

# STATEMENT 5: REVENUE

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# STATEMENT 5: REVENUE

## Part I: Overview

Revenue estimates for the period from 1999-2000 to 2003-04 are provided in Table 1.<sup>1</sup> Relative to the *1999-2000 Mid-Year Economic and Fiscal Outlook (MYEFO)*, estimated total revenue has increased in each year of the forward estimates period.

**Table 1: Summary of Commonwealth General Government Revenue<sup>(a)</sup>**

	1999-00		2000-01	2001-02	2002-03	2003-04
	Budget(b)	Revised	Estimate	Projection	Projection	Projection
Total tax revenue (\$b)	146.9	151.3	144.3	148.5	157.2	168.5
<i>Real growth on previous year (%)</i>	<i>na</i>	<i>na</i>	-7.2	0.5	3.4	4.6
Per cent of GDP	23.4	24.1	21.6	21.0	20.9	21.2
Non-tax revenue (\$b)	16.0	16.7	14.5	12.8	13.9	14.8
<i>Real growth on previous year (%)</i>	<i>na</i>	<i>na</i>	-16.0	-13.8	6.6	3.8
Per cent of GDP	2.5	2.7	2.2	1.8	1.9	1.9
<b>Total revenue (\$b)</b>	<b>162.8</b>	<b>168.0</b>	<b>158.7</b>	<b>161.2</b>	<b>171.1</b>	<b>183.3</b>
<i>Real growth on previous year (%)</i>	<i>na</i>	<i>na</i>	-8.1	-0.8	3.6	4.6
Per cent of GDP	25.9	26.8	23.7	22.8	22.8	23.0

(a) Tax revenue estimates from 2000-01 onwards are affected by the introduction of *The New Tax System*.

(b) As published in the 1999-2000 MYEFO. Includes the Diesel Fuel Rebate Scheme (DFRS) as an offset to revenue. All other estimates reflect the reclassification of the DFRS from an offset to revenue to an expense (around \$1.6 billion in 1999-2000).

Over the period from 1999-2000 to 2003-04, total revenue as a percentage of GDP is expected to:

- decline from 26.8 per cent of GDP in 1999-2000 to 23.7 per cent in 2000-01 and to 22.8 per cent in 2001-02; and
- remain at around 23 per cent of GDP in 2002-03 and 2003-04.

The sizeable reduction in Commonwealth general government revenue in 2000-01 relative to 1999-2000 is due to the introduction of *The New Tax System*. This includes significant reductions in personal income tax and the abolition of the Wholesale Sales Tax (WST) from 1 July 2000. These changes are accompanied by a significant reduction in expenses, particularly the abolition of Financial Assistance Grants to the States and Territories, following the introduction of the Goods and Services Tax (GST, which is passed in full to the States).

<sup>1</sup> Unless otherwise specified, all estimates in this Statement are on an Australian Accounting Standard (AAS31) consistent basis.

Table 2 reconciles this Budget's revenue estimates with those at the time of the MYEFO and at the 1999-2000 Budget in terms of policy decisions, and economic parameter and other variations.

**Table 2: Reconciliation of Revenue Estimates**

	1999-00 \$m	2000-01 \$m	2001-02 \$m	2002-03 \$m
<b>Revenue at 1999-2000 Budget</b>	<b>162828</b>	<b>150494</b>	<b>153759</b>	<b>163065</b>
<i>Changes from 1999-2000 Budget to MYEFO</i>				
Effect of policy decisions	-28	3051	1222	2388
Effect of economic parameter and other variations	-341	354	3134	3127
Total variations	-369	3405	4356	5515
<b>Revenue at 1999-2000 MYEFO</b>	<b>162459</b>	<b>153899</b>	<b>158115</b>	<b>168580</b>
<i>Changes from MYEFO to 2000-01 Budget</i>				
Effect of policy decisions	1	-1390	-427	-392
Effect of economic parameter and other variations(a)	5572	6208	3557	2943
Total variations	5573	4819	3131	2551
<b>Revenue at 2000-01 Budget</b>	<b>168032</b>	<b>158718</b>	<b>161246</b>	<b>171131</b>
<i>Memorandum item:</i>				
Reclassification of DFRS to an expense	1560	1992	2179	2304

(a) Includes the reclassification of the DFRS from an offset to revenue, to an expense.

Policy decisions since MYEFO reduce estimated revenue in the budget and forward years. However, this is more than offset by the effect of stronger forecast economic activity in 1999-2000 and 2000-01, and stronger taxation collections in 1999-2000 relative to expectations at MYEFO. Major revenue measures since MYEFO include:

- a decision not to proceed with the temporary Defence — East Timor levy, with an estimated cost to revenue of \$900 million in 2000-01; and
- setting excise rates for beer on conservative assumptions so as to ensure the retail price of a carton of regular full strength beer need not increase by any more than 1.9 per cent, with an additional cost against the forward estimates of \$460 million.

A full list of revenue measures introduced since the 1999-2000 Budget is provided in Appendix B to this Statement. In addition, all measures since MYEFO are described in full in *Budget Paper No. 2 — Budget Measures 2000-01*.

In 1999-2000, estimated revenue has been revised up by around \$5½ billion since MYEFO. This is driven principally by:

- stronger than anticipated company tax collections, lower than expected tax refunds for individuals, and the effect of higher world crude oil prices on Petroleum Resource Rent Tax (PRRT) collections;

- substantially higher than expected proceeds achieved from the March 2000 auction of telecommunications spectrum licences;<sup>2</sup> and
- a reclassification of the Diesel Fuel Rebate Scheme (DFRS) from an offset to revenue to an expense. This reclassification increases revenue by around \$1½ billion in 1999-2000 with an equivalent increase in expenses.

In 2000-01, estimated revenue has been revised upwards by almost \$5 billion since MYEFO. The major factors contributing to this overall increase are:

- a \$2 billion increase in total revenue arising from the reclassification of the DFRS;
- a positive revision to expected PRRT revenue of around \$½ billion due to higher world crude oil prices and domestic oil production relative to expectations at MYEFO;
- the effect of weaker than expected payments of taxation refunds in 1999-2000 flowing through to 2000-01; and
- a substantial increase in the anticipated net gain from the sale of telecommunications spectrum licences in 2000-01,<sup>3</sup> partly offset by lower dividend revenue.

A further influence on the higher revenue estimates in 2000-01 and the forward years is a re-evaluation of the expected distribution of the Family Tax Benefit (FTB) package between revenue and expenses. Recent survey data suggest that more families than previously expected will claim the FTB as a cash payment rather than through the taxation system. As a result, estimated taxation revenue has been revised upwards by almost \$1 billion in 2000-01 and more than \$½ billion in the forward years. These increases in revenue are accompanied by increases in expenses.

The positive revisions to total revenue since MYEFO in the forward years (2001-02 to 2002-03) largely reflect the reclassification of the DFRS and revisions to the expected distribution of FTB payments between revenue and expenses (noted above).

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2 Consistent with Australian accounting standards, a net gain from the sale of telecommunications spectrum licences is reported as revenue. In particular, the \$1.3 billion received from the March 2000 auction of telecommunications spectrum licences was greater than anticipated at MYEFO.

3 The Australian Communications Authority has scheduled several major auctions of telecommunications spectrum licences in 2000-01. This includes an auction of spectrum licences to be used for so-called 'third-generation' mobile communications applications.

## Part II: Budget Estimates of Revenue

Table 3 compares revenue estimates for 2000-01 with the estimates for 1999-2000.

**Table 3: Commonwealth General Government Revenue Estimates**

	1999-00	2000-01	Change on 1999-00	
	Estimate \$m	Estimate \$m	\$m	%
<b>Taxation revenue</b>				
Income tax				
Individuals -				
Gross PAYG withholding(a)(b)	75694	68109	-7585	-10.0
Gross other individuals(c)	12808	12024	-784	-6.1
Medicare levy	4350	4580	230	5.3
/less: Refunds	10340	10590	250	2.4
Total individuals	82512	74123	-8389	-10.2
Companies	23666	30857	7191	30.4
Superannuation funds(d)	3893	5175	1282	32.9
Other withholding tax(b)	1411	1346	-65	-4.6
Petroleum resource rent tax	1135	1280	145	12.8
<b>Total income tax</b>	<b>112617</b>	<b>112781</b>	<b>164</b>	<b>0.1</b>
Indirect tax				
Excise duty -				
Petroleum products and crude oil(e)	11419	12968	1550	13.6
Other excise(e)	2783	6810	4027	144.7
Total excise duty	14202	19779	5577	39.3
Customs duty(e)	3770	4413	643	17.1
Other indirect taxes(e)(f)	15497	1976	-13520	-87.2
<b>Total indirect tax</b>	<b>33468</b>	<b>26168</b>	<b>-7300</b>	<b>-21.8</b>
Fringe benefits tax(g)	3340	3650	310	9.3
Other taxes	1859	1656	-203	-10.9
<b>Total tax revenue</b>	<b>151284</b>	<b>144255</b>	<b>-7029</b>	<b>-4.6</b>
Non-tax revenue	16748	14462	-2286	-13.6
<b>Total revenue</b>	<b>168032</b>	<b>158718</b>	<b>-9315</b>	<b>-5.5</b>

- (a) The Pay As You Go (PAYG) system will be introduced generally from 1 July 2000. The 1999-2000 estimate includes all Pay As You Earn (PAYE) and Prescribed Payments System (PPS) revenue. The 2000-01 estimate includes revenue from taxpayers who are currently subject to PAYE withholding arrangements, or who are currently in the PPS and will be subject to PAYG Withholding arrangements from 1 July 2000.
- (b) Amounts withheld for failure to quote a Tax File Number (TFN) or an Australian Business Number (ABN) are included in Other Withholding tax (which replaces the former Withholding tax category).
- (c) The 2000-01 estimate includes individuals making PAYG Instalment payments.
- (d) Includes the superannuation contributions surcharge.
- (e) Excludes surcharge revenue raised by the Commonwealth on an agency basis and paid to the States and Territories as Revenue Replacement Payments (RRPs). RRP's will be abolished in 2000-01 under *The New Tax System* (see *Budget Paper No.3* for more information).
- (f) This item includes Wholesale Sales Tax (WST, to be abolished from 1 July 2000), Wine Equalisation Tax (WET) and Luxury Car Tax (LCT).
- (g) Excludes Fringe Benefits Tax (FBT) collected from Commonwealth government agencies (around \$300 million in 1999-2000 and around \$330 million in 2000-01).

In 2000-01, taxation revenue is expected to decrease by 4.6 per cent and total revenue is expected to decrease by 5.5 per cent.

As noted in Part I of this Statement, the reduction in taxation revenue in 2000-01 reflects the introduction of *The New Tax System*, including personal income tax cuts and the abolition of WST from 1 July 2000. Abstracting from these tax cuts, taxation revenue is expected to continue to grow broadly in line with overall growth in the Australian economy.

The introduction of *The New Tax System* has a substantial influence on almost all taxation revenue categories. This makes it difficult to directly compare estimates for 2000-01 with the corresponding estimates for 1999-2000. Nevertheless, notable movements in taxation revenue heads include:

- a 10 per cent reduction in the new Gross Pay As You Go (PAYG) Withholding category (which is primarily comprised of current Pay As You Earn (PAYE) revenue). This mainly reflects the impact of personal income tax cuts to the order of \$12 billion from 1 July 2000, partially offset by increases in employment and in wages adding to income tax collections;
- a 30 per cent increase in company tax revenue, as a result of strong company income growth and the introduction of the PAYG system, which effectively brings some company tax assessments forward into 2000-01. (Superannuation funds tax also increases significantly as a result of a bring-forward of revenue with the introduction of the new PAYG arrangements.);
- substantial increases in excise and customs revenue, reflecting the Commonwealth's partial retention from 1 July 2000 of taxes equivalent to those previously collected by the Commonwealth for the States and Territories on an agency basis;<sup>4</sup> and
- an 87 per cent reduction in other indirect taxes, reflecting the abolition of the WST from 1 July 2000.

The budget revenue estimates are strongly influenced by the forecast growth and composition of economic activity. The 2000-01 revenue estimates are based on the following major economic parameter assumptions:

- growth in nominal GDP of around 6½ per cent;

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4 Since August 1997, the Commonwealth has levied, on behalf of the States, excise surcharges on tobacco and petroleum products (these surcharges are levied as customs duties on imported products). The Commonwealth has also levied a surcharge on the WST rate applying to beer and spirits. These surcharges — which are classified as State taxes — were introduced after the High Court held that tobacco business franchise fees imposed by the States were invalid under section 90 of the Constitution. However, following the introduction of *The New Tax System*, revenue from excises and the WET will be retained by the Commonwealth and will be classified as Commonwealth taxes.

- average earnings (national accounts basis, excluding Superannuation Guarantee Charge) growth of around 3¾ per cent;
- growth in wage and salary employment of around 2½ per cent; and
- growth in 1999-2000 company income of around 9¼ per cent.

## TAXATION REVENUE

### Individuals Income Tax

Table 4 provides estimates for 1999-2000 and 2000-01 for income tax categories applying to individuals.

**Table 4: Individuals Income Tax**

	1999-00	2000-01	Change on 1999-00
	Estimate \$m	Estimate \$m	%
Revenue excluding Medicare levy			
Gross PAYG withholding(a)	75694	68109	-10.0
Gross other individuals(b)	12808	12024	-6.1
<i>less</i> : Refunds	10340	10590	2.4
<b>Total</b>	<b>78162</b>	<b>69543</b>	<b>-11.0</b>
Medicare levy revenue			
Gross PAYG withholding(a)	4190	4395	4.9
Gross other individuals(b)	710	765	7.7
<i>less</i> : Refunds	550	580	5.5
<b>Total</b>	<b>4350</b>	<b>4580</b>	<b>5.3</b>
<b>Total individuals</b>	<b>82512</b>	<b>74123</b>	<b>-10.2</b>

(a) The PAYG system will be introduced generally from 1 July 2000. The 1999-2000 estimate includes all PAYE and PPS revenue. The 2000-01 estimate includes revenue from taxpayers who are currently subject to PAYE withholding arrangements, or who are currently in the PPS and will be subject to PAYG Withholding arrangements from 1 July 2000. It does not include amounts withheld for failure to quote a TFN or ABN.

(b) The 2000-01 estimate includes individuals making PAYG Instalment payments.

### ***Gross Pay As You Go Withholding***

Gross PAYG Withholding includes all taxes withheld from payments under the PAYG system (other than amounts withheld because no Tax File Number (TFN) or Australian Business Number (ABN) has been quoted). The bulk of Gross PAYG Withholding revenue will arise from the payment of salary and wages to employees.

From 1 July 2000, the current PAYE system will be replaced by PAYG, as will the Prescribed Payments System (PPS) and Reportable Payments System (RPS).

Under the PAYG system, individuals currently in the PPS who qualify for an ABN can choose to enter into voluntary withholding arrangements. Tax withheld from such individuals (estimated to be around \$800 million in 2000-01) will be recorded under Gross PAYG Withholding.

The remaining tax that would have been collected under PPS will now be collected through the PAYG Instalment system or as payments on assessment. These payments (estimated to be around \$1.9 billion in 2000-01) will generally be recorded under the Gross Other Individuals head of revenue.

Gross PAYG Withholding revenue (excluding the Medicare levy) is expected to fall by 10 per cent in 2000-01, despite ongoing strength in wage and salary employment. This fall reflects the impact of substantial personal income tax cuts associated with the introduction of *The New Tax System*.

### ***Gross Other Individuals***

The Gross Other Individuals category consists of income tax paid by individuals other than that collected through the PAYG Withholding system. It comprises:

- PAYG instalments (from individuals); and
- debit assessments on income tax returns (that is, where tax credits are insufficient to meet the tax assessed on income).

Taxpayers in this category derive their income from salaries and wages, business, primary production, investments and capital gains.

Most 'Other Individuals' revenue will be collected through the PAYG Instalment system from 1 July 2000. Individuals who are registered for the GST and individuals with tax liabilities over \$8,000 will generally make quarterly payments based on actual income in the most recent quarter. Individuals who are not registered for the GST with liabilities of less than \$8,000 have the choice of making quarterly payments or an annual payment in April.

A significant benefit for individuals who currently pay provisional tax is the abolition of the 'uplift factor'. Provisional tax instalments are currently based on the previous year's liability plus an uplift factor. Under the PAYG system, individuals will make payments on the basis of actual income or trading conditions in the most recent quarter. Those making an annual payment may also choose to base their payment solely on last year's income, without applying an uplift factor.

The expected fall in Gross Other Individuals revenue of 6 per cent in 2000-01 reflects the substantial personal income tax cuts associated with the introduction of *The New Tax System*.

### **Medicare Levy**

Revenue from the Medicare levy in 2000-01 is expected to rise by 5 per cent, mainly reflecting growth in the taxable income base of individuals.

### **Individuals Income Tax Refunds**

A final assessment of the tax liabilities of individual taxpayers is made on the basis of returns lodged after the end of a financial year. Refunds are made where tax credits exceed the final assessment. Where tax credits are insufficient to meet the final tax liability, taxpayers make an additional payment, which is recorded under the Gross Other Individuals income tax category.

Refunds to individuals are expected to grow by only 2 per cent in 2000-01, despite strong growth in income tax collected from individuals during 1999-2000. This relatively weak growth in refunds is largely explained by the abolition of the savings rebate from 1998-99 (which has a lagged effect on refunds). The rebate applied to 1998-99 tax returns and therefore significantly increased refunds in 1999-2000. Its removal will slow refunds growth from 1999-2000 to 2000-01.

### **Company and Other Income Tax**

Table 5 provides estimates for 1999-2000 and 2000-01 for company and other income tax categories.

**Table 5: Company and Other Income Tax**

	1999-00	2000-01	Change on 1999-00
	Estimate \$m	Estimate \$m	%
Companies	23666	30857	30.4
Superannuation funds(a)	3893	5175	32.9
Other withholding tax			
Resident(b)	190	145	-23.7
Non-resident -			
Interest	560	600	7.1
Dividend	320	225	-29.7
Royalty	340	375	10.3
Mining	1	1	0.0
Total other withholding tax	1411	1346	-4.6
Petroleum resource rent tax	1135	1280	12.8
<b>Total</b>	<b>30105</b>	<b>38658</b>	<b>28.4</b>

(a) Includes the superannuation contributions surcharge.

(b) Includes business-to-business transactions where an ABN is not quoted by the supplier from 1 July 2000.

### ***Company Income Tax***

Company tax revenue is recognised as accruing to the Commonwealth when a taxation liability arises, either through assessment by the Australian Taxation Office (ATO) or through self-assessment by the corporate taxpayer.

As part of *The New Business Tax System*, the general tax rate for companies will fall from 36 per cent to 34 per cent for the 2000-01 income year, with concessional rates applying to certain income of life insurance companies, registered organisations, pooled development funds, small credit unions and offshore banking units. This rate will fall to 30 per cent in the 2001-02 income year.

From the 2000-01 income year, the new company tax payment arrangements under the PAYG system will bring payments of company tax forward relative to the current arrangements.

Under the current system, the first tax payment relating to a year of economic activity for medium and large companies is typically made 8 to 11 months after the year has started. However, under the PAYG system, this lag will be reduced to just 4 months. As a result, there is an overlap of company tax payments in 2000-01 from two consecutive income years.

As a transitional arrangement, some of the liabilities arising from the overlap of the new and existing payment arrangements can be deferred by companies and paid over the following 2½ to 5 years. In accrual terms, the full amount is recorded as revenue in 2000-01. In cash terms, the amount is spread over several years from 2000-01.

In addition to strong forecast company income growth of around 9¼ per cent in 1999-2000, the transitional impact of the new PAYG system explains most of the anticipated 30 per cent growth in company tax revenue in 2000-01.

### ***Superannuation Funds Tax***

Superannuation funds are generally taxed at a concessional rate of 15 per cent in relation to investment income and certain contributions received. Superannuation funds tax is recognised as accruing to the Commonwealth on a similar basis to companies, with payments made according to the schedule that applies to company income tax.

Superannuation funds tax revenue is expected to grow by 33 per cent in 2000-01. A large part of this growth is a result of the introduction of the new PAYG system, which (consistent with the arrangements for company tax) effectively brings forward some taxation liabilities from superannuation funds. The scheduled increase in the superannuation guarantee from 7 per cent to 8 per cent in 2000-01 will also boost tax levied on contributions. Furthermore, the addition of fringe benefits to group certificates from 2000-01 is expected to increase revenue from the superannuation surcharge that applies to contributions from higher income earners.

### ***Other Withholding Tax***

Other Withholding tax is levied on:

- income payments to residents who, when making an investment, do not supply the investment body with a TFN;
- business-to-business transactions where an ABN is not quoted by the supplier from 1 July 2000;
- certain interest, dividend and royalty payments to non-residents; and
- payments made to Aboriginal groups for the use of Aboriginal land for mineral exploration and mining.

Total Other Withholding tax revenue is expected to decline in 2000-01 by 5 per cent. This decline largely reflects the impact of some large one-off dividend and resident withholding payments in 1999-2000 that are not expected to be repeated in 2000-01.

### ***Petroleum Resource Rent Tax (PRRT)***

Under the Commonwealth's *Petroleum (Submerged Lands) Act 1967*, PRRT applies to offshore areas other than the North West Shelf production licence areas and associated exploration permit areas, which are subject to excise and royalty arrangements. PRRT is levied at the rate of 40 per cent of taxable profit from a petroleum project.

PRRT is expected to increase by 13 per cent in 2000-01. This reflects the impact of recent growth in world oil prices and an anticipated increase in domestic oil production in 2000-01.

## Indirect Tax

Table 6 provides estimates for 1999-2000 and 2000-01 for the various categories of indirect taxation.

**Table 6: Indirect Tax<sup>(a)</sup>**

	1999-00	2000-01	Change on 1999-00
	Estimate \$m	Estimate \$m	%
Excise duty			
Petroleum products -			
Unleaded petrol	5044	5993	18.8
Leaded petrol	1445	1354	-6.3
Diesel	4614	5232	13.4
Other(b)	100	130	29.9
Total petroleum products	11204	12709	13.4
Crude oil	215	259	20.5
Other excise -			
Beer	892	1441	61.6
Potable spirits	152	245	61.7
Tobacco products	1740	5124	194.5
Total other excise	2783	6810	144.7
Total excise	14202	19779	39.3
Customs duty(c)	3770	4413	17.1
Other indirect taxes			
Wholesale sales tax(d)	15497	1267	-91.8
Wine equalisation tax	-	549	na
Luxury car tax	-	160	na
Total other indirect taxes	15497	1976	-87.2
<b>Total</b>	<b>33468</b>	<b>26168</b>	<b>-21.8</b>

- (a) Excludes surcharge revenue raised by the Commonwealth on an agency basis and paid to the States and Territories as RRP. RRP will be abolished from 2000-01 as part of *The New Tax System*. Also excludes GST revenue collected by the Commonwealth from 1 July 2000 and passed in full to the States and Territories. This revenue amounts to \$24.1 billion in 2000-01.
- (b) Includes aviation gasoline, aviation turbine fuel, fuel oil, heating oil and kerosene, and refunds/drawbacks relating to petroleum products excise.
- (c) Customs duty includes duties imposed on imported petroleum products, tobacco, beer and spirits, which is akin to excise duty on these items.
- (d) WST is to be abolished from 1 July 2000. The 2000-01 estimate reflects the liability for some transactions occurring in the last months of 1999-2000.

## ***Excise Duty***

There are several major categories of excise revenue. They include petroleum products excise, crude oil excise, tobacco excise, and excise on certain alcoholic beverages.

*Petroleum products excise* includes excise on motor spirit (petrol), diesel fuel, aviation gasoline, aviation turbine fuel, fuel oil, heating oil and kerosene. It is imposed at specific rates per litre of product.

Excise revenues from *unleaded petrol* and *diesel* are expected to increase by 19 per cent and 13 per cent respectively in 2000-01. In part, this reflects continued growth in demand and continued substitution of unleaded petrol for leaded petrol. Further, these increases reflect the fact that excise revenue currently collected on behalf of the States will, as part of *The New Tax System*, be retained as Commonwealth revenue from 1 July 2000. At present this excise is classified as a State tax and is not shown as Commonwealth revenue. From 1 July it becomes a Commonwealth tax as part of the changes flowing from the introduction of GST, which constitutes a State revenue base. The growth in revenue from these excises is moderated by a reduction in excise rates from 1 July 2000. This reduction is necessary to ensure that petrol and diesel prices need not rise as a result of the introduction of the GST.

Excise revenue from *leaded petrol* is expected to decline by 6 per cent in 2000-01. This forecast reduction reflects a continuing decline in the number of vehicles that use leaded petrol exclusively, and a reduction in the excise rate applying from 1 July 2000. The extent of the decline is, however, moderated by the Commonwealth's retention from 1 July 2000 of excise revenue on leaded petrol that is currently collected on behalf of the States.

*Crude oil excise* includes excise collected from: offshore fields in the North West Shelf production licence areas that are not subject to PRRT; and onshore fields and coastal waters.

- Crude oil excise revenue is anticipated to increase by 21 per cent in 2000-01. This is primarily due to an anticipated increase in domestic production.

*Other excise* is derived from beer, potable spirits and tobacco products. It is imposed:

- according to the new 'per stick' regime applying to cigarettes and tobacco products, based on a combination of per stick and weight-based excise rates;
- on the alcohol content of beer; and
- on the alcohol content of other products such as spirits and certain ready to drink products. Wine is exempt from excise.

Other excise revenue is expected to increase by 145 per cent in 2000-01, largely reflecting the retention by the Commonwealth of tobacco excise currently collected on behalf of the States (an estimated \$3.1 billion in 2000-01). This excise is classified as a Commonwealth tax for the same reason as petrol — that is, in return for the States

receiving all revenue from GST collected by the Commonwealth on their behalf. In addition, the excise rates on most alcoholic beverages will be increased from 1 July 2000 to offset the removal of WST on beer and spirits (currently 37 per cent).

### ***Excise Indexation***

The rates of duty for excisable commodities (with the exception of crude oil) are adjusted each August and February in line with half-yearly CPI movements. If the change in the CPI is negative, the excise rate is not reduced but instead the decline is carried forward to offset the next positive CPI movement.

All revenue from the excise duty on aviation gasoline and aviation turbine fuel contributes to the funding of aviation programmes. In addition to the impact of indexation described above, the rates of excise and customs duty applying to aviation fuels are adjusted, as necessary, depending on the funding requirements of those programmes (see Part I of *Budget Paper No. 2, Budget Measures 2000-01*).

Existing excise rates are shown in Table 7.

**Table 7: Excise Rates**

Commodity	Rates applying from 1 August 1999 \$	Rates applying from 1 February 2000 \$
Petroleum (per litre) -		
Leaded petrol(a)	0.37465	0.38027
Unleaded petrol(a)	0.35254	0.35783
Diesel (gross)(a)	0.35254	0.35783
Aviation gasoline	0.02718	0.02759
Aviation turbine fuel	0.02718	0.02759
Fuel oil	0.07316	0.07426
Heating oil	0.07316	0.07426
Kerosene	0.07316	0.07426
Beer (per litre of alcohol over 1.15 per cent)	16.15	16.39
Potable spirits (per litre of alcohol) -		
Brandy	32.10	32.58
General rate for other spirits	37.58	38.14
Cigarettes (per stick)(b)	0.18872	0.19155
Tobacco products (per kg)(b)	235.90	239.44

(a) These rates refer to the Commonwealth component of excise.

(b) The per-stick arrangements commenced on 1 November 1999.

### ***Customs Duty***

Customs duties are imposed either as a percentage of the value of imported goods or on a fixed rate basis (for example, dollars per litre). Around 63 per cent of total imports by value enter Australia duty free. Most dutiable goods — excluding passenger motor vehicles and textiles, clothing and footwear — currently attract a general tariff rate of

5 per cent. The Productivity Commission will report on its review of the general tariff rate in July 2000.

The 17 per cent increase in forecast Customs duty revenue in 2000-01 largely reflects an increase, from 1 July 2000, in the customs duty rates applying to imported alcoholic beverages. This increase in customs duty is necessary to offset the removal of WST on beer and spirits (currently 37 per cent). It mirrors an equivalent increase in excise on domestically produced beer and spirits.

### ***Other Indirect Taxes***

WST is imposed on a range of goods destined for consumption in Australia and is levied at the last wholesale or import point on the wholesale sales value of taxable goods. From 1 July 2000, WST will be abolished as part of *The New Tax System*.

Consistent with the tax liability method of revenue recognition, the 2000-01 WST estimate reflects the final liability of WST remitters to the ATO.

In the absence of the two specific indirect tax measures outlined below, the abolition of WST would have meant that the price of certain goods would have fallen more than was intended by general indirect tax reform. Hence from 1 July 2000, grape wine, wine products, fruit and vegetable wine, cider, perry, mead and sake will become subject to a Wine Equalisation Tax (WET), which replaces the difference between the current 41 per cent WST rate on these products and the GST. The WET is to be levied at a rate of 29 per cent, with tax being paid on the value of the goods at the last wholesale sale, or equivalent value.

Similarly, a new Luxury Car Tax (LCT) of 25 per cent will be introduced from 1 July 2000. The LCT will apply to the GST exclusive price of a car above the LCT threshold (the threshold is \$55,134 in 1999-2000). This will ensure that, when the higher WST rate of 45 per cent is removed from luxury cars and the GST is introduced, the price of luxury cars will fall by about the same amount as other cars.

## **Fringe Benefits Tax and Other Taxes**

### ***Fringe Benefits Tax***

Fringe Benefits Tax (FBT) applies to a range of benefits provided by employers to their employees or associates of their employees. FBT revenue is expected to rise by 9 per cent in 2000-01, partly due to the effect of solid remuneration growth. FBT revenue is also expected to be boosted in 2000-01 by the modification of the FBT gross-up rate (to ensure neutrality of treatment between fringe benefits and cash salary following the introduction of the GST) from 1 July 2000.

Table 8 shows estimates for 1999-2000 and 2000-01 for the various categories of other taxes.

**Table 8: Other Taxes**

	1999-00	2000-01	Change on 1999-00
	Estimate	Estimate	
	\$m	\$m	%
Wool tax	90	82	-9.7
Agricultural production taxes - domestic	439	431	-1.8
Agricultural production taxes - export	74	73	-0.9
Levies, other than agricultural	50	50	0.0
Broadcasting licence fees	304	287	-5.6
Other(a)	903	734	-18.6
<b>Total</b>	<b>1859</b>	<b>1656</b>	<b>-10.9</b>

(a) Includes all other tax revenue collected by Commonwealth agencies.

Total revenue from Other Taxes is forecast to decline in 2000-01 by 11 per cent. Agricultural production taxes, non-agricultural levies and broadcasting licence fees are forecast to remain broadly unchanged. Wool tax revenue is estimated to fall in 2000-01 by around 10 per cent.

The remaining category of Other taxes includes the Coalmining Long Service Leave Levy, Child Support fees and fines, passport and consular fees, offshore petroleum royalties and a range of levies administered by the Department of Transport and Regional Services including Aircraft Noise, Stevedoring and Marine Navigation levies.

The forecast reduction of 19 per cent in the 'Other' category of Other Taxes is largely due to reduced estimates of offshore petroleum royalties collected by the Department of Industry, Science and Resources. These royalties are collected by the Commonwealth and shared with the Western Australian Government. These estimates are projected to decline in 2000-01, largely due to a projected decrease in production of petroleum products (other than crude oil) from the North-West Shelf.

## NON-TAXATION REVENUE

Table 9 provides estimates for 1999-2000 and 2000-01 of the various categories of non-taxation revenue.

**Table 9: Non-taxation Revenue**

	1999-00	2000-01	Change on 1999-00
	Estimate \$m	Estimate \$m	%
Sales of goods and services	2748	2681	-2.5
Interest			
Interest from other governments	368	285	-22.6
Interest from other sources(a)	2660	3094	16.3
Total interest	3028	3378	11.6
Dividends			
Dividends from associated entities	6571	2197	-66.6
Dividends from other sources	25	66	164.5
Total dividends	6596	2263	-65.7
Other non-tax revenue(b)	4376	6140	40.3
<b>Total</b>	<b>16748</b>	<b>14462</b>	<b>-13.6</b>

(a) Includes interest revenue from swaps (around \$1.9 billion in 1999-2000 and around \$2.3 billion in 2000-01).

(b) Includes all other non-tax revenue collected by Commonwealth agencies.

## Interest

### *Interest from Other Governments*

This category mainly consists of revenue from the States and Territories on General Purpose and Specific Purpose Borrowings.

The Commonwealth receives interest payments from the States in respect of borrowings made on behalf of the States under the State Governments' Loan Council Programme and from the Northern Territory in respect of advances made under similar general purpose capital assistance arrangements. Payments relating to these advances are made, in turn, by the Commonwealth to bond holders.

Interest from the States on General Purpose borrowings is declining as a result of the June 1990 Loan Council decision that the States and Territories make additional payments to the Commonwealth each year, to facilitate the redemption of all maturing Commonwealth securities issued on their behalf. The reduction in interest revenue from the States and Territories is matched by a reduction in public debt interest expenses.

The Commonwealth also receives interest on Specific Purpose Borrowings to the States, including on advances made under the Commonwealth-State Housing

Agreements, States (Works and Housing) Assistance Acts, Northern Territory Housing Advances and by the Australian Capital Territory on debts assumed upon self-government. Interest from the States on Specific Purpose Borrowings will be lower in 2000-01 compared with 1999-2000, reflecting the repayment of debt by the States in 1999-2000.

### ***Interest from Other Sources***

This item includes interest income on Commonwealth cash balances and on other financial assets, including swap transactions entered into as a part of the Commonwealth's debt management strategy managed by the Australian Office of Financial Management (AOFM). These are expected to increase in 2000-01, largely due to increases in interest rates and increased swap activity.

### **Dividends**

The main sources of dividends are the Commonwealth's Government Business Enterprises (GBEs) and the Reserve Bank of Australia (RBA).

Dividends are anticipated to decline by 66 per cent in 2000-01, mainly due to lower dividend payments from some GBEs and a lower dividend from the RBA. Dividend payments from the RBA can be volatile as they are sensitive to movements in interest rates and the exchange rate.

The Royal Australian Mint also provides dividend revenue to the Commonwealth. This includes seigniorage from circulating coin production, royalties from numismatic coin sales and annual dividends from profits the Mint makes as the manufacturer of these products.

### **Other Sources of Non-tax Revenue**

Other non-tax revenue is expected to increase by 40 per cent in 2000-01. This mainly reflects:

- the reimbursement by the United Nations (UN) of some of the costs incurred by the Australian Defence Forces in East Timor as part of the UN deployment;
- increased revenue from outstanding Higher Education Contribution Scheme (HECS) debts owed to the Commonwealth; and
- an increase in net gains from the sale of non-financial assets, primarily as a result of anticipated proceeds from the sale of telecommunications spectrum licences by the Commonwealth in 2000-01.

## Appendix A: Forward Estimates of Revenue

Forward estimates of the major categories of revenue, for the period from 2000-01 to 2003-04 are provided in Table A1.

**Table A1: Forward Estimates of Revenue**

	2000-01		2001-02		2002-03		2003-04	
	Estimate \$m	Change on 1999-00 %	Estimate \$m	Change on 2000-01 %	Estimate \$m	Change on 2001-02 %	Estimate \$m	Change on 2002-03 %
Individuals tax	74123	-10.2	82205	10.9	87633	6.6	95772	9.3
<i>Per cent of GDP</i>	<i>11.1</i>		<i>11.6</i>		<i>11.7</i>		<i>12.0</i>	
Other income tax	38658	28.4	34266	-11.4	36120	5.4	37822	4.7
<i>Per cent of GDP</i>	<i>5.8</i>		<i>4.8</i>		<i>4.8</i>		<i>4.7</i>	
Total income tax	112781	0.1	116471	3.3	123753	6.3	133594	8.0
<i>Per cent of GDP</i>	<i>16.9</i>		<i>16.4</i>		<i>16.5</i>		<i>16.8</i>	
Indirect tax(a)	26168	-21.8	26462	1.1	27786	5.0	29121	4.8
<i>Per cent of GDP</i>	<i>3.9</i>		<i>3.7</i>		<i>3.7</i>		<i>3.7</i>	
Total tax(b)	144255	-4.6	148487	2.9	157205	5.9	168531	7.2
<i>Per cent of GDP</i>	<i>21.6</i>		<i>21.0</i>		<i>20.9</i>		<i>21.2</i>	
Non-tax revenue	14462	-13.6	12758	-11.8	13926	9.2	14813	6.4
<i>Per cent of GDP</i>	<i>2.2</i>		<i>1.8</i>		<i>1.9</i>		<i>1.9</i>	
<b>Total revenue</b>	<b>158718</b>	<b>-5.5</b>	<b>161246</b>	<b>1.6</b>	<b>171131</b>	<b>6.1</b>	<b>183344</b>	<b>7.1</b>
<i>Per cent of GDP</i>	<i>23.7</i>		<i>22.8</i>		<i>22.8</i>		<i>23.0</i>	

(a) Excludes the DFRS offset to revenue (which has been reclassified as an expense).

(b) Includes FBT and Other Taxes.

The forward estimates of revenue have been prepared on the conventional assumption of no change in current policy. Therefore, the forward estimates of revenue primarily reflect projected growth in economic parameters and policy measures contained in this and previous budgets, including those associated with *The New Tax System* and *The New Business Tax System*.

Taxation revenue generally moves in line with economic activity during periods of steady economic growth (as depicted by the economic projections in this Budget), but tends to swing more sharply during periods of economic contraction and rapid expansion (and more sharply than nominal GDP growth). The forward revenue estimates are also susceptible to changes in the extent of tax minimisation and avoidance action by taxpayers.

Total revenue is expected to:

- decrease in 2000-01 by 5.5 per cent from 1999-2000, due largely to the impact of measures associated with *The New Tax System*; and
- remain at around 23 per cent of GDP in the forward years.

Individuals tax falls in 2000-01 due to the introduction of lower personal income tax rates in that year. Other income tax rises sharply in 2000-01 before falling in 2001-02. This largely reflects the effective bring-forward of revenue that occurs with the introduction of the new PAYG Instalment arrangements for companies and superannuation funds in 2000-01.

Indirect tax falls sharply in 2000-01 as a result of the abolition of WST following the introduction of *The New Tax System*. The effect of this abolition is partially offset by the Commonwealth's retention, from 1 July 2000, of indirect taxes previously collected on an agency basis for the States (see Footnote 4 on page 5-7).

Non-tax revenue is expected to:

- decrease from 2000-01 to 2001-02, largely due to lower expected net gains from the sale of non-financial assets in 2001-02; and
- increase in 2002-03 and 2003-04 as the result of increased interest earned on investment activities and swap transactions undertaken by the AOFM in the management of the Commonwealth's debt.

In 2002-03 and 2003-04, total revenue is expected to grow broadly in line with nominal GDP.

## Appendix B: Revenue Measures

Table B1 provides a summary of the revenue measures introduced since MYEFO. A full description of all 2000-01 Budget revenue measures can be found in Part I of *Budget Paper No. 2 — Budget Measures 2000-01*.

**Table B1: Revenue Measures since the 1999-2000 MYEFO<sup>(a)(b)</sup>**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>Attorney-General's</b>				
Customs tariff changes	-	-	-	-
South Pacific and Regional Free Trade Agreement - Textiles, Clothing and Footwear Scheme	-0.1	-0.1	-0.1	-0.1
<b>Portfolio total</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.1</b>
<b>Communications, Information Technology and the Arts</b>				
Apply a charge to telecommunications end users to offset the cost of administration of a number pool of local rate and freephone numbers	0.1	0.4	0.4	0.4
Increase in annual carrier licence fees	0.5	2.8	1.6	1.4
Regional Equalisation Plan for digital television - licence fee rebates	-22.6	-22.6	-26.9	-27.1
<b>Portfolio total</b>	<b>-22.0</b>	<b>-19.4</b>	<b>-24.9</b>	<b>-25.3</b>
<b>Education, Training and Youth Affairs</b>				
Education Services for Overseas Students - increased registration fees for providers	1.0	1.0	1.0	1.0
<b>Portfolio total</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>
<b>Foreign Affairs and Trade</b>				
Increase in Consular notarial fees	1.1	1.1	1.1	1.1
<b>Portfolio total</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>
<b>Immigration and Multicultural Affairs</b>				
Future directions for the Overseas Student Visa Programme	2.6	4.6	6.8	7.1
Increased permanent migrant intake	6.4	2.8	3.2	3.2
Introduction of new entry requirements for aged parent migrants	12.5	89.7	26.3	26.9
Response to the Review of Illegal Workers in Australia	11.2	18.9	19.9	20.9
<b>Portfolio total</b>	<b>32.7</b>	<b>116.0</b>	<b>56.2</b>	<b>58.1</b>
<b>Transport and Regional Services</b>				
Extension of the application of the <i>Aircraft Noise Levy Collection Act (1995)</i> to Adelaide Airport	4.1	6.3	6.6	6.9
National Parking Regime at leased federal airports	1.5	1.6	1.7	1.8
<b>Portfolio total</b>	<b>5.6</b>	<b>7.9</b>	<b>8.3</b>	<b>8.7</b>

**Table B1: Revenue Measures since the 1999-2000 MYEFO<sup>(a)(b)</sup> (continued)**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>Treasury</b>				
<b>Income tax</b>				
Apportionment of deductions for donations to Environmental and Heritage Organisations	*	*	*	*
Capital gains tax treatment of assets disposed of by trusts	*	*	*	*
Change to the fringe benefits tax capping measure applying to public benevolent institutions and non-profit employers	-130.0	-130.0	-135.0	-140.0
Changes to the non-commercial losses measure	-20.0	-80.0	-70.0	-60.0
Changes to the tightening of the 13-month rule for advanced expenditure under tax shelters	-30.0	-	-	-
Deductibility of certain gifts	*	*	*	*
Extension of refund of excess imputation credits to charities	-	-50.0	-50.0	-50.0
Increasing the Medicare levy low income thresholds	-20.0	-10.0	-10.0	-10.0
Removal of Defence - East Timor levy	-900.0	45.0	-	-
Removal of income tax exemption for non-resident sporting clubs and associations and sportspersons	*	*	*	*
Simplification of the inter-entity loss multiplication measure	*	*	*	*
Simplification of <i>The New Business Tax System</i> integrity measures	*	*	*	*
Transitional arrangements for the alienation of personal services income measure	-190.0	-190.0	-60.0	-
<b>Indirect tax</b>				
Adjustment of alcohol excise rates	-150.0	-150.0	-140.0	-140.0
Airport regulation cost recovery	0.9	0.9	0.9	0.9
Product stewardship arrangements for waste oil	24.7	24.5	24.2	24.0
Stockpiling of alcoholic beverages	-	-	-	-
<b>Non-tax revenue</b>				
Postal services regulation cost recovery	1.0	1.0	1.0	1.0
Transfer of responsibility for unclaimed moneys from the States and Territories to the Commonwealth	5.5	5.5	5.5	5.5
<b>Portfolio total</b>	<b>-1407.9</b>	<b>-533.1</b>	<b>-433.4</b>	<b>-368.6</b>
<b>Total impact of revenue measures(c)</b>	<b>-1389.6</b>	<b>-426.6</b>	<b>-391.8</b>	<b>-325.1</b>

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

(a) Revenue is on a AAS31 basis.

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

(c) Measures may not add due to rounding.

**Table B2: Revenue Measures up to the 1999-2000 MYEFO<sup>(a)(b)(c)</sup>**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>DEMOCRATS AMENDMENTS - TAX REFORM</b>				
<b>Treasury</b>				
<b>Income tax</b>				
Reduced personal income tax cuts for income earners above \$50,000	1110.0	1234.0	1435.0	1655.0
<b>Indirect tax</b>				
Incentive for switch to lower sulphur diesels	-	-	18.0	44.0
Change of Diesel Fuel Rebate Scheme (DFRS) arrangements for rail excise and off-road diesel	333.1	322.0	317.0	313.0
Supporting renewable remote power generation	66.0	66.0	66.0	66.0
<b>Non-tax revenue</b>				
Additional payments from the States and Territories for GST administration	60.0	60.0	60.0	60.0
<b>Total Democrats Amendments - Tax Reform</b>	<b>1569.1</b>	<b>1682.0</b>	<b>1896.0</b>	<b>2138.0</b>
<b>Other Revenue Measures up to MYEFO</b>				
<b>Attorney-General's</b>				
Removal of nuisance tariffs	-12.1	-12.9	-13.8	-14.7
Reinstatement of some tariffs on non-medical and non-scientific equipment	0.8	0.9	0.9	0.9
<b>Portfolio total</b>	<b>-11.3</b>	<b>-12.0</b>	<b>-12.9</b>	<b>-13.8</b>
<b>Defence</b>				
United Nations reimbursements for East Timor assistance	114.0	106.0	76.0	76.0
<b>Portfolio total</b>	<b>114.0</b>	<b>106.0</b>	<b>76.0</b>	<b>76.0</b>
<b>Environment and Heritage</b>				
Sale of Halogen to the United States for essential use	6.0	-	-	-
<b>Portfolio total</b>	<b>6.0</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Immigration and Multicultural Affairs</b>				
Extension of regulation of the migration advice industry	1.7	1.8	1.3	-
<b>Portfolio total</b>	<b>1.7</b>	<b>1.8</b>	<b>1.3</b>	<b>-</b>
<b>Treasury</b>				
<b>Income tax</b>				
Defence - East Timor levy	900.0	-45.0	-	-
Deductibility of certain gifts	*	*	*	*
Immediate tax deductibility for GST-related expenditure	-175.0	75.0	75.0	15.0
Establishment of the Australian Rural Partnerships Foundation	-5.0	-5.0	-3.0	-1.2

**Table B2: Revenue Measures up to the 1999-2000 MYEFO<sup>(a)(b)(c)</sup> (continued)**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>Treasury (continued)</b>				
Tax exemption on business re-establishment grants made from the Cyclones Elaine and Vance Trust Fund	-	-	-	-
Fringe benefits reporting - exclusion of certain benefits provided to Australian Defence Force personnel	-10.0	-10.0	-10.0	-10.0
Dairy industry adjustment package	-1.0	-1.0	-1.0	-1.0
Double taxation agreements	*	*	*	*
<b>The New Business Tax System</b>				
Reduction in the company tax rate	-1260.0	-3480.0	-3135.0	-3090.0
Implementing a unified entity tax system	*	*	*	*
Deferred implementation of unified entity tax system to trusts	-140.0	-445.0	5.0	-
Early refunds of imputation credits	-	-190.0	-	-10.0
Removing the intercorporate dividend rebate on unfranked distributions	35.0	-70.0	-120.0	-155.0
Introduction of a common start date for the commencement of tax reform measures applying to life insurers	-180.0	-	40.0	-
Transitional taxation of fees on life insurance policies	-110.0	-110.0	-110.0	-90.0
Taxation of funeral bonds, scholarship plans and income bonds offered by Friendly Societies	*	*	*	*
Delayed commencement of life policyholder reform	-30.0	-30.0	-	-
Consolidation - losses of acquired companies	-	-190.0	-380.0	-390.0
Consolidation - value shifting and loss duplication in groups	-	-	75.0	80.0
Rollover relief for entity restructuring	*	*	*	*
Removal of accelerated depreciation	1050.0	2260.0	2300.0	2610.0
Removal of balancing charge offset	400.0	360.0	170.0	80.0
Pooling of low-value depreciable assets	30.0	410.0	40.0	-80.0
Allow write-off for indefeasible rights of use	-51.0	-37.0	-36.0	-30.0
Effective life depreciation for the mining, quarrying and resources industries	-	-	15.0	25.0
Cash accounting for small business	-	-220.0	-320.0	-
Simplified depreciation arrangements for small business	-	-60.0	-220.0	-230.0
Small business exemption from accelerated depreciation, balancing charge offset and low-value pooling measures	-219.0	-474.0	257.0	88.0
Reform of CGT for individuals	210.0	230.0	210.0	180.0
Reform of CGT for superannuation and related funds	-70.0	-50.0	-70.0	-60.0
Reform of CGT for other entities	10.0	40.0	50.0	60.0
CGT rollover relief for scrip-for-scrip acquisitions	2.0	-19.0	-5.0	11.0

**Table B2: Revenue Measures up to the 1999-2000 MYEFO<sup>(a)(b)(c)</sup> (continued)**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>Treasury (continued)</b>				
Allowance for CGT arbitrage activities(d)	-20.0	-50.0	-100.0	-150.0
Improving incentives for venture capital investment	*	*	*	*
Providing a new small business 15-year CGT exemption and streamlining of the existing small business provisions	*	*	*	*
Addressing lease assignments	15.0	45.0	55.0	70.0
Interim value shifting and loss duplication measures	60.0	42.0	-	-
Repeal of excess deduction rules for mining operations	30.0	40.0	35.0	35.0
Prevent duplication of unrealised losses	65.0	90.0	85.0	95.0
Remove defects in the continuity of ownership test	35.0	35.0	35.0	40.0
Disposal of loss assets within majority-owned groups	60.0	50.0	15.0	10.0
Prevent inter-entity loss multiplication	15.0	20.0	25.0	20.0
Value shifting measures outside groups	-	-	140.0	150.0
Tightening the 13-month rule for advance expenditure	220.0	325.0	260.0	275.0
Tightening the 13-month rule for advance expenditure under tax shelters	70.0	100.0	90.0	90.0
Treatment of losses from non-commercial activities	50.0	310.0	240.0	200.0
Alienation of personal services income	380.0	480.0	495.0	515.0
Amending dividend streaming and franking credit trading rules	*	*	*	*
Imputation credits for foreign dividend withholding tax	-	-	-340.0	-190.0
Thin capitalisation provisions	-	50.0	480.0	390.0
Gains on the disposal of interposed non-resident entities	-	-	40.0	50.0
Foreign income account	*	*	*	*
Consistent treatment of resident entities deriving foreign source income	*	*	*	*
Simplifying and strengthening the rules for foreign trusts	*	*	*	*
Foreign expatriates and residents departing Australia	*	*	*	*
Extending the scope of involuntary disposals	*	*	*	*
Recognition of blackhole expenditures	-	-30.0	-65.0	-85.0
High level reform to tax design and other measures	-	-57.0	-45.0	-125.0
Growth dividend(d)	50.0	100.0	200.0	300.0

**Table B2: Revenue Measures up to the 1999-2000 MYEFO<sup>(a)(b)(c)</sup> (continued)**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>Treasury (continued)</b>				
<b>Indirect tax</b>				
Application of excise on alcoholic cooking essences	5.1	5.3	5.5	5.7
Sales tax concession for taxis for the disabled	*	*	*	*
<b>Fringe benefit tax</b>				
Extension of FBT exemption for remote area housing to all employers	-15.0	-15.0	-15.0	-15.0
Adoption of dual gross-up formula for FBT	-35.0	-35.0	-35.0	-35.0
<b>Portfolio total</b>	<b>1371.1</b>	<b>-555.7</b>	<b>427.5</b>	<b>647.5</b>
<b>Total impact of other revenue measures up to MYEFO</b>	<b>1481.5</b>	<b>-459.9</b>	<b>491.9</b>	<b>709.7</b>
<i>Memorandum items:</i>				
Total Democrats Amendments - Tax Reform	1569.1	1682.0	1896.0	2138.0
Total impact of other revenue measures up to MYEFO	1481.5	-459.9	491.9	709.7
<b>Total revenue measures up to MYEFO(e)</b>	<b>3050.6</b>	<b>1222.1</b>	<b>2387.9</b>	<b>2847.7</b>

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

(a) Revenue is on a AAS31 basis.

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

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

(d) Consistent with MYEFO, the *Allowance for CGT arbitrage activities* and *Growth dividend* are not strictly policy decisions, but have been included in the Summary table to show the overall fiscal impact of *The New Business Tax System*.

(e) Measures may not add due to rounding.

## Appendix C: Tax Expenditures

This appendix provides a brief overview of the effect on revenue of the concessional taxation treatment of specific groups and/or activities. Consistent with data published in previous Tax Expenditures Statements (TES), all the data contained in this appendix have been compiled on a cash basis.

Individuals and businesses derive financial benefits from various tax concessions. These concessions are usually delivered by tax exemptions, deductions, rebates or reduced rates. They can either reduce or delay the collection of tax revenue. The Government can use taxation concessions to allocate resources to different activities in much the same way that it can use direct expenditure programmes. For this reason, and noting their direct impact on the fiscal balance, these tax concessions are generally called 'tax expenditures'.

Table C1 provides estimates for the period from 1996-97 to 2003-04 of aggregate tax expenditures. These estimates are based on data compiled for the *1997-98 Tax Expenditures Statement* published in July 1999.

*The New Tax System* and *The New Business Tax System* involve significant reforms to both expenses and revenues — some of which will impact on the costings of tax expenditures. The treatment of *The New Tax System* in the figures in Table C1 is as follows:

- Those measures that do not fundamentally alter the way in which a tax is assessed, and therefore do not affect the benchmarks against which a tax expenditure is costed (see Attachment A of the 1997-98 TES), include the impact of *The New Tax System* in their estimates/projections. For example, any tax expenditures relating to personal income will take into account the new personal income tax rates which, under *The New Tax System*, come into effect from July 2000.
- The impact of *The New Tax System* measures that fundamentally alter the way in which a tax is assessed, and which therefore require an alteration to the benchmark, such as changes to the taxation regime applying to trusts, have not been included in the tax expenditure costings below.

Tax expenditures based on revised benchmarks for *The New Tax System* and *The New Business Tax System* are due to be released in the *1999-2000 Tax Expenditures Statement* later this year.

**Table C1: Aggregate Tax Expenditures 1996-97 to 2003-04**

Year	Retirement and other employment termination benefits \$m	Other Tax Expenditures(a) \$m	Total \$m	Tax Expenditures as a proportion of GDP (%)
1996-97	9160	10129	19289	3.6
1997-98	9110	10371	19481	3.4
1998-99	9440	11737	21177	3.6
1999-00 (est)	9900	12474	22374	3.6
<b>2000-01 (est)</b>	<b>8745</b>	<b>10925</b>	<b>19670</b>	<b>2.9</b>
2001-02 (proj)	8855	10139	18994	2.7
2002-03 (proj)	9265	10502	19767	2.6
2003-04 (proj)	9824	11135	20959	2.6

(a) These estimates do not include measures allowing delayed payments of tax.

In analysing the data presented in Table C1, there are a number of considerations that must be kept in mind.

- These figures will understate the total cost to revenue of tax expenditures. The TES does not provide a comprehensive listing of all tax expenditures, and some of those that are identified have not been costed due to a lack of data.
- Tax expenditures in the form of delayed tax payments (such as depreciation allowances, which merely defer tax revenue collections to a later date), have been excluded from the estimates of aggregate tax expenditures.
- Changes over time in methodology and available data used for calculating the cost of particular expenditures means that there can be quite large revisions to tax expenditure estimates. Therefore, particular tax expenditure estimates may not be strictly comparable from year to year.
- Forward projections for the outyears can be subject to considerable uncertainty. Caution should be exercised when trying to draw conclusions on longer-term trends.
- Individual expenditures can have further methodological issues. For example, see Appendix B of *1997-98 Tax Expenditures Statement*, which discusses methodological issues in relation to Retirement and Other Employment Termination Benefits.

## Appendix D: Revenue Statistics

**Table D1: Commonwealth Revenue (cash basis)<sup>(a)</sup>**

	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00(b)	2000-01(b)
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Tax revenue</b>												
Income tax												
Individuals -												
Gross PAYE	41322	41704	41388	43035	44451	48078	53302	57401	62116	67367	72330	67737
Gross other individuals	9958	10932	8865	7905	8217	8971	9538	11110	11499	12423	12544	12044
Gross PPS(c)	1912	1693	1563	1589	1781	2049	2059	2110	2384	2644	2960	0
Medicare levy(d)	2545	2480	2385	2415	2870	3030	3350	4150	3760	4100	4350	4580
<i>less: Refunds</i>	5672	6546	7516	7433	6743	7481	7835	8318	8935	9805	10340	10590
Total individuals	50065	50263	46685	47511	50575	54647	60414	66453	70822	76728	81844	73771
Companies	12926	14166	13419	13071	12700	15588	18252	19173	19406	20734	22560	26900
Superannuation funds	376	1053	1139	1522	1191	1913	1634	2595	3093	3916	3810	4465
Withholding tax	915	901	941	764	877	903	1349	1080	1137	1220	1411	1346
Petroleum resource rent tax	42	293	876	1389	1072	865	791	1308	907	419	1135	1280
Fringe benefits tax	1168	1262	1327	1344	1417	2740	3031	3163	3168	3289	3340	3650
<b>Total income tax</b>	<b>65493</b>	<b>67938</b>	<b>64387</b>	<b>65602</b>	<b>67833</b>	<b>76656</b>	<b>85470</b>	<b>93773</b>	<b>98534</b>	<b>106306</b>	<b>114100</b>	<b>111412</b>
Indirect tax												
Wholesale sales tax	10132	9365	9113	9252	10414	11624	12955	13308	14085	15162	15447	2137
Excise duty -												
Crude oil and LPG	1232	1354	64	116	62	27	13	9	16	31	215	259
Petroleum products(e)	6416	6642	7093	7200	8499	9406	10224	10543	10895	10974	11204	12709
Other excise duty	2239	2364	2324	2361	2253	2567	2612	2739	2663	2614	2783	6810
Total excise duty	9888	10360	9482	9677	10814	12001	12849	13291	13574	13619	14202	19779
Customs duty	3954	3319	3299	3331	3226	3474	3124	3289	3637	3634	3770	4413
<b>Total indirect tax</b>	<b>23974</b>	<b>23044</b>	<b>21893</b>	<b>22260</b>	<b>24455</b>	<b>27099</b>	<b>28928</b>	<b>29888</b>	<b>31296</b>	<b>32415</b>	<b>33418</b>	<b>26329</b>

**Table D1: Commonwealth Revenue (cash basis)<sup>(a)</sup> (continued)**

	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00(b)	2000-01(b)
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Tax revenue</b> (cont.)												
Other taxes, fees and fines	1876	2243	1690	1572	1736	1933	1988	2154	2390	2383	1504	1852
<b>Total tax revenue</b>	<b>91343</b>	<b>93225</b>	<b>87970</b>	<b>89434</b>	<b>94024</b>	<b>105687</b>	<b>116386</b>	<b>125815</b>	<b>132219</b>	<b>141104</b>	<b>149023</b>	<b>139593</b>
Non-tax revenue												
Interest received	3473	3309	2976	2477	2051	1790	1403	1126	1139	682	2957	3454
Dividends and other	1178	1558	2563	3150	4671	2952	3899	4089	3610	4659	11388	8679
<b>Total non-tax revenue</b>	<b>4651</b>	<b>4867</b>	<b>5539</b>	<b>5627</b>	<b>6722</b>	<b>4743</b>	<b>5302</b>	<b>5216</b>	<b>4749</b>	<b>5341</b>	<b>14345</b>	<b>12133</b>
<b>Total revenue</b>	<b>95995</b>	<b>98093</b>	<b>93509</b>	<b>95062</b>	<b>100747</b>	<b>110430</b>	<b>121688</b>	<b>131031</b>	<b>136968</b>	<b>146444</b>	<b>163367</b>	<b>151726</b>

- (a) Figures up to and including 1998-99 are on a Budget Sector basis. Figures for 1999-2000 onwards are on a General Government sector basis.
- (b) Estimates for 1999-2000 onwards are derived using AAS31 cash flow data from the Commonwealth's accrual accounting system. As a result, the categories 'Interest Received' and 'Dividends and Other' now include items that were netted off in previous budgets. For example, Interest Received now includes receipts from swaps (around \$1.9 billion in 1999-2000 and around \$2.3 billion in 2000-01) and Dividends and Other now includes 'Sales of goods and services' (around \$2.9 billion in 1999-2000 and \$2.8 billion in 2000-01) and 'Other sources of non-taxation revenue'.
- (c) PPS denotes Prescribed Payments System (which is replaced by the new PAYG system from 2000-01 onwards).
- (d) The Medicare levy was increased from 1.5 to 1.7 per cent for the period from 1 July 1996 to 30 June 1997 to fund the guns buy-back scheme.
- (e) Excludes the DFRS offset to revenue, which has been reclassified as an expense.

**Table D2: Major Categories of Revenue as a Proportion of Gross Domestic Product (cash basis)<sup>(a)</sup>**

	Taxation Revenue															Non-Taxation Revenue			
	Income Tax								Other Taxation Revenue							Interest	Dividends and Other	Total Non-Tax Revenue	Total Revenue
	Individuals				Companies	Super Funds	FBT	Total (c)	Excises			Sales Tax	Customs Duty	Total Other Tax (f)					
	Gross PAYE %	Gross Other %	Gross PPS %	Total (b)					Petroleum Products (d)	Other (e)	Excises				Total	Total Tax Revenue %			
1989-90	11.4	2.7	0.5	13.0	3.4	0.1	0.3	17.0	2.0	0.6	2.6	2.6	1.0	6.7	23.8	0.9	0.3	1.2	25.0
1990-91	11.1	2.9	0.4	12.7	3.6	0.3	0.3	17.1	2.0	0.6	2.6	2.4	0.8	6.4	23.5	0.8	0.4	1.2	24.7
1991-92	10.8	2.3	0.4	11.5	3.3	0.3	0.3	15.8	1.8	0.6	2.3	2.2	0.8	5.8	21.7	0.7	0.6	1.4	23.0
1992-93	10.6	1.9	0.4	11.1	3.1	0.4	0.3	15.4	1.7	0.6	2.3	2.2	0.8	5.6	20.9	0.6	0.7	1.3	22.2
1993-94	10.5	1.9	0.4	11.2	2.8	0.3	0.3	15.1	1.9	0.5	2.4	2.3	0.7	5.8	20.9	0.5	1.0	1.5	22.4
1994-95	10.7	2.0	0.5	11.5	3.3	0.4	0.6	16.2	2.0	0.5	2.5	2.4	0.7	6.1	22.3	0.4	0.6	1.0	23.3
1995-96	11.1	2.0	0.4	11.9	3.6	0.3	0.6	16.8	2.0	0.5	2.5	2.5	0.6	6.1	22.9	0.3	0.8	1.0	23.9
1996-97	11.5	2.2	0.4	12.5	3.6	0.5	0.6	17.6	2.0	0.5	2.5	2.5	0.6	6.0	23.6	0.2	0.8	1.0	24.6
1997-98	11.6	2.1	0.4	12.5	3.4	0.5	0.6	17.4	1.9	0.5	2.4	2.5	0.6	6.0	23.4	0.2	0.6	0.8	24.2
1998-99	12.0	2.2	0.5	12.9	3.5	0.7	0.6	17.9	1.9	0.4	2.3	2.6	0.6	5.9	23.8	0.1	0.8	0.9	24.7
1999-00(g)	12.2	2.1	0.5	13.0	3.6	0.6	0.5	18.2	1.8	0.4	2.3	2.5	0.6	5.6	23.7	0.5	1.8	2.3	26.0
2000-01(g)	10.8	1.9	0.0	11.0	4.0	0.7	0.5	16.7	1.9	1.0	3.0	0.3	0.7	4.2	20.9	0.5	1.3	1.8	22.7

- (a) All estimates expressed as a proportion of GDP use the current budget GDP series.
- (b) The total for the individuals category also includes Medicare levy collections and refunds.
- (c) The total for the income tax category also includes refunds, Medicare levy collections, PRRT and withholding tax.
- (d) Petroleum products excise includes crude oil and LPG excise, but excludes the DFRS offset to revenue, which has been reclassified as an expense.
- (e) The 'Other' category comprises excise from beer, potable spirits and tobacco.
- (f) As well as excises, sales tax and customs duty, 'Other Taxation Revenue' includes other taxes, fees and fines.
- (g) Estimates for 1999-2000 and 2000-01 are derived using cash flow data from the Commonwealth's accrual accounting system. Note that the categories 'Interest' and 'Dividends and Other' include significant new items that were netted off in previous budgets (for further information, refer to footnote (b) in table D1 of this Statement).

**Table D3: Major Categories of Revenue as a Proportion of Total Revenue (cash basis)**

	Taxation Revenue															Non-Taxation Revenue			
	Income Tax								Other Taxation Revenue							Total Tax Revenue	Interest	Dividends and Other	Total Non-Tax Revenue
	Individuals				Companies	Super Funds	FBT	Total (b)	Excises			Sales Tax	Customs Duty	Total Other Tax (e)					
	Gross PAYE %	Gross Other %	Gross PPS %	Total (a) %					Petroleum Products (c) %	Other (d) %	Total Excises %								
1989-90	45.5	10.8	2.0	52.2	13.5	0.4	1.2	68.2	8.0	2.3	10.3	10.6	4.1	26.9	95.2	3.6	1.2	4.8	
1990-91	44.8	11.6	1.7	51.2	14.4	1.1	1.3	69.3	8.2	2.4	10.6	9.5	3.4	25.8	95.0	3.4	1.6	5.0	
1991-92	46.8	9.8	1.7	49.9	14.4	1.2	1.4	68.9	7.7	2.5	10.1	9.7	3.5	25.2	94.1	3.2	2.7	5.9	
1992-93	47.7	8.8	1.8	50.0	13.7	1.6	1.4	69.0	7.7	2.5	10.2	9.7	3.5	25.1	94.1	2.6	3.3	5.9	
1993-94	46.8	8.6	1.9	50.2	12.6	1.2	1.4	67.3	8.5	2.2	10.7	10.3	3.2	26.0	93.3	2.0	4.6	6.7	
1994-95	46.1	8.6	2.0	49.5	14.1	1.7	2.5	69.4	8.5	2.3	10.9	10.5	3.1	26.3	95.7	1.6	2.7	4.3	
1995-96	46.4	8.3	1.8	49.6	15.0	1.3	2.5	70.2	8.4	2.1	10.6	10.6	2.6	25.4	95.6	1.2	3.2	4.4	
1996-97	46.7	9.0	1.7	50.7	14.6	2.0	2.4	71.6	8.1	2.1	10.1	10.2	2.5	24.5	96.0	0.9	3.1	4.0	
1997-98	48.0	8.8	1.8	51.7	14.2	2.3	2.3	71.9	8.0	1.9	9.9	10.3	2.7	24.6	96.5	0.8	2.6	3.5	
1998-99	48.6	8.9	1.9	52.4	14.2	2.7	2.2	72.6	7.5	1.8	9.3	10.4	2.5	23.8	96.4	0.5	3.2	3.6	
1999-00(f)	46.7	8.1	1.9	50.1	13.8	2.3	2.0	69.8	7.0	1.7	8.7	9.5	2.3	21.4	91.2	1.8	7.0	8.8	
2000-01(f)	47.5	8.4	0.0	48.6	17.7	2.9	2.4	73.4	8.5	4.5	13.0	1.4	2.9	18.6	92.0	2.3	5.7	8.0	

- (a) The total for the individuals category also includes Medicare levy collections and refunds.
- (b) The total for the income tax category also includes refunds, Medicare levy collections, PRRT and withholding tax.
- (c) Petroleum products excise includes crude oil and LPG excise, but excludes the DFRS offset to revenue, which has been reclassified as an expense.
- (d) The 'Other' category comprises excise from beer, potable spirits and tobacco.
- (e) As well as excises, sales tax and customs duty, 'Other Taxation Revenue' includes other taxes, fees and fines.
- (f) Estimates for 1999-2000 and 2000-01 are derived using cash flow data from the Commonwealth's accrual accounting system. Note that the categories 'Interest' and 'Dividends and Other' include significant new items that were netted off in previous budgets (for further information, refer to footnote (b) in table D1 of this Statement).

