

APPENDIX A: GST REVENUE MEASURES

Additional free supplies provided by telecommunications suppliers not subject to GST

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-	-	-

The Government has ensured that GST does not apply to additional bonus supplies (such as extra credits and bonus text messages) made by telecommunications suppliers to customers of prepaid phone cards (including recharges), with effect from 1 July 2000.

The GST voucher provisions operate so that GST is to be remitted on the face value of a voucher. Prior to this amendment, the GST law operated to include these additional supplies in the face value of a voucher and they were therefore subject to GST. This resulted in a significant mismatch between the face value of a voucher and the consideration paid by the customer.

Additional GST compliance funding

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	50.6	93.0	93.0	-

The Government will provide \$46.4 million over three years for additional compliance activities in relation to the collection of GST. The additional compliance activities are expected to increase GST revenue (on an accrual basis) by the amounts outlined above, which corresponds to increased GST cash collections of \$190.1 million over the three years for the States.

The funding for the additional compliance activities will be reviewed, in conjunction with the States, after three years – see also the related expense measure *Goods and services tax – additional compliance activities* in Budget Paper No. 2 under the Treasury portfolio.

Alignment of import entry thresholds for courier and postal imports — GST component

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-8.0	-8.0	-8.0	-9.0

The Government has aligned the import entry level threshold for postal and courier imports at \$1,000, with effect from 12 October 2005.

Budget Paper No. 3

Previously, the threshold for air and sea consignments and postal consignments carried by private couriers was \$250, while the threshold for postal consignments carried by Australia Post was \$1,000. The alignment of these thresholds will promote competitive neutrality and will have the effect of reducing GST revenue.

Further information can be found in Australian Customs Notice No. 2005/57 of 7 October 2005 and the *Mid-Year Economic and Fiscal Outlook 2005-06*.

Change in GST treatment of certain public ancillary and prescribed private funds

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office

The Government will allow non-charitable public ancillary and prescribed private funds to register and operate as enterprises for GST purposes, with effect from 1 July 2005. Public ancillary funds and prescribed private funds are trusts that are established for the purpose of providing money and other benefits to organisations that are deductible-gift recipients (DGRs).

Previously, if these funds distributed to DGRs that were not charitable (such as public ambulance services and research authorities), the funds were unable to claim input tax credits or to fully utilise certain GST concessions, unlike charitable trusts. The change will put non-charitable public ancillary and prescribed private funds on the same GST footing as charitable funds.

This measure is subject to the unanimous agreement of the States.

The Government is also introducing a measure in relation to Australian Business Numbers for these funds – see the measure *Philanthropy – providing Australian Business Numbers to certain prescribed private funds and public ancillary funds* in Budget Paper No. 2 under the Treasury portfolio.

GST and representatives of incapacitated entities

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office

The Government will clarify the GST obligations for representatives that are appointed over entities that have become incapacitated. Incapacitated entities include entities that are in liquidation or receivership. The measure will have effect from the first tax period after the date of Royal Assent of the enabling legislation.

This measure will ensure that these rules operate as intended and provide certainty to representatives of incapacitated entities.

GST and the sale of real property — deferral of integrity measure

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	*	*	*	*

The Government has deferred the tax integrity measure concerning the interaction of the margin scheme with the GST-free going concern and the GST-free farm land provisions.

The Government has undertaken consultation with industry to ensure that the margin scheme provisions apply appropriately to these supplies.

Further information can be found in the press release of 7 June 2005 issued by the former Minister for Revenue and Assistant Treasurer.

GST and the sale of real property — margin scheme

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	*	*	*	*

The Government has changed the application of arrangements concerning the requirement to obtain written agreement for the use of the margin scheme so that it no longer affects contracts entered into before the date of Royal Assent.

Further information can be found in the press release of 7 June 2005 issued by the former Minister for Revenue and Assistant Treasurer.

GST concessions for diplomatic and consular missions

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office

The Government has provided refunds for GST in relation to certain countries' diplomatic and consular representation under the Indirect Tax Concession Scheme. The Government will also provide refunds for GST to a further group of countries under the Scheme.

Twelve countries' missions and consulates have received new or upgraded benefits as a result of this measure. These countries are Austria, East Timor, Ecuador, El Salvador, Kenya, New Zealand, North Korea, Pakistan, Philippines, Poland, Romania and Singapore. A further fourteen countries' missions and consulates will receive such benefits. The countries are Algeria, Cyprus, the Former Yugoslav Republic of Macedonia, Ghana, Italy, Jordan, Kuwait, Morocco, Papua New Guinea, Peru, Serbia and Montenegro, Switzerland, Syria and Uganda.

Budget Paper No. 3

Those concessions already in operation took effect from the time provided in the implementing instruments issued by the Minister for Foreign Affairs.

The concessions still to be implemented will take effect from the time provided in new instruments to be issued by the Minister. The Government will also provide related concessions for certain indirect taxes – see the measure *Indirect tax concessions for diplomatic and consular missions* in Budget Paper No. 2 under the Treasury portfolio for those indirect tax concessions yet to be implemented.

GST concession for the Melbourne 2006 Commonwealth Games

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-	-	-

The Government has allowed certain goods of a non-commercial nature to be imported free of GST by ‘Commonwealth Games Family’ members for the Melbourne 2006 Commonwealth Games. The concession took effect from 1 January 2006 and runs until 30 June 2006.

A similar concession was provided for the Sydney 2000 Olympic and Paralympic Games.

The measure has an estimated cost to revenue of \$1 million in 2005-06 but is not expected to have a cost to revenue in subsequent years.

GST — simplified accounting arrangement for vouchers

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office

The Government has ensured that a simplified GST accounting arrangement is available for ‘eligible vouchers’ for GST purposes that are sold through a distribution chain, with effect from 1 July 2000.

The GST law provides a simplified accounting arrangement for GST between principals and agents where the supplies are taxable supplies. This arrangement is not currently available for ‘eligible vouchers’ as these vouchers are not taxable supplies. The GST voucher provisions operate so that GST is remitted when the voucher is redeemed for goods and services and not on the sale of the voucher.

This measure ensures that retailers and distributors of the vouchers will not be required to remit GST on any commissions or similar payments and the supplier of the voucher will not claim an input tax credit.

GST — treatment of residential premises

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-	-	-

The Government will amend the GST law to clarify that supplies involving certain types of properties, including serviced apartments and strata titled units leased to hotel operators, are input taxed. The measure will have effect from 1 July 2000.

In general, residential premises are input taxed to the extent that the premises are to be used predominately for residential accommodation. In contrast, supplies of commercial residential premises and the first sale of new residential premises are taxable.

The measure will ensure supplies of certain types of real property continue to be input taxed following the decision of the Full Federal Court of Australia in *Marana Holdings Pty Ltd v Commissioner of Taxation* [2004] FCAFC 307. This measure is consistent with the Government's policy intent and will avoid the need for many small investors to register for GST.

Further information can be found in the press release of 27 February 2006 issued by the Minister for Revenue and Assistant Treasurer.

Personal aquatic survival skills courses — change in GST treatment

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-1.1	-1.5	-1.6	-1.8

The Government will issue regulations to allow a broader range of personal aquatic survival skills courses to be GST-free with effect from a date to be specified in the enabling regulations.

Broadly, if an instructor for a course holds a certificate in certain competencies in aquatic survival skills training, the courses provided by the instructor will be GST-free. The certificate in the particular competencies will have been recognised under the Australian Quality Training Framework. The precise content of the regulations is the subject of consultations with the aquatic survival skills industry.

This measure is subject to the unanimous agreement of the States.

Small business — aligning definitions in the tax laws

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-5.0	-6.0	-1.5

The Government will introduce a package of measures to simplify and improve alignment of various small business concessions contained in the tax laws, including the simplified tax system (STS), capital gains tax (CGT), goods and services tax (GST), fringe benefits tax (FBT) and pay-as-you-go (PAYG) instalments. The measures will apply from the start of the 2007-08 income year.

This measure will:

- align the STS and GST definitions of turnover, with turnover calculated including input taxed supplies, and the period over which turnover is calculated; and
- increase the GST cash accounting turnover threshold from \$1 million to \$2 million.

The Government will consult with relevant parties on the development of the legislation implementing these changes.

Currently, GST small business concessions are based on annual turnover (excluding input taxed supplies) of up to \$1 million for the cash accounting turnover threshold, or \$2 million for the annual apportionment turnover threshold and the instalment turnover threshold, with eligibility determined generally on an annual basis but with reference to current and projected annual turnover.

This measure is subject to the unanimous agreement of the States. See also the related measure *Small business — aligning definitions in the tax laws* in Budget Paper No. 2 under the Treasury portfolio.

Supplies of options and rights offshore — deregistration and change to start date

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-10.0	-	-

The Government has amended the GST law effective from 1 October 2005 to address an anomaly in its operation. Previously, non-resident tour operators were able to supply certain Australian holiday packages GST-free whilst resident tour operators were subject to GST. The amendments require non-resident enterprises either to remit all necessary GST or choose to deregister and neither remit GST on affected supplies, nor claim corresponding input tax credits for Australian holiday packages.

Appendix A: GST Revenue Measures

The GST integrity measure was originally estimated to affect GST revenue in 2004-05. However, deferral of the start date to 1 October 2005 to give affected enterprises time to adjust to the changes and to allow non-resident enterprises to deregister has resulted in no impact on GST revenue in 2004-05 and will result in a reduction in revenue raised in 2005-06 and 2007-08.

Further information can be found in the press release of 20 June 2005 issued by the former Minister for Revenue and Assistant Treasurer.

