

## Part 1: Revenue measures

**Table 1: Revenue measures since the 2002-03 MYEFO<sup>(a)</sup>**

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
<b>ATTORNEY-GENERAL'S</b>				
<i>A Safer Australia –</i>				
cost recovery for enhanced checking of aviation security identification card holders	1.5	0.8	0.8	0.8
cost recovery for x-ray facilities for shipping container inspections	16.3	16.3	16.3	-
Chemical paraquat dichloride – removal of import duty	-0.5	-0.5	-0.5	-0.5
Passenger motor vehicle and automotive components – reduction in tariff rate	-	-	-	-
Singapore-Australia Free Trade Agreement – reduced tariffs	-30.0	-30.0	-35.0	-35.0
<b>Portfolio total</b>	<b>-12.7</b>	<b>-13.4</b>	<b>-18.4</b>	<b>-34.7</b>
<b>COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS</b>				
Government Bookshop Network – closure	-2.9	-4.1	-4.0	-3.9
Premium rate telephone numbers – cost recovery for service provider rules	-	0.3	0.1	0.1
Submarine Telecommunications Cables – protection and cost recovery	-	0.6	0.4	0.2
Telecommunications competition regulation – cost recovery	-	5.8	5.6	5.7
<b>Portfolio total</b>	<b>-2.9</b>	<b>2.6</b>	<b>2.1</b>	<b>2.1</b>
<b>EDUCATION, SCIENCE AND TRAINING</b>				
A Fairer Medicare – additional medical school places	-	..	0.1	0.1
International Education – increase in the Educational Services for Overseas Students Fee	3.9	4.5	5.3	6.1
Our Universities – Higher Education Loans Programme (HELP) – HECS-HELP, FEE-HELP and OS-HELP	-	-	5.4	20.8
Radioactive waste management facility – collection and disposal charges	0.2	-	-	-
Student Financial Supplement Scheme – repeal	-0.3	-0.4	-1.3	-2.2
<b>Portfolio total</b>	<b>3.7</b>	<b>4.1</b>	<b>9.4</b>	<b>24.8</b>
<b>ENVIRONMENT AND HERITAGE</b>				
Sydney Harbour Federation Trust – rent	1.5	2.5	4.0	5.5
<b>Portfolio total</b>	<b>1.5</b>	<b>2.5</b>	<b>4.0</b>	<b>5.5</b>
<b>FAMILY AND COMMUNITY SERVICES</b>				
Student Financial Supplement Scheme – repeal	-	-1.7	-5.1	-8.4
<b>Portfolio total</b>	<b>-</b>	<b>-1.7</b>	<b>-5.1</b>	<b>-8.4</b>
<b>HEALTH AND AGEING</b>				
Private health insurance levy – supporting the Private Health Insurance Ombudsman	-	-	-	-
<b>Portfolio total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Table 1: Revenue measures since the 2002-03 MYEFO<sup>(a)</sup> (continued)**

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
<b>IMMIGRATION AND MULTICULTURAL AND INDIGENOUS AFFAIRS</b>				
<i>International Education –</i>				
Professional Development Visa	2.2	3.2	3.3	3.4
Student Guardian Visa	0.6	1.2	1.2	1.2
Student Visa Application Charge	13.5	15.8	18.8	21.8
<b>Portfolio total</b>	<b>16.3</b>	<b>20.2</b>	<b>23.3</b>	<b>26.4</b>
<b>TRANSPORT AND REGIONAL SERVICES</b>				
Sydney airport noise levy – extension	-	-	-	17.0
<b>Portfolio total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17.0</b>
<b>TREASURY</b>				
<b>Income tax</b>				
Alienation of personal services income – changes to the treatment of losses	..	..	..	..
<i>Capital gains tax –</i>				
roll-over for worker entitlement funds	-	-	-	-
roll-over relief for financial service providers on transition to the Financial Services Reform regime	-	-	-	-
<i>Consolidation –</i>				
allowing certain trusts to head consolidated groups	-2.0	-2.0	-2.0	-2.0
transitional exclusion of certain value shifts from the General Value Shifting Regime	-5.0	-	-	-
Deductibility of certain gifts	*	*	*	*
Deductions for certain conservation covenants	*	*	*	*
Employee share schemes – roll-over of taxing point on corporate restructure	-	-	*	*
Farm Management Deposits Scheme – earlier access to deposits	-5.0	*	*	*
<i>Imputation system –</i>				
allow former exempting entities to carry forward surplus exempting credit balances	-	-	-	-
allow franking of non-share dividends	..	..	..	..
removal of franking additional tax	..	..	..	..
<i>International taxation –</i>				
changes to the taxation treatment of certain foreign hybrid entities	..	..	..	..
interaction between transfer pricing provisions and royalty withholding tax	-1.0	-1.0	-1.0	-1.0
Review of International Taxation Arrangements	-60.0	-165.0	-10.0	-35.0
trans-Tasman imputation (triangular) reform	-5.0	-20.0	-20.0	-25.0
Medical expenses offset – include payments for maintaining dogs for the guidance or assistance of disabled individuals	*	*	*	*
Medicare levy – increase in thresholds	-34.0	-17.0	-17.0	-17.0
No-Australian Business Number – amendments to withholding rules	*	*	*	*
Personal income tax reductions	-2,400.0	-2,650.0	-2,750.0	-2,900.0

**Table 1: Revenue measures since the 2002-03 MYEFO<sup>(a)</sup> (continued)**

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
<b>TREASURY (continued)</b>				
<i>Petroleum resource rent tax –</i>				
deductibility of closing down costs	*	*	*	*
partial use of infrastructure	*	*	*	*
<i>Simplified Tax System –</i>				
allow depreciating asset roll-over relief on partnership reconstitutions	-1.0	-2.0	-2.0	-2.0
extending eligibility to retail fuel outlets	-4.0	-1.0	-1.0	-1.0
Tax exemption for Australian Defence Force members on Operation Falconer	-2.0	-	-	-
Tax exemption for Second World War compensation payments	*	*	*	*
Tax exemption for structured orders	..	..	..	..
Taxation of discretionary trusts	1.0	1.0	1.0	1.0
<i>Taxation of financial arrangements –</i>				
application of the debt/equity reforms to certain related party at call loans	*	*	-	-
clarifying the debt/equity treatment of certain financial instruments	*	*	*	*
reform of taxation of foreign currency gains and losses	*	*	*	*
Taxation treatment of capital protected products	3.0	7.0	9.0	11.0
Uniform capital allowances – technical amendments to the mining provisions	-	-	-	-
<b>Indirect tax</b>				
<i>Aviation fuel excise –</i>				
excise increase to provide supplementary funding for the Civil Aviation Safety Authority	6.5	-	-	-
extension of excise collection for Location Specific Pricing Subsidy	6.2	0.8	-	-
<i>Fuel tax reform –</i>				
fuel tax framework	-	-	-	-
excise (and customs) duty on biodiesel	5.0	10.0	10.0	10.0
<i>Measures for a Better Environment – cleaner fuel –</i>				
incentive to switch to low sulphur fuels	-	-	6.0	65.0
defer the introduction of the penalty rate of excise on high sulphur diesel	-	-	-	-
<b>Fringe benefits tax</b>				
Alienation of personal services income – preventing the double taxation of fringe benefits	..	..	..	..
Aligning fringe benefits tax deemed depreciation rate with effective life of cars	-8.0	-9.0	-10.0	-10.0
Exemption for remote area housing fringe benefits provided by public hospitals	..	..	..	..

**Table 1: Revenue measures since the 2002-03 MYEFO<sup>(a)</sup> (continued)**

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
<b>TREASURY (continued)</b>				
<b>Non-tax revenue</b>				
Australian Prudential Regulation Authority – strengthened capabilities in prudential regulation	5.9	5.2	5.3	5.5
Superannuation Complaints Tribunal – additional funding	2.1	1.3	1.4	1.5
<b>Portfolio total</b>	<b>-2,497.3</b>	<b>-2,841.7</b>	<b>-2,780.3</b>	<b>-2,899.0</b>
<b>Total impact of revenue measures(b)</b>	<b>-2,491.4</b>	<b>-2,827.5</b>	<b>-2,764.9</b>	<b>-2,866.4</b>

\* 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) Minus sign before an estimate indicates a reduction in revenue, no sign before an estimate indicates a gain to revenue

(b) Measures may not add due to rounding

**Table 2: Revenue measures up to the 2002-03 MYEFO<sup>(a)</sup>**

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
<b>AGRICULTURE, FISHERIES AND FORESTRY</b>				
Sugar Package - levy	30.0	30.0	30.0	22.5
<b>Portfolio total</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>22.5</b>
<b>ATTORNEY-GENERAL'S</b>				
Tariff-free access for the world's poorest countries	-2.5	-2.5	-2.5	-2.5
<b>Portfolio total</b>	<b>-2.5</b>	<b>-2.5</b>	<b>-2.5</b>	<b>-2.5</b>
<b>COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS</b>				
Increased regulatory oversight of Australia Post	5.3	3.1	3.2	3.2
<b>Portfolio total</b>	<b>5.3</b>	<b>3.1</b>	<b>3.2</b>	<b>3.2</b>
<b>HEALTH AND AGEING</b>				
Medical indemnity insurance - Incurred-But-Not-Reported levy	*	*	*	*
<b>Portfolio total</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>
<b>IMMIGRATION AND MULTICULTURAL AND INDIGENOUS AFFAIRS</b>				
Increase in the Parent Migration intake	71.2	84.0	102.7	108.1
Regulation of the migration advice industry	2.3	2.8	3.4	3.4
<b>Portfolio total</b>	<b>73.5</b>	<b>86.8</b>	<b>106.1</b>	<b>111.5</b>
<b>TREASURY</b>				
<i>Income tax</i>				
Amendments to demergers legislation	*	*	*	*
Amendments to the double tax agreement with Malaysia	-2.0	-	-	-
A new double tax agreement with Mexico	-2.0	-2.0	-2.0	-2.0
Apportionment of deductions for cash donations	-	-	-1.0	-1.0
Deductibility of certain gifts	*	*	*	*
Ensure structured settlements are not taxed at the life company level	-1.0	-1.0	-1.0	-1.0
Government response to the Report of the Inquiry into the Definition of Charities and Related Organisations	-	-2.0	-4.0	-4.0
Improvement to tax treatment for venture capital	-1.0	-5.0	-10.0	-15.0
Income tax deduction for the Incurred-But-Not-Reported levy	-	-1.0	-2.0	-3.0
Income tax exemption for the Commonwealth Games Federation	*	*	*	*
Modify 6 month rule for complying pensions and annuities	*	*	*	*
Not proceeding with Tax Value Method and associated High Level Rules	-	-	30.0	25.0

**Table 2: Revenue measures up to the 2002-03 MYEFO<sup>(a)</sup> (continued)**

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
<b>TREASURY (continued)</b>				
Reclassify internal rollovers as Eligible Termination Payments	*	*	*	*
Recovery of Pay As You Go withholding amounts	50.0	50.0	50.0	50.0
Require a minimum payment from a commuted pension or annuity	*	*	*	*
Taxation of copyright collecting societies	-	-	-	-
Technical amendments to the treatment of life insurance companies	..	..	..	..
Timor Sea Treaty - Tax Code	-3.0	-3.0	-3.0	-4.0
Treatment of foreign losses under the consolidation regime	*	*	*	*
<i>Indirect tax</i>				
Excise (and customs) duty on fuel ethanol	34.4	44.6	61.5	62.0
<i>Fringe benefits tax</i>				
Continuity of treatment of State and Territory provided non-remote housing fringe benefits	-	-	-	-
Employee entitlement funds	-1.0	-6.0	-10.0	-15.0
<i>Non-tax revenue</i>				
Terrorism insurance – commercial cover	*	*	*	*
<b>Portfolio total</b>	<b>74.4</b>	<b>74.6</b>	<b>108.5</b>	<b>92.0</b>
<b>Total impact of revenue measures(b)</b>	<b>180.7</b>	<b>192.0</b>	<b>245.3</b>	<b>226.7</b>

\* The nature of the measure is such that a reliable estimate cannot be provided  
Not zero, but rounded to zero

- Nil

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(b) Measures may not add due to rounding

## ATTORNEY-GENERAL'S

### **A Safer Australia — cost recovery for enhanced checking of aviation security identification card holders**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Federal Police	1.5	0.8	0.8	0.8

The Government will further strengthen security at airports by conducting additional background checks on staff who require an aviation security identification card. The checks will seek to ascertain if the applicants for and holders of cards are involved in politically motivated violence. This service will be in addition to the current mandatory security checking undertaken for all card holders, and will be fully cost recovered.

See also the related expense and capital measures titled *A Safer Australia – enhanced checking of aviation security identification card holders* in the Attorney-General's portfolio.

### **A Safer Australia — cost recovery for x-ray facilities for shipping container inspections**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Customs Service	16.3	16.3	16.3	-

To improve the security of cargo entering Australia, shipping containers moving through Australian ports will be subject to greater security including more x-ray testing. The Import Processing Charge (IPC), payable by industry to recover Customs cargo processing costs, will be increased (by \$14.35 per consignment) to partially fund the movement and presentation of cargo through x-ray examination facilities at ports in Sydney, Melbourne and Brisbane.

The increased IPC which took effect on 1 May 2003 is estimated to yield additional revenue of \$56 million over four years (including \$7.1 million in 2002-03).

See also the related expense measure titled *A Safer Australia – increased use of x-ray facilities for shipping container inspections* in the Attorney-General's portfolio.

**Chemical paraquat dichloride — removal of import duty**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Customs Service	-0.5	-0.5	-0.5	-0.5

The Government will remove, with effect from 1 April 2003, the five per cent import duty on the chemical paraquat dichloride with the addition of an emetic. The emetic is a safety agent that induces vomiting if swallowed.

Currently, there is duty-free treatment of paraquat dichloride with safety features such as an anti-dusting, colouring or stenching agent, whereas paraquat dichloride with an emetic attracts a duty rate of five per cent.

This measure will align the tariff treatment of paraquat dichloride with an emetic with the tariff treatment of the chemical with the addition of other safety features.

**Passenger motor vehicle and automotive components — reduction in tariff rate**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Customs Service	-	-	-	-

From 1 January 2010, the Government will reduce the tariff for passenger motor vehicles (PMVs) and automotive components to five per cent.

On 5 June 1997, the Government announced that tariff rates for PMVs and automotive components would be reduced from 15 per cent to 10 per cent, from 1 January 2005. Under this measure, tariffs will remain at 10 per cent until 31 December 2009.

The measure forms part of the post-2005 assistance package for the automotive industry, which provides \$4.2 billion over ten years to the industry through the Automotive Competitiveness and Investment Scheme. The package promotes production, investment, and research and development in new and innovative technologies and will foster an increasingly competitive and sustainable automotive industry in Australia.

Further details may be found in the Minister for Industry, Tourism and Resources' Press Release No. 02/249 of 13 December 2002.

See also the related expense measure titled *Automotive assistance package post-2005* in the Industry, Tourism and Resources portfolio.



**Singapore-Australia Free Trade Agreement — reduced tariffs**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Customs Service	-30.0	-30.0	-35.0	-35.0

On 17 February 2003, the Governments of Australia and Singapore signed the Singapore-Australia Free Trade Agreement (SAFTA). The agreement is expected to come into force in July 2003. As part of the comprehensive agreement, both nations have agreed to eliminate tariffs on each other's goods, resulting in a reduction in tariff revenue collected.

The SAFTA builds on Australia's strong economic partnership with Singapore and will provide significant benefits to the Australian economy. In addition to eliminating tariffs on goods, the SAFTA establishes a more open, predictable and transparent framework for bilateral trade across a wide range of areas. In particular, Australian service suppliers and investors in sectors such as legal, financial, professional, telecommunications, education and environmental services will be the main beneficiaries.

In addition, the SAFTA is consistent with Australia's Asia-Pacific Economic Cooperation commitment to broader trade and economic reform objectives and is a positive initiative to advance the Bogor goals of free and open trade and investment.

Further details may be found in the Minister for Trade's Press Release of 17 February 2003.

## COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS

### Government Bookshop Network — closure

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
National Office for the Information Economy	-2.9	-4.1	-4.0	-3.9

Sales of government publications through the Government Bookshop Network have declined markedly in recent years. This is a result of agencies increasingly using alternative methods of information dissemination, including online methods. As a result, the Government Bookshop Network will be closed. Forgone revenue of \$14.9 million over four years will be more than offset by reduced expenses of \$27.4 million over the same period, resulting in a saving of \$12.5 million over four years.

A new business model for the distribution of Commonwealth publications is to be introduced to better reflect agency and customer preferences in accessing this material. Existing distribution methods employed by individual agencies will be augmented by measures such as the establishment of a panel of contractors for printing and distribution of agency publications and the development of a central electronic register of government publications.

See also the related expense measure titled *Government Bookshop Network – closure* in the Communications, Information Technology and the Arts portfolio.

### Premium rate telephone numbers — cost recovery for service provider rules

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Communications Authority	-	0.3	0.1	0.1

The Government will increase carrier licence charges to fully recover expenses, one year in arrears, incurred by the Australian Communications Authority (ACA) to develop, monitor and enforce service provider rules for premium rate numbers (190-numbers).

The ACA will make, where appropriate, service provider rules to regulate the supply of higher cost services and to address concerns about unexpected high bills for these services.

See also the related expense measure titled *Premium rate telephone numbers – service provider rules* in the Communications, Information Technology and the Arts portfolio.

**Submarine telecommunications cables — protection and cost recovery**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Communications Authority	-	0.6	0.4	0.2

The Government will apply fees and charges to the owners of submarine telecommunications cables of national importance to cover the costs of protecting the cables. Costs will be recovered one year in arrears by the Australian Communications Authority.

See also the related expense measure titled *Submarine telecommunications cables – protection* in the Communications, Information Technology and the Arts portfolio.

**Telecommunications competition regulation — cost recovery**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Communications Authority	-	5.8	5.6	5.7

The Government will continue the Australian Competition and Consumer Commission's (ACCC's) regulatory role in the telecommunications sector. Charges will continue to be applied to the telecommunications industry to cover the costs of the ACCC. The revenue is collected by the Australian Communications Authority one year in arrears, under the *Telecommunications (Carrier Licence Charges) Act 1997*. Revenue covering expenses incurred in 2002-03 will be collected in 2003-04. Provision for this revenue has already been included in the forward estimates for 2003-04.

See also the related expense measure titled *Australian Competition and Consumer Commission – telecommunications competition regulation* in the Treasury portfolio.

## EDUCATION, SCIENCE AND TRAINING

### A Fairer Medicare — additional medical school places

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Education, Science and Training	-	..	0.1	0.1

The Government will provide an additional 234 publicly funded medical school places per year from the beginning of the 2004 academic year, as a part of the *A Fairer Medicare* package, at a cost of \$42.1 million over four years. Payment of the indexation component under the Higher Education Contribution Scheme (HECS) is treated as revenue.

See also the related expense measure titled *A Fairer Medicare – additional medical school places* in the Health and Ageing portfolio.

### International Education — increase in the Educational Services for Overseas Students Fee

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Education, Science and Training	3.9	4.5	5.3	6.1

The Government will restructure the Education Services for Overseas Students Fee from 1 January 2004 to provide increased resources for international education activities.

Education providers will be required to pay \$300 plus \$25 per student rather than the current flat charge of between \$410 and \$8,200.

See also the related expense measure titled *International Education – Endeavour Programme scholarships* in the *International Education* package located in the Education, Science and Training portfolio.

**Our Universities — Higher Education Loans Programme (HELP) — HECS-HELP, FEE-HELP and OS-HELP**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Education, Science and Training	-	-	5.4	20.8

From 2005, the Government will introduce two new income-contingent loan schemes – FEE-HELP for full fee-paying students and OS-HELP for Australians studying abroad as part of their course. These schemes will complement the Higher Education Contribution Scheme (to be renamed HECS-HELP) arrangements.

Existing HECS debts and debts accrued under HECS-HELP will continue to be indexed to the Consumer Price Index (CPI). Debts accrued under FEE-HELP and OS-HELP will be indexed to the CPI plus 3½ percentage points each year for a maximum of ten years. After that, they will be indexed to the CPI only. Repayment thresholds will be the same as for HECS.

The Government has designed the indexation arrangements to achieve a balance between recovering the costs to the Commonwealth of financing the loans and providing support for students. The loans will be available at a lower cost than standard commercial loan products and the arrangements will assist students who remain on relatively low incomes for an extended period.

The amount of indexation applied to HECS-HELP, FEE-HELP and OS-HELP loans constitute non-tax revenue to the Commonwealth. This revenue is expected to increase over time as the total value of loans issued under HELP increases. The additional public debt interest costs incurred by the Commonwealth in financing the loans are separately accounted for in the Budget papers.

See also the related expense and capital measures titled *Our Universities – Higher Education Loans Programme (HELP) – HECS-HELP, FEE-HELP and OS-HELP* and the expense measure titled *Our Universities – Higher Education Contribution Scheme – increased flexibility* in the Education, Science and Training portfolio.

**Radioactive waste management facility — collection and disposal charges**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Education, Science and Training	0.2	-	-	-

The Government will charge non-government organisations to collect and dispose of low-level radioactive waste at the radioactive waste management facility. The first collection round is expected to commence in 2003-04. Future revenue will be dependent on the scope and timing of future collections.

Charges will also be applied to government agencies disposing of waste at the facility, including the Australian Nuclear Science and Technology Organisation, the Commonwealth Scientific and Industrial Research Organisation and the Defence portfolio.

See also the related capital and expense measures titled *Radioactive waste management facility* in the Education, Science and Training portfolio and the related expense measure titled *Education, Science and Training portfolio – reprioritisation* in the Education, Science and Training portfolio.

## ENVIRONMENT AND HERITAGE

### Sydney Harbour Federation Trust — rent

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Sydney Harbour Federation Trust	1.5	2.5	4.0	5.5

The Sydney Harbour Federation Trust receives commercial rent from Trust properties. Revenue from the sale of Trust property is included in the Contingency Reserve for commercial-in-confidence reasons.

The implementation of the Trust's business masterplan for the remediation and rehabilitation of the Trust's properties will be funded from internal funding sources including asset sales of ex-Defence housing and rentals together with Commonwealth contribution of \$115.5 million over eight years commencing in 2003-04. The business masterplan will facilitate the protection and conservation of the environmental and heritage values of Trust lands and will enhance public access to the Trust's unique sites.

See also the related expense and capital measures titled *Sydney Harbour Federation Trust* in the Environment and Heritage portfolio.

## FAMILY AND COMMUNITY SERVICES

### Student Financial Supplement Scheme — repeal

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Family and Community Services	-	-1.7	-5.1	-8.4
Department of Education, Science and Training	-0.3	-0.4	-1.3	-2.2

The Government will repeal the Student Financial Supplement Scheme (SFSS) from 1 January 2004 in response to increasing levels of bad and doubtful debt and reduced take-up of loans under the scheme. The take-up rate for the scheme has declined by 28 per cent over the past three years. This has followed the introduction of Youth Allowance and increased access to alternative commercial loan products and opportunities for students to supplement their income. It is currently expected that more than one half of loans under the SFSS are never likely to be repaid.

Repeal of the scheme will not affect entitlements for Youth Allowance, Austudy, Abstudy or Pensioner Education Supplement. The scheme previously required students to trade in part of their entitlements in order to access loans under the scheme.

The forward estimates assumed repayments from additional loans had the scheme continued. There will be a reduction in revenue of \$19.4 million over four years due to indexation of a lower level of outstanding loans than if the scheme had continued.

This measure impacts on the Department of Family and Community Services and the Department of Education, Science and Training.

See also the related expense measure titled *Student Financial Supplement Scheme – repeal* in the Family and Community Services portfolio.



## HEALTH AND AGEING

### Private health insurance levy — supporting the Private Health Insurance Ombudsman

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Private Health Insurance Ombudsman	-	-	-	-

Levies are collected from the private health insurance industry under the *Private Health Insurance Complaints Levy Act 1995*. This measure is the revenue component that offsets the corresponding expense measure, *Maintain increase in the funding for the Private Health Insurance Ombudsman*. Levies are imposed on health funds based on membership levels. Provision has already been made in the forward estimates for this revenue.

See also the related expense measure titled *Private Health Insurance Ombudsman – maintain existing funding* in the Health and Ageing portfolio.

## IMMIGRATION AND MULTICULTURAL AND INDIGENOUS AFFAIRS

### International Education — Professional Development Visa

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Immigration and Multicultural and Indigenous Affairs	2.2	3.2	3.3	3.4

The Government will introduce a sponsored Professional Development Visa, designed to open up niche markets for the Australian international education industry and organisations that provide tailored workshops for groups of professionals and government employees. The application charge for the sponsored Professional Development Visa will be \$165 per application and \$1,000 per sponsorship application in 2003-04.

See also the related expense measure titled *International Education – Professional Development Visa* in the *International Education* package in the Education, Science and Training portfolio and the related capital measure titled *International Education – Professional Development Visa* in the Immigration and Multicultural and Indigenous Affairs portfolio.

### International Education — Student Guardian Visa

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Immigration and Multicultural and Indigenous Affairs	0.6	1.2	1.2	1.2

The Government will introduce a new visa for guardians of particular groups of student visa holders. This visa ensures that school-aged children are able to have appropriate parental care while studying in Australia. It will also accommodate some single women who, for cultural reasons, may require guardians during their stay in Australia. The application charge for the visa will be \$400 per application in 2003-04.

See also the related expense measure titled *International Education – Student Guardian Visa* in the *International Education* package in the Education, Science and Training portfolio.

**International Education — Student Visa Application Charge**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Immigration and Multicultural and Indigenous Affairs	13.5	15.8	18.8	21.8

From 1 July 2003, the Government will increase the international education contribution contained within the Student Visa Application Charge for international students, to provide resources for international education activities. This will result in the price of a student visa application rising from \$315 to \$400.

See also the related expense measures titled *International Education – offshore quality assurance enhancements*, *International Education – increased profile of Australia’s international education sector* and *International Education – Endeavour Programme scholarships* in the *International Education* package in the Education, Science and Training portfolio.

## TRANSPORT AND REGIONAL SERVICES

### Sydney airport noise levy — extension

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Department of Transport and Regional Services	-	-	-	17.0

The Government will extend the aircraft noise levy at Sydney Airport by 10 months until April 2007. This will allow for the recovery of additional costs of \$17 million incurred through the Sydney Airport Noise Amelioration Programme.

See also the related expense measure titled *Sydney Airport Noise Amelioration Programme* in the Transport and Regional Services portfolio.

## TREASURY

### Income tax

#### Alienation of personal services income — changes to the treatment of losses

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	..	..	..	..

The Government will allow taxpayers to utilise excess personal services income deductions against other income of the relevant year, with effect from 1 July 2000.

The personal services income rules operate to attribute income, less certain deductions, to an individual service provider where the individual works through an interposed entity, such as a company or trust.

However, should the entity incur a loss (that is, where deductions exceed personal services income), the current law does not allow the loss to be attributed to the individual service provider.

This measure will assist individual service providers by providing them with access to the loss in these circumstances.

#### Capital gains tax — roll-over for worker entitlement funds

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-	-	-	-

The Government will provide a capital gains tax (CGT) roll-over, with effect from 1 April 2003, for a fund that amends or replaces its trust deed in order to become an approved worker entitlement fund for fringe benefits tax (FBT) purposes.

The Government announced, on 11 October 2002, that certain payments to approved worker entitlement funds will be exempt from FBT from 1 April 2003. In order to be an approved worker entitlement fund, a fund may be required to replace or amend its trust deed. The CGT roll-over ensures that any capital gain or capital loss is deferred, when arising as a consequence of a worker entitlement fund replacing or amending its trust deed to comply with the criteria for the FBT exemption.

Amendments to give effect to the CGT roll-over were introduced into Parliament on 13 February 2003 as part of the Taxation Laws Amendment Bill (No. 4) 2003.

**Capital gains tax — roll-over relief for financial service providers on transition to the Financial Services Reform regime**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-	-	-	-

The Government will provide capital gains tax (CGT) roll-over relief for eligible financial service providers moving to the Financial Services Reform (FSR) regime.

The measure will allow a deferral of CGT where financial service providers replace an existing intangible asset, such as a statutory licence or right to income, with another intangible asset during the transition to the FSR regime.

The CGT roll-over will apply to all relevant CGT events that arise during the FSR transitional period (that is, 11 March 2002 to 11 March 2004).

Further details may be found in the Minister for Revenue and Assistant Treasurer's Press Release No. C010/03 of 21 February 2003.

**Consolidation — allowing certain trusts to head consolidated groups**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-2.0	-2.0	-2.0	-2.0

The Government will allow certain corporate unit trusts and public trading trusts to head consolidated groups, provided that they are taxed like companies wherever possible, with effect from 1 July 2002.

Previously, corporate unit trusts and public trading trusts could not head a consolidated group.

This measure will ensure that these trusts are able to head consolidated groups and are therefore not disadvantaged by the removal of the inter-corporate dividend rebate and certain grouping benefits as a result of the introduction of the consolidation regime. However, once a trust chooses to head a consolidated group it will continue to be taxed like a company even if the group de-consolidates.

Further details may be found in the Minister for Revenue and Assistant Treasurer's Press Release No. C019/03 of 27 March 2003.

**Consolidation — transitional exclusion of certain value shifts from the General Value Shifting Regime**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-5.0	-	-	-

The Government will exclude most indirect value shifts involving services that occur before the 2003-04 income year from the consequences of the General Value Shifting Regime (GVSR).

The measure will reduce compliance costs for groups that would only be subject to the GVSR in the transitional period before they elect to consolidate.

The measure will ensure that:

- entities consolidating before the 2003-04 income year do not have to put in place systems or arrangements to identify service-related value shifts between 100 per cent owned entities when these systems will not be needed in the long run; and
- other entities will have additional time to set up their systems or develop practices to ensure that value shifts after the 2002-03 income year are captured for the General Value Shifting Rules.

Further details may be found in the Minister for Revenue and Assistant Treasurer's Press Release No. C014/03 of 6 March 2003.

**Deductibility of certain gifts**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	*	*	*	*

Since the *Mid-Year Economic and Fiscal Outlook 2002-03*, the Government has announced that donations and gifts of \$2 or more to the following organisations have been made tax deductible:

- The New South Wales Crime Stoppers Programme;
- The Crime Stoppers Foundation of Western Australia;
- Crime Stoppers Tasmania;
- Crime Stoppers Queensland Limited; and
- The Australian-American Educational Foundation (Fulbright Commission).

*Budget Measures 2003-04*

In addition, since the *Mid-Year Economic and Fiscal Outlook 2002-03* there have been:

- 20 additions to the Register of Cultural Organisations and 9 deletions; and
- 6 admissions to the Register of Environmental Organisations.

The Register of Cultural Organisations can be found on the Department of Communications, Information Technology and the Arts website at [www.dcita.gov.au](http://www.dcita.gov.au). The Register of Environmental Organisations can be found on the Department of Environment and Heritage website at [www.ea.gov.au](http://www.ea.gov.au).

**Deductions for certain conservation covenants**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	*	*	*	*

The Government will allow income tax deductions for certain perpetual conservation covenants entered into between a landholder and a government agency on or after 1 July 2002, where there is no consideration.

The measure builds on the existing conservation covenant provision in the tax law, which allows deductions for covenants entered into for no consideration with deductible gift recipients. The conditions applying to this deduction will be consistent with the conditions applying under the existing provision.

The measure will allow landholders to claim an income tax deduction for any decrease in land value as a result of entering into a perpetual conservation covenant. This will provide an incentive for landholders to maintain the value of Australia's natural environment.

Further details may be found in the Minister for the Environment and Heritage's and the Minister for Revenue and Assistant Treasurer's joint Press Release of 20 February 2003.



**Employee share schemes — roll-over of taxing point on corporate restructure**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-	-	*	*

From 1 July 2004, employees who have deferred their employee share scheme (ESS) income tax liability will be able to roll-over their ESS income taxing point in the event of a corporate restructure such as a merger, demerger or takeover.

Currently, a corporate restructure may trigger a taxing point for an employee's deferred ESS income tax liability. The measure will allow employees to roll-over an ESS income taxing point in the event of a corporate restructure. To be eligible for roll-over an employee must maintain continuity of employment in the restructured entity and their ESS shares or options in the restructured entity must qualify for concessional treatment under Division 13A of the *Income Tax Assessment Act 1936*. The maximum period of deferral will be 10 years from the date of acquisition of the original shares or options.

Further details may be found in the Treasurer's and the Minister for Employment and Workplace Relations' joint Press Release of 27 March 2003.

See also the related expense measure titled *Employee Share Ownership Development Unit* in the Employment and Workplace Relations portfolio.

**Farm Management Deposits Scheme — earlier access to deposits**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-5.0	*	*	*

The Government has amended the tax law to allow primary producers in Exceptional Circumstances declared areas to maintain the Farm Management Deposits (FMD) Scheme tax concession where deposits are withdrawn within 12 months. The measure has effect from 1 July 2002.

Generally, where FMDs are withdrawn within 12 months of the deposit, the deposit is no longer treated as a FMD for taxation purposes. This measure ensures that where primary producers who are in Exceptional Circumstances declared areas make early withdrawals, the deposit is still treated as a FMD, and remains deductible at the time the deposit was made.

Further details may be found in the Minister for Revenue and Assistant Treasurer's and the Minister for Agriculture, Fisheries and Forestry's joint Press Release of 5 December 2002.

**Imputation system — allow former exempting entities to carry forward surplus exempting credit balances**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-	-	-	-

The Government, with effect from 13 May 1997, will allow entities formerly owned by non-resident or tax-exempt shareholders (exempting entities) to carry forward surplus exempting credit balances. These changes will also require former exempting entities to maintain exempting accounts on a tax-paid basis from 1 July 2002.

Currently, the law does not allow for any carry forward of surplus credits in an exempting entity's exempting account from one income year to the next.

The measure will remove an anomaly in the exempting account provisions, ensuring that they operate as the Government intended.

**Imputation system — allow franking of non-share dividends**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	..	..	..	..

The Government, with effect from 1 July 2001, will allow companies to frank non-share dividends in a similar way to dividends paid to holders of ordinary shares.

The measure will remove an anomaly that prevents companies from franking non-share dividends in the manner intended by the Government.

Further details may be found in the Minister for Revenue and Assistant Treasurer's Press Release No. C134/02 of 20 December 2002.

**Imputation system — removal of franking additional tax**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	..	..	..	..

The Government will simplify and streamline the imputation system by replacing the current franking additional tax (FAT) provisions with a modified franking deficit tax (FDT), generally with effect from the 2002-03 income year.

FDT is imposed to make up for any over-imputation of tax to shareholders from the payment of franked dividends. In order to prevent companies from excessive over-imputation of tax to shareholders, the operation of the FDT will be modified by

restricting the extent to which it can be used as an offset against future income tax liabilities.

The measure is designed to reduce compliance costs for business and simplify the administration of the imputation system for the Australian Taxation Office, while at the same time preserving the policy rationale behind FAT – which is to discourage the over-imputation of tax to shareholders.

Further details may be found in the Minister for Revenue and Assistant Treasurer’s Press Release No. C134/02 of 20 December 2002.

**International taxation — changes to the taxation treatment of certain foreign hybrid entities**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	..	..	..	..

The Government will change the taxation treatment of certain foreign hybrid entities to partnership treatment for the purposes of Australia’s income tax laws.

Typically, foreign hybrid entities are treated for foreign tax purposes as a partnership in the foreign jurisdiction but as a company under current Australian taxation laws. The measure will provide a better alignment between the Australian income tax laws and those in operation in the foreign jurisdiction. In addition, the new rules will provide certainty and remove unintended consequences for taxpayers that result from the current taxation treatment of foreign hybrid entities.

The new treatment will generally apply from the start of the 2003-04 income year.

Further details may be found in the Minister for Revenue and Assistant Treasurer’s Press Release No. C026/03 of 8 April 2003.

**International taxation — interaction between transfer pricing provisions and royalty withholding tax**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-1.0	-1.0	-1.0	-1.0

The Government will eliminate the double taxation of royalty payments as a result of transfer pricing adjustments. The measure will have effect from the date of Royal Assent of the enabling legislation.

### *Budget Measures 2003-04*

The measure will enable the Commissioner of Taxation to determine that royalty withholding tax is not payable by a non-resident taxpayer to the extent that the transfer pricing rules have disallowed a deduction to the payer of the royalty.

This application is consistent with the treatment that currently applies in relation to interest payments.

### **International taxation — Review of International Taxation Arrangements**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-60.0	-165.0	-10.0	-35.0

The Government is announcing in this Budget the outcome of its review of Australia's international taxation arrangements, following consultations conducted by the Board of Taxation (the Board).

The package of reforms will improve the competitiveness of Australian companies with offshore operations, by reducing the costs of complying with the controlled foreign company (CFC) rules, reducing tax on foreign 'active' business income and effectively reducing foreign taxes through double tax treaties.

The reforms will encourage the establishment in Australia of regional headquarters for foreign groups, and improve Australia's attractiveness as a continuing base for our multinational companies. The reforms will also enhance the competitiveness and reduce the compliance costs of Australian based managed funds.

The main components of the Government's package include:

- simplifying the application of the CFC rules for Australian companies operating in countries where tax arrangements are comparable to those in Australia and easing these rules for certain services provided in international markets;
- exempting Australian companies (and their CFCs) from capital gains tax (CGT) on the sale of certain non-portfolio interests in foreign companies and extending the existing tax exemption for foreign non-portfolio dividends (and certain branch profits). This will assist Australian companies operating offshore, as well as regional headquarter operations based in Australia;
- further consultation with the business community to determine whether another aspect of conduit income tax relief — a targeted CGT exemption for the disposal by non-residents of interests in Australian companies, to the extent that a gain or loss has an underlying foreign source — can be practically developed;
- better targeting the foreign investment fund (FIF) rules to reduce compliance costs for Australian managed funds and superannuation entities investing offshore by

increasing the 'balanced portfolio exemption' from five to ten per cent for all taxpayers and exempting complying superannuation funds from the FIF rules;

- revising certain aspects of the cross-border taxation of trusts to improve the international competitiveness of Australian managed funds;
- moving towards a more residence-based treaty policy, consistent with the direction set in the US Protocol. This is expected to enable early finalisation of a revised tax treaty with the United Kingdom; and
- addressing the double taxation of employee share options. A previously announced measure requiring security from departing residents for deferred CGT liabilities will not proceed.

The Government has accepted the Board's views that the previously announced franking credit for foreign dividend withholding tax measure should not proceed. Funding for this proposal was included in the forward estimates and the savings from not proceeding are reflected in the overall net cost of this measure set out above.

The likely cost of the proposed United Kingdom treaty has also been included in the overall cost of this measure. Possible costs of future treaties will only affect the forward estimates as separate measures when the treaties are negotiated and agreed by Government.

The majority of the Government's reforms will not commence until 1 July 2004 or later to enable adequate public consultation to be undertaken on the design of the legislation, including addressing integrity issues.

Priority will be given to implementing key reforms to the CFC and FIF rules to achieve early commencement where possible. Remaining reforms will be implemented in successive tranches.

Further details may be found in the Treasurer's Press Release of 13 May 2003.

#### **International taxation — trans-Tasman imputation (triangular) reform**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-5.0	-20.0	-20.0	-25.0

From 1 October 2003, Australian shareholders of New Zealand companies maintaining an Australian franking account will be able to access franking benefits arising from the payment of Australian tax by these companies.

Currently, Australian and New Zealand shareholders investing through a company resident in the other country, that earns income and pays taxes in their own

jurisdiction, are unable to access imputation credits arising from the payment of such taxes. Under this reform, Australian and New Zealand shareholders of trans-Tasman companies may be allocated imputation credits, representing New Zealand tax paid, and franking credits, representing Australian tax paid, in proportion to their ownership of the company. However, each country's credits will be able to be claimed only by its residents. New Zealand is also making a similar change to its imputation provisions to implement triangular taxation reform.

Reform of triangular taxation will improve the ease of trans-Tasman capital flows by reducing an additional layer of tax on those flows and further strengthen the existing economic integration between Australia and New Zealand.

Further details may be found in the Treasurer's Press Release No.007 of 19 February 2003.

**Medical expenses offset — include payments for maintaining dogs for the guidance or assistance of disabled individuals**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	*	*	*	*

The Government will include, as eligible medical expenses under the medical expenses tax offset, payments for the maintenance of properly trained dogs for guiding or assisting the hearing impaired or other disabled individuals, with effect from 1 July 2002.

Currently, payments for maintaining properly trained guide dogs for the blind can be claimed under the offset. The new measure will ensure that similar treatment is available for expenses incurred in maintaining properly trained dogs for the guidance or assistance of the hearing impaired or other disabled individuals.

**Medicare levy — increase in thresholds**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-34.0	-17.0	-17.0	-17.0

The Government will increase the Medicare levy low income thresholds to \$15,062 for individuals and \$25,417 for families, with effect from 1 July 2002. The additional amount of threshold for each dependent child or student will also be increased to \$2,334. The increase in thresholds takes into account movements in the CPI and ensures that low income families and individuals are exempt from paying the levy.

The Medicare levy low income threshold for pensioners below age pension age will also be increased. From 1 July 2002, the threshold will rise to \$17,164. This will ensure that pensioners below age pension age do not pay the Medicare levy while they do not have an income tax liability.

### No-Australian Business Number — amendments to withholding rules

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	*	*	*	*

The Government will make changes to the no-Australian Business Number (ABN) withholding rules to ensure that the original policy intent of the rules is fully implemented.

The no-ABN withholding rules apply where a supplier of goods or services fails to quote an ABN. The rules could be interpreted as not applying to non-business enterprises, such as governments and non-profit organisations. This measure ensures that the withholding rules will apply to non-business enterprises as the Government originally intended.

This measure will also ensure that the no-ABN withholding rules will have the same geographical application as the ABN law. The ABN law applies to Australia and its offshore installations such as oil rigs, but it does not apply to external territories. The measure ensures that the no-ABN withholding rules will apply in the same manner. This will ensure that the rules will not apply in circumstances where the entity is unable to obtain an ABN.

Amendments to the no-ABN withholding rules were introduced into Parliament on 13 February 2003 as part of the Taxation Laws Amendment Bill (No. 4) 2003. The measure will have effect from the date of Royal Assent of the amending legislation.

### Personal income tax reductions

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-2400.0	-2650.0	-2750.0	-2900.0

From 1 July 2003, the Government will reduce income tax paid by personal taxpayers.

These tax cuts are additional to the significant reduction in income tax introduced as part of *The New Tax System* on 1 July 2000. They strike a balance between the Government's goals of maintaining a sound budget position, meeting the higher costs of defence, education, health and other priority programmes and the desire to provide lower taxes for individual taxpayers.

### Increased personal income tax thresholds

Changes to the personal income tax thresholds are to be made as follows:

- the 30 per cent threshold is to be increased from \$20,000 to \$21,600;
- the 42 per cent threshold is to be increased from \$50,000 to \$52,000; and
- the 47 per cent threshold is to be increased from \$60,000 to \$62,500.

These changes are illustrated in the following table:

Current tax thresholds	New tax thresholds	Tax rate
Income range (\$)	Income range (\$)	(%)
0 – 6,000	0 – 6,000	0
6,001 – 20,000	6,001 – 21,600	17
20,001 – 50,000	21,601 – 52,000	30
50,001 – 60,000	52,001 – 62,500	42
60,001 +	62,501 +	47

### Increased low income tax offset

To assist low income earners, the low income tax offset will be increased from \$150 to \$235 per year. In addition, the income threshold at which the offset begins to reduce will be increased from \$20,700 to \$21,600. As a result of both of these changes, the income limit up to which the offset can be claimed increases from \$24,450 to \$27,475. Taxpayers with annual incomes between \$20,000 and \$27,475 will benefit from both the increase in the personal income tax threshold to \$21,600 and changes to the low income tax offset.

The effect of this measure is that those eligible for the full low income tax offset will not pay tax until their annual income exceeds \$7,382. At present, they pay tax when their annual income exceeds \$6,882.

### Medicare levy threshold for senior Australians

Senior Australians eligible for the Senior Australians Tax Offset and the low income tax offset currently pay no tax up to an annual income of \$20,000 for singles and \$32,612 for couples (depending upon the income earned by each member of the couple). The effect of an \$85 increase in the low income tax offset is to lift these income levels to \$20,500 for singles and up to \$33,612 for couples.

The Medicare levy thresholds that apply to senior Australians will be increased to ensure that senior Australians do not pay the Medicare levy until they begin to incur an income tax liability.



**Petroleum resource rent tax — deductibility of closing down costs**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	*	*	*	*

The Government will amend the tax law to recognise closing down costs for petroleum resource rent tax (PRRT) purposes, where a project continues to operate under an infrastructure licence. The measure will have effect from the date of Royal Assent of the enabling legislation.

Currently, expenses associated with closing down a PRRT project where the facilities cease to be used at the end of the production licence, are deductible for PRRT purposes in the year the project closes. However, where the production facilities cease to be used for PRRT purposes but continue to be used under an infrastructure licence, the closing down costs are not recognised for PRRT purposes.

The measure will ensure that in all situations where a production licence ceases, the expenditure associated with closing down a facility that has ceased to be used in relation to a petroleum project are taken into account in determining the project's final PRRT liability.

Amendments to the PRRT were introduced into Parliament on 5 December 2002 as part of the Taxation Laws Amendment Bill (No. 8) 2002.

**Petroleum resource rent tax — partial use of infrastructure**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	*	*	*	*

The Government will provide a more equitable and uniform tax treatment of expenditure on plant that is partly used to store, process or transport hydrocarbons that do not originate from within a production licence area. The measure will have effect from the date of Royal Assent of the enabling legislation.

Currently, revenue and expenditure associated with external petroleum tolling and sale situations are excluded from petroleum resource rent tax (PRRT). The measure will ensure that all revenue earned in such situations will be included as assessable receipts and that the associated capital and operating costs will be deductible for PRRT purposes by the processing parties.

Amendments to the PRRT were introduced into Parliament on 5 December 2002 as part of the Taxation Laws Amendment Bill (No. 8) 2002.

**Simplified Tax System — allow depreciating asset roll-over relief on partnership reconstitutions**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-1.0	-2.0	-2.0	-2.0

The Government will provide roll-over relief in the Simplified Tax System (STS) where there is a change in a partnership that owns depreciating assets, with effect from 1 July 2001.

The STS does not currently allow depreciating asset roll-over relief when there is a partial change in the ownership of assets by partnerships. This can result in a tax liability for unrealised gains. In contrast, the uniform capital allowance system, which generally applies to all other taxpayers, can provide roll-over relief for the majority of assets where there is a partial change in their ownership. Roll-over relief for assets in the STS will provide greater consistency of treatment.

Eligible taxpayers can elect to enter the STS in their 2001-02 tax return.

Further details may be found in the Minister for Revenue and Assistant Treasurer's Press Release No. C013/03 of 4 March 2003.

**Simplified Tax System — extending eligibility to retail fuel outlets**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-4.0	-1.0	-1.0	-1.0

The Government has made tax changes, with effect from 1 July 2001, to allow most fuel retailers to enter the Simplified Tax System (STS), by prescribing an alternative way to calculate STS group turnover.

Certain criteria must be met for a business to be eligible to enter the STS. One criterion is that the value of STS group turnover for the year must be less than \$1 million. As a result, this test excluded fuel retailers, who generally have high turnovers but low profits. The changes will introduce a modified turnover test for fuel retailers that excludes sales of petrol, diesel and LPG from the calculation of turnover.

Entry to the STS will assist eligible fuel retailers. The system was designed to help very small business in several ways, such as by reducing the tax they are liable to pay, by reducing their compliance costs, or both.

Regulations to give effect to this change were gazetted in the *Special Government Gazette* No. S 96 of 27 March 2003.

**Tax exemption for Australian Defence Force members on Operation Falconer**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-2.0	-	-	-

The Minister for Defence has declared duty on Operation Falconer – the Australian Defence Force (ADF) contribution in support of US-led military operations in Iraq – to be ‘warlike’. As a result ADF members who are certified as serving overseas on Operation Falconer by the Chief of the Defence Force, will be eligible for an income tax exemption in respect of their ADF pay and allowances.

The exemption recognises the duties, responsibilities and risks undertaken by these ADF members, and is consistent with the exemption provided for the ADF pay and allowances of ADF members on eligible duty in East Timor and in the war against terrorism in Afghanistan under Operation Slipper.

The measure has a cost to revenue of \$7 million in 2002-03.

Further details may be found in the Minister for Defence’s Press Release No. MIN30/03 of 21 March 2003.

**Tax exemption for Second World War compensation payments**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	*	*	*	*

The Government will introduce tax exemptions for payments received from Second World War compensation funds, with effect from 1 July 2001.

A number of specific Second World War funds currently receive income tax or capital gains tax exemptions. This measure will ensure that all payments received by Australian residents from Second World War compensation funds are not subject to income tax or capital gains tax.

**Tax exemption for structured orders**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	..	..	..	..

The Government has provided a tax exemption for certain annuities and deferred lump sums ordered by a court as compensation for catastrophic injuries (known as structured orders), with effect from 26 September 2001.

#### Budget Measures 2003-04

The measure extends the exemption provided to certain annuities or deferred lump sums as part of a settlement between the injured person and the defendant (structured settlements) that was announced in the former Assistant Treasurer's Press Release No. 46 of 26 September 2001.

#### Taxation of discretionary trusts

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	1.0	1.0	1.0	1.0

The Government will introduce, with effect from 12 December 2002, provisions to replace section 109UB of the *Income Tax Assessment Act 1936* dealing with distributions from trusts.

The provisions implement recommendations of the Board of Taxation. They will improve the effectiveness of the deemed dividend rules and remove the unfairness in the operation of section 109UB which may subject certain 'accidental loans' to tax at the beneficiary's marginal tax rate.

Further details may be found in the Treasurer's Press Release No.081 of 12 December 2002 and the Board of Taxation report may be found on the Board's website at [www.taxboard.gov.au](http://www.taxboard.gov.au).

#### Taxation of financial arrangements — application of the debt/equity reforms to certain related party at call loans

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	*	*	-	-

The Government will extend the transitional period finishing date for certain related party at call loans under the debt/equity tax measures from 31 December 2002 to 30 June 2004. The date of 30 June 2004 coincides with a similar transitional period applying to financing arrangements entered into prior to 1 July 2001.

The debt/equity rules commenced on 1 July 2001 and determine whether a financing arrangement is treated as debt or equity for income tax purposes. A transitional period was put in place to delay the time that the debt/equity measures must be applied to related party at call loans issued after 1 July 2001, so as to provide businesses time to assess whether any changes are required to ensure they continue to be treated as debt.

The measure will extend the transitional period, providing businesses with additional time to review these loans. The measure will also allow the proposed reforms to be reviewed in consultation with industry — particularly small business.

Further details may be found in the Minister for Revenue and Assistant Treasurer's Press Release No. C131/02 of 16 December 2002.

**Taxation of financial arrangements — clarifying the debt/equity treatment of certain financial instruments**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	*	*	*	*

The Government will make regulations to provide certainty as to whether certain financial instruments are treated as debt or equity for taxation purposes. This will assist banks, credit unions and building societies to raise additional capital on competitive terms.

The proposed regulations will ensure that:

- certain Upper Tier 2 capital instruments issued by Authorised Deposit-Taking Institutions (ADIs) that are banks are treated as debt for taxation purposes — this means returns on these instruments paid on or after 1 July 2001 will qualify as tax deductions to the bank; and
- certain Lower Tier 2 capital instruments issued by ADIs that are credit unions and building societies are treated as equity for taxation purposes — this means that returns paid after this announcement will qualify as frankable dividends.

Further details may be found in the Minister for Revenue and Assistant Treasurer's Press Release No. C012/03 of 4 March 2003.

**Taxation of financial arrangements — reform of taxation of foreign currency gains and losses**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	*	*	*	*

The Government has announced the policy framework for the taxation of foreign currency gains and losses, which forms the second stage of the taxation of financial arrangements reforms recommended by the Review of Business Taxation.

These reforms remove uncertainties and anomalies in the current law governing the taxation of foreign currency gains and losses. The reforms introduce a broad rule requiring foreign currency amounts to be translated into Australian currency, clarify when a foreign currency gain or loss is realised and improve the interaction with the uniform capital allowance and capital gains tax provisions. In addition, they include

*Budget Measures 2003-04*

elective functional currency rules, which will generally reduce compliance costs for businesses that conduct a significant part of their activities in a foreign currency.

The Government has also decided to defer implementation of the foreign currency retranslation reform from 1 July 2003 to 1 July 2004 in order to ensure that this reform is aligned with other reforms to taxation of financial arrangements scheduled to commence on 1 July 2004. The retranslation reform involves valuing foreign currency assets and liabilities in Australian dollars at the exchange rate prevailing at the balance date and taxing any realised and unrealised gains and losses attributable to exchange rate changes at that point.

Further details may be found in the Minister for Revenue and Assistant Treasurer's Press Release No. C132/02 of 17 December 2002.

**Taxation treatment of capital protected products**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	3.0	7.0	9.0	11.0

The Government will make tax changes with effect from 9:30 am (AEST) 16 April 2003, to ensure taxpayers will not be able to claim a deduction for the cost of the capital protection feature embedded in a capital protected product where this cost is on capital account.

A recent Federal Court decision held that a taxpayer who purchased a capital protected product, involving a limited recourse loan used to purchase listed shares, was entitled to a deduction for the interest and capital protection components of the product.

The measure restores the policy intent of the law by ensuring that any revenue loss or outgoing in producing assessable income is generally deductible, while a capital loss or outgoing is not.

Further details may be found in the Treasurer's Press Release No. 019 of 16 April 2003.

**Uniform capital allowances — technical amendments to the mining provisions**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-	-	-	-

The Government will amend the uniform capital allowance provisions for mining to ensure that they operate as the Government intended.

Amendments to the uniform capital allowance provisions for mining, with effect from 1 July 2001, were introduced into Parliament on 13 February 2003 as part of the Taxation Laws Amendment Bill (No. 4) 2003.

**Indirect tax**

**Aviation fuel excise — excise increase to provide supplementary funding for the Civil Aviation Safety Authority**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	6.5	-	-	-

From 1 July 2003, the Government will increase aviation fuel excise and customs duty to provide supplementary funding to the Civil Aviation Safety Authority (CASA) for 12 months. A new rate will be set close to 1 July 2003.

Since 2002-03, excise revenue has been insufficient to meet the costs of CASA. This shortfall was caused by a downturn in the aviation industry and the increased use of larger, more fuel efficient aircraft.

The Government will be undertaking a review of CASA's funding arrangements in 2003-04.

See also the related expense measure titled *Civil Aviation Safety Authority – supplementary funding to cover the shortfall in aviation fuel excise revenue* in the Transport and Regional Services portfolio.

**Aviation fuel excise — extension of excise collection for Location Specific Pricing Subsidy**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	6.2	0.8	-	-

The Government will extend the current aviation fuel excise and customs duty arrangements used to fund the Location Specific Pricing Subsidy until 31 August 2004. The current arrangements collect 0.26 cents per litre on aviation fuel and were due to cease on 30 June 2003.

The Government is also redirecting the proportion of the excise and customs duty on aviation fuel previously used to fund the Australian Competition and Consumer Commission's (ACCC) administration of price controls on airport services to the Location Specific Pricing Subsidy. The amount of excise and customs duty currently allocated to the ACCC is 0.036 cents per litre. These arrangements will also be extended to 31 August 2004.

The Location Specific Pricing Subsidy is paid to Airservices Australia to provide air traffic control services at certain regional and general aviation airports.

See also the related expense measures titled *Airservices Australia – extension of the Location Specific Pricing Subsidy* in the Transport and Regional Services portfolio and *Australian Competition and Consumer Commission – cessation of cost recovery for airport regulation* in the Treasury portfolio.

**Fuel tax reform**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Fuel tax framework	-	-	-	-
Excise (and customs) duty on biodiesel	5.0	10.0	10.0	10.0
Australian Taxation Office — Total	5.0	10.0	10.0	10.0

The Government will reform the current fuel tax arrangements to bring all currently untaxed fuels into the excise (and customs) duty system from 1 July 2008. This reform establishes a long term sustainable taxation framework for fuels, by addressing a number of anomalies in the current fuel tax system and providing increased certainty for investors, while meeting Government commitments and providing time for industry to adjust.

Fuels that will become excisable from 1 July 2008 will include liquefied petroleum gas (LPG), liquefied natural gas (LNG) and compressed natural gas (CNG), where these



fuels are used in internal combustion engines. The final excise rates to apply to fuels will be determined later this year.

The introduction of excise for currently untaxed fuels will be accompanied by the use of subsidies that will reduce the effective excise (that is, excise less grant) for those fuels for a transitional period. These subsidies will be progressively reduced, raising the effective excise for untaxed fuels from zero prior to 1 July 2008, to their final rates in five even annual instalments commencing 1 July 2008 and ending 1 July 2012.

From 18 September 2003, the Government will apply excise duty to biodiesel at the same rate as the excise duty on diesel fuel, currently 38.143 cents per litre. Grants will then be provided for production or importation of biodiesel. These grants will be reduced in five equal annual instalments from 1 July 2008 to 1 July 2012.

The measure will provide certainty for biodiesel producers and together with the extension of the existing grants for ethanol producers (which will also be phased out from 1 July 2008) delivers on the Government's Measures for a Better Environment commitment to encourage the production of alternative and renewable fuels.

Further details on the Government's Measures for a Better Environment commitment may be found in the Prime Minister's Press Release of 31 May 1999.

See also the related expense measure titled *Fuel tax reform* in the Treasury portfolio.

#### Measures for a Better Environment — cleaner fuel

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Incentive to switch to low sulphur fuels	-	-	6.0	65.0
Defer the introduction of the penalty rate of excise on high sulphur diesel	-	-	-	-
Australian Taxation Office — Total	-	-	6.0	65.0

The Government will introduce additional measures to encourage the production of clean fuels.

From 1 January 2006, the Government will increase excise (and customs) duty on petrol for a period of two years by the amount required to fund grant payments for the production or import of premium unleaded petrol with less than 50 parts per million sulphur. Similar arrangements will also be implemented for diesel with less than 10 parts per million sulphur, from 1 January 2007.

## Budget Measures 2003-04

This measure delivers on the Government's Measures for a Better Environment commitment to encourage the production of cleaner fuels. The measure will encourage the production of higher quality fuels before they are mandated under the provisions included in the *Fuel Quality Standards Act 2000*.

The initiative, including the additional excise rates required to fund the proposal, will be reviewed in the period prior to implementation to ensure that it aligns with the timing of new fuel standards and market conditions.

In recognition of the serious drought conditions, the Government deferred the implementation of the excise differential designed to encourage ultra low sulphur diesel by six months to 1 July 2003. The measure as originally announced was to take effect on 1 January 2003 with an increase in excise of 1 cent per litre on diesel with a sulphur content above 50 parts per million. The revenue impact of the deferral is \$60 million in excise revenue foregone in 2002-03.

- As a related expense measure, off-road grants for agriculture will be increased from 1 July 2003 to 31 December 2005. Further details are contained in the expense measure titled *Measures for a Better Environment – cleaner fuels* in the Treasury portfolio.

Further details on the Measures for a Better Environment commitment may be found in the Prime Minister's Press Release of 31 May 1999, and further details on the deferral of the penalty rate of excise on high sulphur diesel may be found in the Treasurer's Press Release No. 083 of 24 December 2002.

See also the related expense measure titled *Measures for a Better Environment – cleaner fuel* in the Treasury portfolio.

## Fringe benefits tax

### **Alienation of personal services income — preventing the double taxation of fringe benefits**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	..	..	..	..

The Government will reduce the taxable value of fringe benefits to avoid double taxation arising under the personal services income provisions, with effect from 1 July 2000.

Under the current provisions, the amount paid to an associate of a service provider for performing ancillary work is not deductible. However, fringe benefits tax may be payable on the value of the benefit, resulting in double taxation (income tax and fringe benefits tax).

This measure will ensure that fringe benefits tax will only be payable on the value of the benefit that is deductible to the provider.

**Aligning fringe benefits tax deemed depreciation rate with effective life of cars**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	-8.0	-9.0	-10.0	-10.0

The Government will realign the deemed depreciation rate used under the operating cost method for valuing a car fringe benefit with the Commissioner of Taxation’s determination of the effective life of cars for income tax purposes. This measure will apply to cars acquired after 1 July 2002.

The Commissioner of Taxation announced on 20 June 2002 that, for cars acquired after 1 July 2002, the effective life would be increased from six years and eight months to eight years for income tax depreciation purposes. The current deemed depreciation rate in the *Fringe Benefits Tax Assessment Act 1986* of 22.5 per cent is based on the previous effective life for cars of six years and eight months. Realigning the rate with the new effective life will cause it to fall to 18.75 per cent.

This measure will ensure that employees who take a car as a fringe benefit valued under the operating cost method, which includes using the deemed depreciation rate, will not be disadvantaged.

Further details may be found in the Minister for Revenue and Assistant Treasurer’s Press Release No. C021/03 of 31 March 2003.

**Exemption for remote area housing fringe benefits provided by public hospitals**

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Taxation Office	..	..	..	..

The Government will ensure that a public hospital will be able to access the remote area housing fringe benefits tax (FBT) exemption that is available to public hospitals, police, charities and not-for-profit hospitals, whether or not the public hospital is a public benevolent institution (PBI). The measure will take effect from 1 April 2003.

Public hospitals, along with police, charities and not-for-profit hospitals, benefit from an FBT exemption on housing benefits provided at least 100 kilometres from a population centre of 130,000 or more. However, public hospitals of the Commonwealth, a State or a Territory must be a PBI in order for this treatment to apply.

This measure is designed to ensure that this treatment continues to be available to public hospitals of the Commonwealth, a State or a Territory regardless of any changes to their structure in the future that result in their no longer meeting the PBI requirements.

## Non-tax revenue

### Australian Prudential Regulation Authority — strengthened capabilities in prudential regulation

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Prudential Regulation Authority	5.9	5.2	5.3	5.5

Regulated financial institutions are charged to recover the funding for the Australian Prudential Regulation Authority (APRA). These charges will be increased to fund APRA's strengthened capabilities in prudential regulation. The rates to be applied to institutions to achieve this revenue will be determined annually by the Treasurer.

See also the related expense measure titled *Australian Prudential Regulation Authority – strengthened capabilities in prudential regulation* in the Treasury portfolio.

### Superannuation Complaints Tribunal — additional funding

Revenue (\$m)	2003-04	2004-05	2005-06	2006-07
Australian Prudential Regulation Authority	2.1	1.3	1.4	1.5

The Superannuation Complaints Tribunal's (SCT) financial arrangements are the responsibility of the Australian Securities and Investments Commission (ASIC) under the *Superannuation (Resolution of Complaints) Act 1993*. While the SCT receives its funding directly from ASIC's annual appropriation, the underlying source of its funding is from charges collected by the Australian Prudential Regulation Authority under the *Financial Institutions Supervisory Levies Collection Act 1998*.

Rates are set by a determination by the Treasurer and varied by sector based on institutional assets, subject to a minimum and maximum threshold.

This revenue measure will offset the additional funding of \$6.3 million over four years provided to the SCT to enable it to meet increasing demands on its services.

See also the related expense measure titled *Superannuation Complaints Tribunal – additional funding* in the Treasury portfolio.