- providing taxpayers with certainty about prior year assessments by preventing the Commissioner of Taxation amending, without the consent of the taxpayer, prior year assessments, in respect of a re-characterisation of gains or losses from eligible assets from capital to revenue or vice versa. This change will have effect from the 2008-09 income year; and
- treating gains and losses on disposals of shares and units by eligible MITs that do not make an election on revenue account. Distributions or gains on 'carried interest' units in eligible MITs will also be treated on revenue account. These changes will have effect from the date of Royal Assent of the enabling legislation.

These measures have an ongoing unquantifiable revenue impact.

Further information can be found in press releases of 10 December 2009 and 10 February 2010 issued by the Assistant Treasurer.

Managed investment trusts — Government response to the Board of Taxation's Review

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	-50.0	-70.0

The Government will introduce a new taxation regime for Australian managed investment trusts (MITs) in response to the Board of Taxation's (Board) Report on its review of the tax arrangements applying to MITs, with effect from 1 July 2011. This measure has an ongoing cost to revenue estimated to be \$120 million over the forward estimates period.

This measure will increase certainty, reduce complexity and minimise compliance costs for MITs, their investors and the Australian Taxation Office. The measure will ensure that the managed funds industry is able to continue to operate effectively through trust structures. In summary, the new taxation regime will:

- allow MITs to use an attribution method of taxation (in lieu of the existing present entitlement to income method);
- include a 5 per cent *de minimis* rule to allow MITs to carry forward under and over distributions into the next income year without adverse taxation consequences; and
- allow unit holders to make, in certain circumstances, adjustments (including upward) to the cost base of their unit holdings to eliminate double taxation that may otherwise arise.

As part of this measure, the corporate unit trust rules will be repealed. These rules, which aim to discourage the reorganisation of companies involving the transfer of assets into a public unit trust, will be replaced with an arm's length rule to be included in the public trading trust provisions.

This measure will also amend the 20 per cent tracing rule for public unit trusts so that it does not apply to superannuation funds and exempt entities that are entitled to a refund of excess imputation credits.

This measure furthers the Government's commitment to promote Australia as a financial services hub and will ensure that Australian managed funds remain competitive in global financial markets.

Further information can be found in the press release of 7 May 2010 issued by the Assistant Treasurer.

Non-commercial loan rules — clarification of the 2009-10 Budget measure

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	-	-

The Government will further refine the non-commercial loan rules announced in the 2009-10 Budget, by clarifying the scope of payments that can give rise to a deemed dividend when they are provided to shareholders or their associates, with effect from 1 July 2009. This measure has no revenue impact.

The measure will clarify that where a private company provides a dwelling to the shareholder of the private company or their associate, for use as their main residence, a payment will not arise under the non-commercial loan rules. The exemption will apply to the use of a dwelling where the private company acquired the dwelling before 1 July 2009 and the private company continues to meet a modified continuity of ownership test.

Personal income tax — increase in the net medical expenses tax offset claim threshold

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	95.0	115.0	140.0

The Government will increase the threshold above which a taxpayer may claim the net medical expenses tax offset (NMETO) from \$1,500 to \$2,000 and commence annually indexing the threshold to the Consumer Price Index, with effect from 1 July 2010. The first indexation adjustment to the threshold will take place on 1 July 2011. This measure has an ongoing gain to revenue which is estimated to be \$350 million over the forward estimates period.

The NMETO currently allows taxpayers to receive a tax offset equal to 20 per cent of net unreimbursed eligible medical expenses above \$1,500. The claim threshold is not currently indexed and was last increased in the 2002-03 income year. Since that time medical costs and wages have increased significantly. This measure will ensure the ongoing sustainability of the NMETO.

Personal income tax — increasing the Medicare levy low-income thresholds

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-90.0	-45.0	-45.0	-45.0

The Government will increase the Medicare low-income thresholds to \$18,488 for individuals and \$31,196 for families, with effect from 1 July 2009. This measure has an ongoing cost to revenue estimated to be \$225.0 million over the forward estimates period.

The additional amount of threshold for each dependent child or student will also increase to \$2,865. The increase in these thresholds takes into account movements in the Consumer Price Index and ensures that low-income families and individuals are not liable to pay the Medicare levy.

The Government will also increase the Medicare levy threshold for single pensioners below Age Pension age to \$27,697, with effect from 1 July 2009. This increase will ensure that pensioners below Age Pension age do not pay the Medicare levy when they do not have an income tax liability.

Philanthropy — extending deductible gift recipient status to all volunteer fire brigades and other emergency service entities

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-6.0	-6.0	-6.0

The Government will extend deductible gift recipient (DGR) support to volunteer fire brigades and other volunteer-based and state-recognised emergency services entities, with effect from the date of Royal Assent of the enabling legislation. The measure will also extend DGR status to all of the state government bodies that coordinate volunteer fire brigades and state emergency services. This measure has an ongoing cost to revenue, estimated to be \$18 million over the forward estimates period.

Brigades and other emergency service entities will be given the opportunity to comment on the measure as part of a public consultation process.

Philanthropy — improving the regulatory framework for public ancillary funds

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	..	1.0	2.0

The Government will support and improve public ancillary funds by introducing a new regulatory framework similar to that introduced on 1 October 2009 for private ancillary funds, with effect from 1 July 2011. This measure has an ongoing gain to revenue which is estimated to be \$3.0 million over the forward estimates period.

The framework will include legislative guidelines governing the establishment and maintenance of the funds, and provide the Commissioner of Taxation with the power to impose administrative penalties on trustees for breaches of the guidelines.

The measure will provide trustees of these funds with greater certainty as to their philanthropic obligations and provide donors and the charitable sector with greater confidence that donations are being used effectively.

Transitional rules will be provided to facilitate transition into the new regime.

The charitable sector will be given the opportunity to comment on the measure as part of a public consultation process.

Philanthropy — updating the list of specifically listed deductible gift recipients

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-0.1	-0.7	-0.4	-0.2	-

Since the *Mid-Year Economic and Fiscal Outlook 2009-10*, the following organisations have been approved as deductible gift recipients (DGRs):

- Bali Peace Park Association, from 16 December 2009 until 16 December 2011;
- Sichuan Earthquake Surviving Children's Education Fund, from 12 May 2008 until 12 May 2010;
- Xanana Vocational Education Trust, from 21 July 2009 until 31 December 2010; and
- Yachad Accelerated Learning Project Limited, from 1 July 2009 until 30 June 2012.

Taxpayers may claim an income tax deduction for certain gifts of money or property to DGRs. This measure has an estimated cost to revenue of \$1.5 million over five years.

Stronger, fairer, simpler tax reform — 50 per cent discount for interest income

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	-470.0	-480.0
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	2.9	19.7	8.3	7.7
Department of Human Services	-	0.4	1.4	1.1	0.4
Department of Families, Housing, Community Services and Indigenous Affairs	-	-	26.9	32.1	32.1
Department of Education, Employment and Workplace Relations	-	-	2.1	2.1	2.2
Department of Health and Ageing	-	-	0.3	2.5	3.1
Department of Veterans' Affairs	-	-	-	0.2	0.2
Total	-	3.3	50.4	46.2	45.7
<i>Related capital (\$m)</i>					
Australian Taxation Office	-	1.9	2.4	-	-

From 1 July 2011, the Government will provide individuals with a 50 per cent tax discount on up to \$1,000 of interest earned by individuals, including interest earned on deposits held in authorised deposit taking institutions, bonds, debentures and annuity products.

Currently there is considerable variation in the taxation treatment of alternative savings vehicles, with relatively higher levels of taxation applying to interest income. This measure will improve the taxation regime for savings.

The discount will be available for interest income earned directly as well as indirectly, such as via a trust or managed investment scheme, and is expected to benefit around 5.7 million taxpayers in 2011-12.

This measure will have an ongoing cost to revenue estimated to be \$950.0 million over the forward estimates period.

There will also be a consequential expense of \$145.7 million over the forward estimates because taxpayers claiming the discount for interest income will have a reduced adjusted taxable income for the purpose of determining eligibility for transfer payments and other concessions. This will result in some individuals and families becoming eligible for transfer payments or eligible for a larger transfer payment.

The consequential expense primarily affects Family Tax Benefit, but will also affect other payments such as the Baby Bonus, Child Care Benefit, Education Tax Refund, Commonwealth Seniors Health Card (CSHC) and the Pensioner Supplement (which is linked to eligibility for the CSHC).

This expense also includes administration and communication costs for affected agencies.

Capital funding of \$4.3 million will be provided to the Australian Taxation Office.

The Government will consult during 2010-11 on details concerning the operation of the discount, including in relation to any boundary issues relating to the scope of the discount and the mechanism for applying the discount to interest earned indirectly by individuals.

Stronger, fairer, simpler tax reform — early start to the company tax rate cut for small business companies

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-50.0	-300.0	-200.0
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	-	4.7	0.6	1.2

The Government will cut the company tax rate for small business companies to 28 per cent from the 2012-13 income year. As a result, small business companies will have a lower tax rate than other companies until the reduction in the general company tax rate to 28 per cent in 2014-15. This measure has a cost to revenue estimated to be \$550 million over the forward estimates period.

There are around 720,000 small business companies. This measure will provide a direct financial benefit to many of these companies and will provide additional incentives to owners of small business companies to retain more profits and grow the company.

Further information is available in the Treasurer's Press Release No. 028 of 2 May 2010.

Stronger, fairer, simpler tax reform — Government superannuation contributions tax rebate for low income earners

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	-	-830.0
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	-	0.7	10.4	35.2
<i>Related capital (\$m)</i>					
Australian Taxation Office	-	-	-	9.2	1.5

The Government will provide a superannuation contributions tax rebate of up to \$500 annually for low income earners, with effect from the 2012-13 income year. This measure has an ongoing cost to revenue estimated to be \$830 million over the forward estimates period. This measure also includes an increase in funding for the Australian Taxation Office of \$57.0 million over this period (including capital of \$10.7 million).

Currently all concessional superannuation contributions are taxable in the fund at a flat rate of 15 per cent. As a result, low-income earners receive little or no concession. This measure will improve the fairness of superannuation taxation arrangements by effectively rebating most of the tax payable on concessional superannuation contributions made by or for low-income earners.

The amount payable under this measure will be calculated by applying a 15 per cent rebate of tax to the concessional contributions made by or for individuals on adjusted taxable incomes of up to \$37,000 (not indexed), with an annual maximum amount payable of \$500 (not indexed). The rebate will be paid to the individual's superannuation fund to directly boost their retirement savings.

Concessional superannuation contributions made in the 2012-13 income year and later income years will be eligible, with the first Government contribution paid in the 2013-14 financial year. The Government will consult on the details of the changes.

Further information is available in the Treasurer's Press Release No. 027 of 2 May 2010.

Stronger, fairer, simpler tax reform — increasing concessional contribution caps for individuals over 50 with low superannuation balances

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	-545.0	-785.0
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	10.8	14.4	25.3	23.4
<i>Related capital (\$m)</i>					
Australian Taxation Office	-	11.7	2.0	3.1	2.0

From 1 July 2012, the Government will allow individuals aged 50 and over with total superannuation balances below \$500,000 to make up to \$50,000 in concessional superannuation contributions. This doubles the cap of \$25,000 (indexed) which is scheduled to apply from 1 July 2012. This measure will have an ongoing cost to revenue estimated to be \$1.33 billion over the forward estimates period. This measure also includes an increase in funding for the Australian Taxation Office of \$92.6 million over this period (including capital of \$18.7 million).

This measure will allow these individuals to 'catch up' on their superannuation contributions when they are most able. It can particularly benefit those who have had periods outside the workforce. The measure will improve the equity of the superannuation system by targeting concessions towards those with the greatest need to build their retirement savings.

This measure is expected to benefit 275,000 people. The Government will consult with the superannuation industry on the operation of the \$500,000 threshold.

Further information is available in the Treasurer's Press Release No. 027 of 2 May 2010.

Stronger, fairer, simpler tax reform — increasing the superannuation guarantee rate to 12 per cent

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	-	-240.0
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	0.6	7.0	13.8	11.2

The Government will increase the superannuation guarantee (SG) rate from 9 per cent to 12 per cent, with increments of 0.25 percentage points in the first two years, and 0.5 percentage points thereafter. The increase will be phased in from 1 July 2013 to 1 July 2019, as shown in the below table.

Year	Rate (%)
2013-14	9.25
2014-15	9.5
2015-16	10
2016-17	10.5
2017-18	11
2018-19	11.5
2019-20	12

This measure will address issues raised by our ageing population, and boost private and national savings, bringing broader benefits to the community and nation. It will significantly increase future retirement incomes for many Australian workers.

There will be a phased increase to 12 per cent with a three year lead time from announcement before the rate starts increasing. Around 8.4 million employees are expected to benefit from this measure.

This measure has an ongoing cost to revenue estimated to be \$240 million over the forward estimates period, growing to \$3.6 billion per annum in 2019-20, due to the increase in the level of concessional tax contributions. This measure also includes a five year increase in funding for the Australian Taxation Office of \$32.6 million over the forward estimates. This measure builds on measures to strengthen the Age Pension which were announced in the 2009-10 Budget.

Further information is available in the Treasurer's Press Release No. 027 of 2 May 2010.

Stronger, fairer, simpler tax reform — lowering the company tax rate

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	-300.0	-2,000.0

The Government will reduce the company tax rate from 30 per cent to 28 per cent in two steps, from the 2013-14 income year. This measure has an ongoing cost to revenue estimated to be \$2.3 billion over the forward estimates period.

The company tax rate will be reduced to 29 per cent for the 2013-14 income year and to 28 per cent from the 2014-15 income year. Small business companies will be able to move straight to the new 28 per cent rate, with effect from the 2012-13 income year (see the separate measure entitled *Stronger, Fairer, Simpler tax reform – early start to the company tax rate cut for small business companies*).

This change will make Australia's company tax rate more competitive relative to other similar sized OECD countries and make Australia a more attractive destination for foreign investment. It will also encourage new industries and businesses to set up and new jobs to be created, and lead to higher economic growth and higher incomes for Australians.

Further information is available in the Treasurer's Press Release No. 028 of 2 May 2010.

Stronger, fairer, simpler tax reform — phasing down interest withholding tax on financial institutions

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	-	-70.0
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	-	0.1	0.1	0.1

The Government will phase down the interest withholding tax (IWT) paid by financial institutions on most interest paid on offshore borrowings, with effect from the 2013-14 income year. This measure has an ongoing cost to revenue which is expected to be \$70 million over the forward estimates period. The measure also includes additional funding of \$0.4 million for the Australian Taxation Office.

Under the current arrangements, interest paid by financial institutions on offshore borrowings may be subject to IWT — generally at 10 per cent. Where IWT applies, it may be passed on to Australian borrowers through higher interest rates and may also bias the funding choices of financial institutions.

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This measure will phase down the IWT rate applying to foreign bank branches from the current 5 per cent to 2.5 per cent in 2013-14 and to zero from 2014-15. The IWT rate for other financial institutions will be reduced from 10 per cent to 7.5 per cent in 2013-14 and to 5 per cent from 2014-15, with an aspirational target of zero.

Phasing down IWT will help support banking competition, put downward pressure on interest rate margins and enhance Australia's status as a regional financial centre. The removal of IWT was a recommendation of the Australian Financial Centre Forum's report – *Australia as a Financial Centre: Building on our strengths*.

As an integrity measure, the IWT phase down will not apply to interest paid on non-resident retail deposits held in Australia.

Stronger, fairer, simpler tax reform — raising the superannuation guarantee age limit from 70 to 75

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	-	15.0
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	-	-	-	3.2

The Government will raise the superannuation guarantee (SG) age limit from 70 to 75, with effect from 1 July 2013. This measure has an ongoing cost to revenue beyond the forward estimates and a gain to revenue which is estimated to be \$15 million over the forward estimates period. This measure also includes an increase in funding for the Australian Taxation Office of \$3.2 million over this period.

Around 33,000 employees are expected to benefit from this measure, which will improve the adequacy and equity of the SG system.

Currently, the SG only applies to people aged up to 70. In contrast, employers can make voluntary deductible superannuation contributions for employees under 75, and self-employed people can make deductible contributions until they turn 75.

This measure will make workers aged 70 to 74 eligible to have SG contributions made on their behalf for the first time, and align the SG age limit with the age limit for voluntary and self-employed contributions.

Increasing the SG age limit will provide an incentive for mature workers to remain in the workforce.

Further information is available in the Treasurer's Press Release No. 027 of 2 May 2010.

Stronger, fairer, simpler tax reform — resource super profits tax

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	3,000.0	9,000.0
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	7.7	23.9	32.2	27.3
<i>Related capital (\$m)</i>					
Australian Taxation Office	-	-	9.8	5.6	-

The Government will introduce a resource super profits tax (RSPT) on 1 July 2012. This measure has an ongoing revenue gain estimated to be \$12 billion over the forward estimates period.

The RSPT will ensure all Australians share in the returns from the extraction of their valuable non-renewable resources. The RSPT will be payable at a rate of 40 per cent on the profits attributable to the exploitation of non-renewable resource deposits, with the exception of projects within the scope of the Petroleum Resource Rent Tax for which opt-in arrangements will be developed in consultation with industry.

Current resource charging arrangements are typically royalty based, creating distortions to investment and production. Under the proposal States will continue to be able to collect royalties but entities will receive a refundable credit for royalty payments. The refundable credit will be available at least up to the amount of royalties imposed at the time of announcement, including scheduled increases and appropriate indexation factors.

To reduce the impact of the RSPT in the early years of the scheme, the Government will provide transition arrangements for existing resource projects.

The RSPT is a key part of the Government's reform agenda which includes phasing down the company tax rate, simplifying arrangements for small business and creating a fairer superannuation system. Revenues from the RSPT will also be used to establish an infrastructure fund for the States.

Further information is available in the Treasurer's Press Release No. 028 of 2 May 2010.

Stronger, fairer, simpler tax reform — small business instant asset write-off and simplified pooling

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	-	-1,030.0
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	-	-	2.0	-

The Government will allow small businesses to immediately write off all assets costing less than \$5,000 and will allow most other assets (not including buildings) to be depreciated in a single pool at a 30 per cent rate. This measure will take effect from the 2012-13 income year. This measure has an ongoing cost to revenue which is expected to be \$1,030 million over the forward estimates period. The measure also includes additional funding of \$2.0 million for the Australian Taxation Office.

The existing depreciation concessions available to small businesses allow them to immediately write-off assets costing less than \$1,000 and to depreciate other assets in two pools, depending on the life of the asset.

By streamlining and enhancing these existing concessions, this measure will cut the compliance costs facing small businesses by reducing their need to calculate depreciation allowances and track assets for depreciation purposes. The measure will also increase the cash-flow of small businesses at a time that they are investing to grow.

Further information is available in the Treasurer's Press Release No. 028 of 2 May 2010.

Stronger, fairer, simpler tax reform — standard deduction for work-related expenses and the cost of managing tax affairs

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	-	-410.0
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	-	1.9	19.9	36.7
Department of Human Services	-	-	0.7	0.6	1.4
Department of Families, Housing, Community Services and Indigenous Affairs	-	-	-	57.6	148.2
Department of Education, Employment and Workplace Relations	-	-	-	2.7	10.4
Department of Health and Ageing	-	-	-	0.5	1.7
Department of Veterans' Affairs	-	-	-	-	..
Total	-	-	2.6	81.4	198.4
<i>Related capital (\$m)</i>					
Australian Taxation Office	-	-	-	11.4	-

The Government will provide individual taxpayers with a standard deduction of \$500 for work-related expenses and the cost of managing tax affairs from 1 July 2012. From 1 July 2013 the Government will increase the standard deduction to \$1,000.

Those taxpayers with deductible expenses greater than the standard deduction amount will still be able to claim their higher expenses, in-lieu of claiming the standard deduction amount.

This will enable taxpayers to spend less time and effort preparing their tax return.

This has an ongoing cost to revenue which is estimated to be \$410.0 million over the forward estimates period.

There will be an ongoing consequential expense which is estimated to be \$282.3 million over the forward estimates for transfer payments and other concessions because the standard deduction will reduce individuals' and families' adjusted taxable income for the purpose of determining their eligibility for transfer payments and other concessions. This will make some individuals and families eligible for transfer payments or eligible for a larger transfer payment.

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The consequential expense primarily affects Family Tax Benefit, but will also affect other payments such as the Baby Bonus, Child Care Benefit, Commonwealth Seniors Health Card (CSHC) and the Seniors Supplement (which is linked to eligibility for the CSHC).

This expense also includes administration and communication costs for affected agencies.

Capital funding of \$11.4 million is being provided to the Australian Taxation Office.

Stronger, fairer, simpler tax reform — growth dividend

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	-	197.0	392.0
Australian Customs and Border Protection Service	-	-	-	3.0	8.0
Total	-	-	-	200.0	400.0
<i>Related expense (\$m)</i>					
Department of the Treasury	-	-	-	32.0	62.0

The Government's tax plan will promote growth across the entire economy. Independent modelling of the plan indicates that it will deliver a reform dividend of a 0.7 per cent increase in GDP long run, which can, over time, be expected to flow through into taxation revenue.

The reduction in the company tax rate is expected to increase GDP by 0.4 per cent in the long run with a further 0.3 per cent increase from the resource tax reforms.

This growth will also include a \$94 million increase in GST collections which will flow through to payments to the States and Territories.

Superannuation — deductibility to funds of cost of providing terminal medical condition benefits

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-1.5	-2.0	-2.0	-2.0

The Government will extend the range of benefits that are deductible by complying superannuation funds and retirement savings account (RSA) providers to include terminal medical condition (TMC) benefits. The measure will have effect from 16 February 2008, the date the TMC condition of release was introduced into the superannuation legislation. This measure has an ongoing cost to revenue estimated to be \$7.5 million over the forward estimates period.

This proposal addresses an anomaly in the taxation law regarding deductibility by superannuation funds and RSA providers of the costs of providing certain benefits to members/holders.

Currently deductions are allowable for the cost of providing benefits relating to the death, permanent incapacity and temporary incapacity conditions of release, but not those relating to the TMC condition of release.

Superannuation — extension of loss relief for merging superannuation funds involving a new complying superannuation entity

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	*	*	*	*	*

The Government has extended the loss relief for superannuation funds that merge to arrangements where existing funds merge into a new fund, with effect from 24 December 2008. This measure has an unquantifiable but minimal cost to revenue.

The loss relief for superannuation funds that merge is a temporary measure which removes certain income tax impediments to fund mergers until 30 June 2011. The extension of the loss relief to mergers into new funds increases the flexibility of the measure for eligible taxpayers. The change will enable funds to merge into a new fund, which they may wish to do for a variety of reasons, for example, to adopt an updated trust deed.

Superannuation — minor amendments

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	*	*	*	*

The Government will make a number of minor amendments to improve the operation of the superannuation legislation, with intended effect from the 2010-11 income year. This measure will have an ongoing unquantifiable revenue impact.

The amendments will include:

- permanently allowing a claim for a deduction for eligible contributions to be made to successor superannuation funds;
- increasing the time-limit for deductible employer contributions made for former employees;
- clarifying the due date of the shortfall interest charge for the purposes of excess contributions tax;

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- allowing the Commissioner of Taxation to exercise discretion for the purposes of excess contributions tax before an assessment is issued; and
- providing new arrangements for public sector defined benefit schemes which fund benefits through ‘last minute contributions’.

Superannuation — social security agreement with Austria

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	..	..	..	..

The Government has signed a supplementary social security agreement with Austria which will eliminate double superannuation coverage between the two countries, with effect from commencement of the agreement. This measure has an ongoing negligible cost to revenue.

The agreement is expected to commence in mid-2011 and deals with ‘double coverage’ of superannuation by removing the obligation for an employer to make compulsory superannuation or social security contributions in two jurisdictions, in respect of the same work done by the same employee sent to work in the other jurisdiction. The employer’s superannuation (or social security) obligation will instead remain in the employee’s home country.

Further information can be found in the press release of 18 February 2010 issued by the Minister for Financial Services, Superannuation and Corporate Law.

Superannuation — transfer of state and territory unclaimed superannuation to the Commonwealth

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	-	28.8	0.4	0.4

The Government will improve the administration of superannuation by facilitating the transfer of any unclaimed superannuation monies held by the States and Territories to the ATO. The measure will have effect from the date of Royal Assent of the enabling legislation. The measure will have an ongoing gain to revenue estimated to be \$29.6 million over the forward estimates period.

Private sector superannuation funds currently pay unclaimed money to the ATO, whereas unclaimed superannuation from state and territory public sector funds are instead held by the relevant state or territory authority. States and Territories also may currently hold some older private sector unclaimed superannuation. This measure will allow the States and Territories to transfer unclaimed superannuation to the ATO. Individuals will still be able to claim back their money from the ATO at any time.

This measure will facilitate the uniform treatment of unclaimed money in both the private and public sectors and assist in the central administration of unclaimed monies.

TFN withholding for closely held trusts — clarification of the 2009-10 Budget measure

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	-	..	..	..	..

The Government will refine the 2009-10 Budget measure to extend tax file number (TFN) withholding arrangements to certain closely held and family trusts to reduce the compliance burden on trustees, with effect from 1 July 2010. The measure will have an ongoing negligible revenue impact.

These changes will include a simplified reporting framework to more closely align the TFN withholding arrangements with the manner in which trustees of these trusts conduct their taxation affairs. Further information can be found in the press release of 5 February 2010 issued by the Assistant Treasurer.

National Health and Hospitals Network — Prevention — increasing the excise and excise-equivalent customs duty on tobacco products

Revenue (\$m)	2009-10	2010-11	2011-12	2012-13	2013-14
Australian Taxation Office	230.0	985.0	1,015.0	1,040.0	1,090.0
Australian Customs and Border Protection Service	25.0	260.0	270.0	280.0	290.0
Total	255.0	1,245.0	1,285.0	1,320.0	1,380.0
<i>Related expense (\$m)</i>					
Department of the Treasury	25.0	115.0	115.0	120.0	130.0

The Government increased the excise and excise-equivalent customs duty on tobacco products by 25 per cent on and from 30 April 2010. This measure increased the excise on tobacco in stick form not exceeding 0.8 grams actual tobacco content in weight from \$0.26220 per stick to \$0.32775 per stick, and the excise on other tobacco (for example loose leaf tobacco) from \$327.77 per kilogram of tobacco content to \$409.71 per kilogram of tobacco content. The Government also increased the excise-equivalent customs duty on comparable imported tobacco products by the same amount.

This measure forms part of the Government's National Health and Hospital Network package.

