

Part 1: Revenue Measures

Table 1: Revenue measures since the 2003-04 MYEFO

	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m
MORE HELP FOR FAMILIES				
More help for families				
– reductions in personal income tax(a)	-1,925.0	-3,800.0	-4,250.0	-4,750.0
– incentives for saving for retirement – surcharge rate reduction(a)	-	-55.0	-170.0	-385.0
Total	-1,925.0	-3,855.0	-4,420.0	-5,135.0
ATTORNEY-GENERAL'S				
Australia-United States Free Trade Agreement	-190.0	-400.0	-420.0	-450.0
Portfolio total	-190.0	-400.0	-420.0	-450.0
CROSS PORTFOLIO				
Melbourne 2006 Commonwealth Games – contribution(b)	-	-1.4	-	-
Portfolio total	-	-1.4	-	-
EDUCATION, SCIENCE AND TRAINING				
Investing in Australia's Aged Care				
– better skills for better care(b)	-	..	0.1	0.1
MedicarePlus				
– additional medical school places for Queensland(b)	-	-	..	..
Our Universities				
– Higher Education Loan Programme	11.7	28.1	29.9	26.3
Portfolio total	11.7	28.1	29.9	26.4
ENVIRONMENT AND HERITAGE				
Climate Change Strategy				
– continuing administration of the Mandatory Renewable Energy Target(b)	0.5	0.6	0.7	0.9
Portfolio total	0.5	0.6	0.7	0.9
FINANCE AND ADMINISTRATION				
Parliamentary superannuation changes(b)	-0.2	-0.6	-0.6	-0.8
Portfolio total	-0.2	-0.6	-0.6	-0.8
HEALTH AND AGEING				
Medical Indemnity				
– changes to United Medical Protection liability contributions	-6.7	-9.8	-9.4	-9.4
– run-off reinsurance vehicle(b)	*	*	*	*
Portfolio total	-6.7	-9.8	-9.4	-9.4
IMMIGRATION AND MULTICULTURAL AND INDIGENOUS AFFAIRS				
Indigenous Home Ownership Programme				
– expansion(c)	0.5	1.0	1.0	1.0
Migration (non-humanitarian) program(b)	5.8	6.1	6.3	7.0
Regional Migration Initiatives(b)	6.7	14.8	17.5	18.7
Portfolio total	13.0	21.9	24.8	26.7
TREASURY				
A more flexible and adaptable retirement income system				
– allowing people to access their superannuation in the transition to retirement	-	*	*	*
– assets test exemption for income streams(b)	-0.1	-0.2	-0.4	-0.5

Table 1: Revenue measures since the 2003-04 MYEFO (continued)

	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m
TREASURY (continued)				
– preserving rolled over employer eligible termination payments	*	*	*	*
– removing the requirement for actuarial certificates	-	-	-	-
– removing the work test for superannuation contributions for people under the age of 65	12.8	-34.5	-40.1	-45.9
– requiring compulsory payment of superannuation benefits for people over 75	-1.3	3.3	3.1	3.3
– simplifying the superannuation guarantee notional earnings bases	-10.0	-15.0	-21.0	-24.0
– simplifying the superannuation work test rules for those aged over 65	..	..	..	..
Airservices Australia				
– extension of the Location Specific Pricing subsidy(b)	5.0	2.0	-	-
Australian Prudential Regulation Authority				
– strengthened capabilities(b)	7.4	14.4	11.7	11.9
Australian Securities and Investments Commission				
– enhanced enforcement activities and consumer protection and corporate sector regulation(b)	13.9	15.3	15.8	16.7
Australian Taxation Office				
– taxation and superannuation compliance(b)	251.0	347.8	291.3	259.2
Capital gains tax				
– allowing all insolvency practitioners to declare shares and other securities worthless	*	*	*	*
– excluding input tax credits from the cost base	*	*	*	*
– providing a roll-over on transition to the new superannuation safety arrangements	-	-	-	-
Civil Aviation Safety Authority				
– financial viability(b)	6.5	6.5	6.5	6.5
Consolidation				
– providing greater flexibility	*	*	*	*
Foreign resident withholding				
– requiring withholding from alienated personal services payments	-	-	-	-
– requiring withholding from prescribed payments	125.0	130.0	140.0	145.0
Fringe benefits reporting				
– providing an exclusion for child tuition assistance	..	..	..	..
– providing exclusions for police officers	..	..	..	..
Fringe benefits tax				
– broadening the exemption for the purchase of a new dwelling as a result of relocation	..	..	..	..
– ensuring concessions are available for public ambulance services	-3.0	-4.0	-4.0	-4.0
– extending the transitional arrangements for payments into worker entitlement funds	-	-	-	-
– increasing the thresholds for exempt long service award benefits	..	..	..	..
– providing an exemption for certain benefits received by recipients of military compensation payments	..	..	..	..

Table 1: Revenue measures since the 2003-04 MYEFO (continued)

	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m
TREASURY (continued)				
Fuel tax reform				
– introducing a new energy content based fuel excise system	-	-	-	-
Interest withholding tax				
– updating of exemptions and the definition of interest	-5.0	-5.0	-5.0	-5.0
Land transport facilities borrowings tax offset				
– phasing down of the scheme	-	-	-	-
Personal income tax				
– increasing the Medicare levy low income thresholds	-41.0	-21.0	-21.0	-21.0
– providing exemptions for certain military compensation payments	..	..	..	..
– simplifying the foreign employment exemption	-	-	-	-
– standardising the dependant child age criteria	-	..	-3.0	-3.0
Petroleum resource rent tax				
– providing an immediate uplift for exploration expenditure in designated offshore frontier areas	-	-2.0	-6.0	-9.0
Philanthropy				
– changing the requirements for the concessional treatment of testamentary gifts and philanthropic funds	-	..	..	..
– creating two new deductible gift recipient categories	-0.5	-1.0	-1.0	-1.0
– implementing the Government's response to the Charities Definition Inquiry	-3.0	-	-	-
– updating the list of eligible deductible gift recipients	*	*	*	*
Small business tax simplification				
– allowing companies more time to repay loans or put loans on a commercial footing	-	*	*	*
– extending depreciating asset roll-over relief for Simplified Tax System partnerships	-	-6.0	-5.0	-5.0
– facilitating movement from annual to quarterly Pay As You Go instalments	-	-	-	-
– facilitating the payment of franked distributions during a private company's first taxable year	-	..	..	..
– increasing flexibility for making family trust and interposed entity elections	-	*	*	*
– providing a fringe benefits tax exemption for additional work-related items	-1.0	-3.0	-4.0	-5.0
– providing a fringe benefits tax exemption for engagement of relocation consultants	*	*	*	*
– removing the customary requirement for the fringe benefits tax remote area housing exemption	-	-2.0	-2.5	-3.0
Superannuation				
– improving the integrity of the superannuation system	*	*	*	*
Superannuation Complaints Tribunal				
– relocation(b)	0.8	0.3	0.3	0.3
Tax losses				
– simplifying the loss recoupment rules for companies	*	*	*	*

Table 1: Revenue measures since the 2003-04 MYEFO (continued)

	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m
TREASURY (continued)				
Uniform capital allowances				
– allowing deductions for the cost of acquiring certain telecommunications rights	-1.1	-3.2	-4.5	-5.5
Venture capital				
– ensuring the Venture Capital Limited Partnership regime operates as intended	-	-	-	-
Water facilities and landcare tax concessions				
– providing access for irrigation water providers	-	-5.0	-5.0	-5.0
Wine industry assistance				
– providing a wine equalisation tax producer rebate	-58.0	-90.0	-90.0	-100.0
– removing accelerated depreciation of grapevine plantings	2.0	6.0	11.0	17.0
Portfolio total(d)	300.4	333.7	267.2	223.0
Decisions taken but not yet announced	-	-	-60.0	-60.0
Total impact of revenue measures	-1,796.2	-3,882.5	-4,587.4	-5,378.2

- (a) Details of these measures can be found in the More help for families package. See Table 3.
 (b) Details of these measures can be found under Part 2: Expense Measures.
 (c) Details of this measure can be found under Part 3: Capital Measures.
 (d) Treasury portfolio total does not include measures in the More help for families package.

Table 2: Revenue measures up to the 2003-04 MYEFO

	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m
ATTORNEY-GENERAL'S				
Australia-Thailand Closer Economic Relations				
– Free Trade Agreement	-90.0	-100.0	-100.0	-110.0
Customs duty				
– changes to Australia's duty free concessions	..	..	..	..
– extension of concessions for goods used in the oil and gas sector	..	..	..	..
– textile, clothing and footwear tariff reductions	-	-	-	-
Textile, clothing and footwear assistance package post-2005				
– extension of the Expanded Overseas Assembly Provision scheme	-	-5.0	-5.0	-5.0
Import Credit Scheme	-	-	-5.0	-5.0
Portfolio total	-90.0	-105.0	-110.0	-120.0
COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS				
Postal Industry Ombudsman				
– establishment	0.3	0.3	0.3	0.3
Regional Telecommunications Inquiry				
– cost recovery for enhanced regional telecommunications monitoring	1.7	1.1	1.2	1.2
Portfolio total	2.0	1.4	1.4	1.5
EDUCATION, SCIENCE AND TRAINING				
Our Universities				
– Commonwealth Grants Scheme – increased flexibility enhancements to higher education reform package	-	0.4	1.1	1.9
– Higher Education Loans Programme (HELP) extension	-	-	2.4	5.0
– Higher Education Loans Programme (HELP) extension	-	0.1	0.2	0.4
Portfolio total	-	0.4	3.7	7.4
HEALTH AND AGEING				
Medical Indemnity				
– Incurred-But-Not-Reported (IBNR) Indemnity Scheme Levy	*	*	*	*
Portfolio total	-	-	-	-
TRANSPORT AND REGIONAL SERVICES				
Air Passenger Ticket Levy discontinuation	-	-	-	-
Portfolio total	-	-	-	-
TREASURY				
Income tax				
Asset financing arrangements involving tax-preferred entities	*	*	*	*
Capital gains tax				
– demutualisation of friendly societies	..	..	..	..
– preservation of pre-CGT interests in entities that demerge	-	-	-	-
– small business concessions and discretionary trusts	*	*	*	*
Company tax loss recoupment rules	-	-	-	-
Concessions for Australian Defence Force personnel serving overseas	-	-	-	-

Table 2: Revenue measures up to the 2003-04 MYEFO (continued)

	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m
TREASURY (continued)				
Deductible gift recipients				
– changes to eligible organisations	*	*	*	*
– deductions for contributions with an associated minor benefit	-	-3.0	-3.0	-3.0
Family Tax Benefit				
– income tax deduction for the cost of tax agent fees	-	-	-	-
Farm Management Deposits scheme				
– clarifying eligibility rules	-	-	-	-
Foreign Investment Fund rules				
– additional approved stock exchange	..	..	..	..
Fringe benefits tax				
– transition arrangements for payments to worker entitlement funds	-	-	-	-
Imputation				
– simplified rules for life insurance companies	..	..	..	..
International taxation				
– not proceeding with the foreign income tax exemption for temporary residents	40.0	45.0	45.0	50.0
Superannuation				
– changes to the taxation of overseas superannuation transfers	1.1	0.1	0.1	0.1
– deferral of pension and annuity changes by three months	*	*	*	*
– delayed replacement of the personal superannuation contributions rebate	-	-	-	-
– smaller reduction in the Superannuation Surcharge rate	145.0	205.0	175.0	170.0
Tax administration				
– amendments to the <i>Crimes (Taxation Offences) Act 1980</i>	-	-	-	-
– changes to hardship provisions	..	..	..	..
– new civil penalty to deter the promotion of tax avoidance schemes	-	15.0	25.0	35.0
Tax treatment of a payment out of the National Guarantee Fund	-	-	-	-
Taxation of financial arrangements				
– backdating elections under the foreign currency rules	..	-	-	-
– deferral of reforms to commodity hedging taxation arrangements	*	*	*	*
Portfolio total	186.1	262.1	242.1	252.1
Decisions taken but not yet announced	-43.0	48.0	27.0	19.0
Total impact of revenue measures	55.1	206.9	164.2	159.9

MORE HELP FOR FAMILIES

This Budget provides a \$36.7 billion package over five years for assistance to families, tax cuts and superannuation changes to boost retirement savings.

The centrepiece is the largest package of assistance for families ever put in place by an Australian Government, at a cost of \$19.2 billion over five years. Large increases in Family Tax Benefit Part A commence immediately to help families with the cost of raising children. Income tests for both Family Tax Benefit Part A and Family Tax Benefit Part B are relaxed to increase the rewards from working. In addition, a new lump sum Maternity Payment will be introduced incorporating the existing Maternity Allowance and the Baby Bonus to provide further help at the crucial period around the birth of a child.

Building on the tax cuts provided in 2000 and 2003, there will be further structural tax reform in this Budget, providing large tax cuts to increase the levels of income at which people start to pay the 42 per cent and 47 per cent rates. Tax cuts worth \$14.7 billion over the next four years mean that more than 80 per cent of taxpayers will face a top marginal tax bracket of no more than 30 per cent over the forward estimates period.

Improved incentives for retirement through superannuation are provided at a cost of \$2.7 billion over three years. The maximum benefit under the superannuation co-contributions scheme for low and middle income earners will be increased and eligibility extended. The superannuation surcharge rate will be progressively reduced to 7.5 per cent in 2006-07.

As well as providing greater financial assistance to families, this package also improves work and savings incentives. It will help to increase workforce participation and savings for retirement, addressing the challenges Australia faces from its changing demographics over the next forty years.

Table 3: More help for families — Summary of measures

	2003-04	2004-05	2005-06	2006-07	2007-08	Total
	\$m	\$m	\$m	\$m	\$m	\$m
FAMILIES						
Expense						
More help for families						
– changes to Family Tax Benefit Part A - lump sum payment and reduction in the taper between maximum and base rates						
<i>Department of Family and Community Services</i>	1,946	2,362	2,402	2,469	2,531	11,710
<i>Australian Taxation Office</i>	-	88	118	125	129	460
More help for families						
– payment of lump sum to families eligible for Family Tax Benefit Part A in 2003-04						
<i>Department of Family and Community Services</i>	2,221	-	-	-	-	2,221
More help for families						
– changes to Family Tax Benefit Part B - increase in threshold and reduction in taper						
<i>Department of Family and Community Services</i>	-	414	419	437	456	1,726
<i>Australian Taxation Office</i>	-	-	19	22	23	64
More help for families						
– protect Family Tax Benefit Part B for secondary earners returning to the workforce after the birth of a child						
<i>Department of Family and Community Services</i>	-	-	181	187	194	562
<i>Australian Taxation Office</i>	-	-	10	10	10	30
More help for families						
– introduction of Maternity Payment						
<i>Department of Family and Community Services</i>	-	559	567	797	818	2,741
<i>Australian Taxation Office</i>	-	-	-50	-100	-140	-290
Total	4,167	3,423	3,666	3,947	4,021	19,224
TAXATION						
Revenue						
<i>Australian Taxation Office</i>						
Reductions in personal income tax	-	-1,925	-3,800	-4,250	-4,750	-14,725
Total	-	-1,925	-3,800	-4,250	-4,750	-14,725
SUPERANNUATION						
Expense						
<i>Australian Taxation Office</i>						
Incentives for saving for retirement - enhancement of Government superannuation co-contribution scheme	-	-	595	730	790	2,115
Revenue						
<i>Australian Taxation Office</i>						
Incentives for saving for retirement - surcharge rate reduction	-	-	-55	-170	-385	-610
Total	-	-	650	900	1,175	2,725
Total impact on fiscal balance	4,167	5,348	8,116	9,097	9,946	36,674

More help for families — changes to Family Tax Benefit Part A — lump-sum payment and reduction in the taper between maximum and base rates

Expense (\$m)	2004-05	2005-06	2006-07	2007-08
Department of Family and Community Services	2,362.0	2,402.0	2,469.0	2,531.0
Australian Taxation Office	88.0	118.0	125.0	129.0

The Government will provide \$12.2 billion over five years (including \$1.9 billion in 2003-04) for two changes to Family Tax Benefit Part A (FTB(A)).

There will be an increase in the rates of FTB(A) of \$600 per child to be paid as a lump sum upon reconciliation of entitlement, commencing in respect of the 2003-04 financial year. The lump sum represents an increase in the maximum and base rates of FTB(A) per child of \$600 per annum.

Current and new rates of FTB(A) per year*		
	Current	New
Maximum rate for each child aged under 13	\$3,401.80	\$4,001.80
Maximum rate for each child aged 13 - 15	\$4,314.30	\$4,914.30
Base rate for each child aged under 18	\$1,095.00	\$1,695.00

* These rates do not include the indexation increase to FTB(A) that applies from 1 July 2004

The lump sum will be paid to families as part of the reconciliation of FTB entitlement that normally takes place after families lodge their tax returns. If required, any family assistance overpayments received by the family will be offset against the lump-sum payment, with the remainder payable to the family. Around 2 million families eligible for FTB(A) in 2003-04 under the current arrangements will receive the full lump sum. In addition, a small number of new families at the top end of the income limit will be eligible for a lump sum of FTB(A) of up to \$600 per child.

Currently, once the income of families with dependent children exceeds \$31,755 per annum, their FTB(A) reduces from the maximum rate, at a rate of 30 cents for every extra dollar of income, until the base rate of payment is reached. From 1 July 2004, the taper rate that applies to this reduction will be reduced to 20 cents in the dollar. This will allow families to keep more of their extra earnings over the taper range and will improve rewards from work. It will also extend part maximum rate FTB(A) to a greater range of families. The taper applying to less than the base rate of FTB(A) remains unchanged at 30 cents in the dollar.

This measure includes funding for communicating these changes to families of \$21 million over two years from 2003-04.

More help for families — payment of lump-sum to families eligible for Family Tax Benefit Part (A) in 2003-04

Expense (\$m)	2004-05	2005-06	2006-07	2007-08
Department of Family and Community Services	-	-	-	-

As an immediate measure, the Government will provide \$2.2 billion in 2003-04 for a lump-sum payment to all families who are eligible for or receive Family Tax Benefit Part A (FTB(A)) in the 2003-04 financial year. Eligible families will receive a payment of \$600 for each child before 30 June 2004. Families will also receive the payment for each dependent child under 18 in respect of whom they receive Youth Allowance in 2003-04.

More help for families — changes to Family Tax Benefit Part B — increase in threshold and reduction in taper

Expense (\$m)	2004-05	2005-06	2006-07	2007-08
Department of Family and Community Services	414.0	419.0	437.0	456.0
Australian Taxation Office	-	19.0	22.0	23.0

The Government will relax the income test for Family Tax Benefit Part B (FTB(B)), at a cost of \$1.8 billion over four years. From 1 July 2004, the amount that a secondary earner can earn each year before their FTB(B) starts to be reduced will be more than doubled to \$4,000. At the same time, the rate at which FTB(B) is withdrawn once this income limit is exceeded will be reduced from 30 cents to 20 cents for every extra dollar of income.

This measure will increase the FTB(B) that many families receive, particularly those where the secondary earner is in casual or part-time employment. This will benefit around 550,000 families. The reduced taper rate will benefit mainly women returning to work after having children. The cut off income for eligibility for FTB(B) will rise from \$11,559 to around \$18,600 for a family with a child under five.

Maximum rates of FTB(B)	per year*
Maximum rate for a family with a youngest child under 5 years	\$2,920.00
Maximum rate for a family with a youngest child aged 5-15 years (or 16-18 years if a full time student)	\$2,036.70

* These rates do not include the indexation increase to FTB(B) that applies from 1 July 2004

More help for families — protect Family Tax Benefit Part B for secondary earners returning to the workforce after the birth of a child

Expense (\$m)	2004-05	2005-06	2006-07	2007-08
Department of Family and Community Services	-	181.0	187.0	194.0
Australian Taxation Office	-	10.0	10.0	10.0

The Government will change Family Tax Benefit Part B (FTB(B)) to benefit a parent returning to work after the birth of a child, at a cost of \$592.0 million over three years. From 1 July 2005, where the secondary earner (usually the mother) returns to work, income from employment will not be counted against their eligibility for FTB(B) already received. That is, they will keep the FTB(B) already received prior to re-entering the workforce. This option applies once in relation to each child.

More help for families — introduction of Maternity Payment

Expense (\$m)	2004-05	2005-06	2006-07	2007-08
Department of Family and Community Services – Maternity Payment	741.0	758.0	993.0	1,019.0
Department of Family and Community Services – Abolition of Maternity Allowance	-182.0	-191.0	-196.0	-201.0
Australian Taxation Office – Abolition of Baby Bonus	-	-50.0	-100.0	-140.0
Total	559.0	517.0	697.0	678.0

The Government will provide \$3.5 billion over four years to introduce a new universal Maternity Payment that will streamline and increase assistance available to families at the time of the birth of a new child. The Maternity Payment will be introduced on 1 July 2004 and will provide \$3,000 to families for each new child born after this date. The rate of the Maternity Payment will be increased to \$4,000 for babies born after 1 July 2006 and to \$5,000 for babies born after 1 July 2008. The Maternity Payment will not be income tested and will be paid as a lump sum.

The cost of the new payment will be partially offset by abolishing the Maternity Allowance, saving \$770 million over four years, and phasing out the Baby Bonus, saving \$290 million over four years.

Claims for the Baby Bonus can continue to be made in respect of children born (or for whom legal responsibility is otherwise gained) prior to 30 June 2004. Claims will be able to be made for the full five year entitlement.

The new Maternity Payment will also be payable to parents who have a child entrusted to their care for adoption before 26 weeks of age.

The Maternity Immunisation Allowance, currently \$210.66, will become universally available to all recipients of the Maternity Payment.

Reductions in personal income tax

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Tax Office	-1,925.0	-3,800.0	-4,250.0	-4,750.0

The Government will provide tax cuts worth \$14.7 billion over four years.

From 1 July 2004 the 42 per cent threshold will be increased from \$52,001 to \$58,001 and the 47 per cent threshold will be increased from \$62,501 to \$70,001. A further reduction in income tax will be provided from 1 July 2005 when the 42 per cent threshold will be increased to \$63,001 and the 47 per cent threshold will be increased to \$80,001.

These increases in the top two thresholds will mean that more than 80 per cent of taxpayers will face a top marginal tax bracket of no more than 30 per cent over the forward estimates period and can earn more before they move into a higher tax bracket. This will reduce bracket creep and improve rewards from taking on additional work, pursuing advancement and acquiring skills.

Incentives for saving for retirement — enhancement of Government superannuation co-contribution scheme

Expense (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	595.0	730.0	790.0

The Government will enhance the superannuation co-contribution scheme by increasing the maximum co-contribution, giving \$1.50 for every \$1 of personal contribution, and by raising the income thresholds so that more employees will qualify under the scheme. These changes will apply for personal contributions made from 1 July 2004.

The maximum Government contribution will be increased under the new arrangements from \$1,000 to \$1,500. The Government will pay \$1.50 for every \$1 of contribution up to the co-contribution maximum.

The income level up to which the maximum co-contribution applies will be increased from \$27,500 to \$28,000. For incomes above \$28,000, the maximum co-contribution will reduce by 5 cents for each dollar of income, and phase out completely at an income of \$58,000. The co-contribution currently phases out at an income of \$40,000.

This measure will increase the incentive for people to save for their retirement through the superannuation system.

Incentives for saving for retirement — surcharge rate reduction

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	-55.0	-170.0	-385.0

The Government will reduce the maximum surcharge rate to 12.5 per cent for 2004-05, 10.0 per cent for 2005-06 and 7.5 per cent for 2006-07 and subsequent years.

This accelerates the current schedule to reduce the maximum surcharge rates to 13.5 per cent for 2004-05 and to 12.5 per cent for 2005-06 and subsequent years.

This measure will further improve the incentives for higher income individuals to make superannuation contributions.

ATTORNEY-GENERAL'S

Australia-United States Free Trade Agreement

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Customs Service	-190.0	-400.0	-420.0	-450.0

On 8 February 2004, the governments of Australia and the United States of America concluded the negotiations of the Australia-United States Free Trade Agreement. Under the agreement, both parties have agreed to eliminate tariffs on the majority of imports from the other country. Both parties are committed to completing their domestic processes in time to give effect to the agreement from 1 January 2005.

Under the agreement, agricultural and most manufactured goods imported into Australia from the United States will be duty-free from 1 January 2005. Tariffs on a number of other items imported from the United States will be phased out from 1 January 2005, with all goods imported from the United States duty-free by 2015.

The agreement builds on Australia's strong economic partnership with the United States, providing significant benefits to the Australian economy including lower costs for goods and services to Australian consumers.

Further information can be found in the press release of 8 February 2004 issued by the Minister for Trade.

EDUCATION, SCIENCE AND TRAINING

Our Universities — Higher Education Loan Programme

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Department of Education, Science and Training	11.7	28.1	29.9	26.3
<i>Related expense (\$m)(a)</i>				
<i>Department of Education, Science and Training</i>	-1.1	-1.9	-2.6	-3.1
<i>Related capital (\$m)</i>				
<i>Department of Education, Science and Training</i>	-	-	-	-

(a) A negative number for expenses indicates an increase in the fiscal balance.

The Government will implement a number of changes to the *Our Universities: Backing Australia's Future* package that was announced in the 2003-04 Budget. From January 2005, the Government will apply a 20 per cent loan fee with CPI indexation to the new FEE-HELP and OS-HELP undergraduate loans. The change replaces the previously announced indexation arrangements and will result in \$89.4 million in additional revenue over four years.

In addition, from July 2004, the income threshold at which repayments commence for all current higher education loan schemes will increase from \$25,348 to \$35,000. This will result in increased revenue from indexation of loans of \$9.6 million over four years because of the expected reduction in loan repayments.

The Government will also revise the maximum student contributions levels for Australian Government supported places from 30 per cent to 25 per cent above the standard HECS contribution rates (except teaching and nursing where the maximum fee will not increase). The new lower maximum contribution will decrease the value of loans issued and reduce expenses by \$8.7 million over four years, because the value of upfront discounts provided to students will be lower. Revenue from indexation of loans will also be lower by \$3 million over four years as a result of this change.

Under accepted accounting practice, the amount loaned to students is treated as a financial asset and therefore does not impact on the fiscal balance. Payments by students of the indexation component under the Higher Education Loans Programme are treated as interest revenue and impact on the fiscal balance from 2005-06.

HEALTH AND AGEING

Medical Indemnity — changes to United Medical Protection liability contributions

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Department of Health and Ageing	-6.7	-9.8	-9.4	-9.4
<i>Related expense (\$m)(a)</i>				
<i>Department of Health and Ageing</i>	<i>0.2</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>

(a) A positive number for expenses indicates a decrease in the fiscal balance.

The Government will replace the Incurred-But-Not-Reported (IBNR) levy with new United Medical Protection (UMP) support arrangements at a cost of \$35.7 million over four years.

Under these arrangements, those doctors who were members of UMP in the year 2000 and who have a medical income over \$5,000 per year will pay whichever is the least of: their contribution under the former IBNR levy; two per cent of their gross Medicare billable income; or \$5,000. This will be added to the standard insurance premium of those doctors concerned and will attract support under the Premium Support Scheme.

The number of years for which these doctors will be required to make contributions under these arrangements will be commensurate with their years of membership prior to 2000. Doctors who had been members of UMP for a year in 2000 will pay UMP support for one year; doctors who had been members of UMP for two years will pay UMP support for two years and so on up to a maximum of six years. Even with these doctor contributions, the Australian Government will pay three quarters of the estimated UMP IBNR liability.

The moratorium announced by the Government on 3 October 2003 and the various exemptions from the IBNR contributions previously announced will continue to apply under the UMP support arrangements, at a cost to revenue of \$35.3 million over four years.

Funding of \$0.4 million over four years will be provided to undertake the necessary legislative and administrative processes associated with this change and to administer these new arrangements on an ongoing basis.

Further information can be found in the joint press release of 17 December 2003 issued by the Minister for Health and Ageing and the Minister for Revenue and Assistant Treasurer.

TREASURY

A more flexible and adaptable retirement income system — allowing people to access their superannuation in the transition to retirement

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	*	*	*

The Government will allow people who have not retired to access their superannuation as a non-commutable income stream once they reach their preservation age, with effect from 1 July 2005.

Currently, a person below the age of 65 must retire or leave employment before they can access their superannuation benefits. This rule may lead to people retiring prematurely in order to access their superannuation. Allowing people to access their superannuation as a non-commutable income stream on reaching preservation age will provide them with increased flexibility in the transition to retirement.

The details of the measure, including the characteristics of the non-commutable income streams, will be developed in consultation with the superannuation industry and the community.

Further information can be found in the policy document *A more flexible and adaptable retirement income system* and in the press release of 25 February 2004 issued by the Treasurer.

A more flexible and adaptable retirement income system — preserving rolled over employer eligible termination payments

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	*	*	*	*

The Government will require all employer eligible termination payments (ETPs) that are rolled over into a superannuation fund on or after 1 July 2004 to be preserved.

Currently, the general rule requiring superannuation contributions to be preserved until retirement does not apply to employer ETPs that have been rolled over into a superannuation fund. Such benefits can be withdrawn from the superannuation system before preservation age despite the fact that they benefit from tax concessions which are designed to support their use for retirement purposes.

Budget Measures 2004-05

Requiring these amounts to be preserved will ensure that they are treated consistently with other amounts contributed to superannuation. The measure will not apply to employer ETPs that are rolled over into a superannuation fund before 1 July 2004.

Further information can be found in the policy document *A more flexible and adaptable retirement income system* and in the press release of 25 February 2004 issued by the Treasurer.

A more flexible and adaptable retirement income system — removing the requirement for actuarial certificates

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	-	-	-

The Government will remove the need for a superannuation fund to obtain an actuarial certificate in order to receive a tax exemption in relation to allocated pensions and the new complying market-linked pensions, with effect from 1 July 2004.

Currently, superannuation funds receive a tax exemption on the income they receive from assets supporting their current pension liabilities. In order to qualify for the exemption they are required to obtain an actuarial certificate stating that the assets are needed to meet the fund's pension liabilities.

Allocated pensions and complying market-linked pensions do not pay a guaranteed income stream; rather the amount of income paid is derived from the market value of the underlying assets. As a result, an actuarial certificate is not relevant for either of these types of pensions.

Further information can be found in the policy document *A more flexible and adaptable retirement income system* and in the press release of 25 February 2004 issued by the Treasurer.

A more flexible and adaptable retirement income system — removing the work test for superannuation contributions for people under the age of 65

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	12.8	-34.5	-40.1	-45.9

The Government will remove the work test requirement governing who can contribute to superannuation for those under the age of 65, with effect from 1 July 2004.

Currently, in order to make superannuation contributions a person below the age of 65 must have worked at least 10 hours in a week at some time in the previous two years, unless certain specific circumstances exist. Removing this requirement will open up access to the superannuation system, allowing anyone under the age of 65 to save for their retirement in a prudentially supervised and concessional tax environment.

Taxpayers who become eligible to contribute to superannuation may also be able to claim a tax deduction for their contributions, provided they satisfy the relevant tests. However, to qualify for a tax deduction, a person under the age of 18 will also be required to satisfy a work test in the year they contribute. This is intended to ensure the deduction is not abused, and will not affect the person's ability to contribute.

The measure is expected to result in an increase in contributions tax, but this will be more than offset in later years by an increase in deductions claimed by taxpayers.

Further information can be found in the policy document *A more flexible and adaptable retirement income system* and in the press release of 25 February 2004 issued by the Treasurer.

A more flexible and adaptable retirement income system — requiring compulsory payment of superannuation benefits for people over 75

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-1.3	3.3	3.1	3.3

The Government will require superannuation funds to start paying out benefits to members as soon as practicable after they reach the age of 75, either as an income stream or a lump sum, with effect from 1 July 2004.

Currently, persons over the age of 75 can keep their benefits inside a superannuation fund if they work at least 30 hours per week. This means they may not have to access their superannuation benefits at all during their lives, which could allow superannuation to be used specifically for estate planning purposes.

The measure will ensure that superannuation is used for its intended purpose of supporting income in retirement. The change will not apply to people over 75 who still receive superannuation contributions under an industrial award.

The measure is expected to result in a reduction in superannuation earnings tax, but this will be more than offset in later years by increased personal income tax from investments.

Further information can be found in the policy document *A more flexible and adaptable retirement income system* and in the press release of 25 February 2004 issued by the Treasurer.

A more flexible and adaptable retirement income system — simplifying the superannuation guarantee notional earnings bases

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-10.0	-15.0	-21.0	-24.0

The Government will implement a consistent earnings base to calculate superannuation guarantee (SG) obligations for all employees, with effect from 1 July 2010.

Generally, an employee's ordinary time earnings are used to calculate the employer's SG obligations. However, some employers are able to assess their SG obligations against an earnings base that existed prior to 21 August 1991. This means an employee can be paid lower superannuation contributions than other employees in similar circumstances.

To ensure all employees are treated in a consistent manner, employers will no longer be able to rely on pre-1991 earnings bases for SG purposes. Instead, an employee's ordinary time earnings will be used as the earnings base for determining SG liability for all employers. Employers affected by this change will have until 1 July 2010 to meet this requirement.

The measure is expected to result in an increase in employer deductions or a reduction in personal income tax, which is partly offset by an increase in contributions tax.

Further information can be found in the policy document *A more flexible and adaptable retirement income system* and in the press release of 25 February 2004 issued by the Treasurer.

A more flexible and adaptable retirement income system — simplifying the superannuation work test rules for those aged over 65

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office

The Government will change the superannuation contribution and cashing rules for people aged 65 to 74 from a weekly test to an annual test, with effect from 1 July 2004.

Currently, people aged 65 to 74 must work a minimum of 10 hours per week to be eligible to make superannuation contributions. If an individual is unable to satisfy the work test in any given week, superannuation providers are required to pay out the individual's full benefit.

Moving to an annual work test will mean that individuals will be required to work a minimum number of hours per year, which will accommodate more flexible working arrangements such as seasonal and irregular part-time work. The measure will also reduce the administrative burden on individuals and superannuation providers from regular monitoring of the work test.

Further information can be found in the policy document *A more flexible and adaptable retirement income system* and in the press release of 25 February 2004 issued by the Treasurer.

Capital gains tax — allowing all insolvency practitioners to declare shares and other securities worthless

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	*	*	*	*

The Government will allow insolvency practitioners to declare shares and other securities in a company worthless for capital gains tax (CGT) purposes. The measure will have effect from the date of Royal Assent of the enabling legislation.

Currently, only a liquidator can declare shares in a company to be worthless for CGT purposes. The declaration causes a CGT event to happen and permits shareholders to realise a capital loss in respect of their shares. If a company appoints an external administrator other than a liquidator, shareholders can only realise a capital loss while the company remains in existence by creating a trust over the shares.

The measure will provide consistency within the CGT regime by ensuring all insolvency practitioners are able to declare shares and other securities worthless for CGT purposes. Furthermore, the measure will reduce compliance costs by ensuring shareholders and other security holders do not have to create a trust over the shares or other securities in order to claim a capital loss.

Capital gains tax — excluding input tax credits from the cost base

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	*	*	*	*

The Government will exclude input tax credits from the capital gains tax (CGT) cost base and reduced cost base. The measure will apply to all CGT events that occur on or after 20 February 2004.

Currently, taxpayers who dispose of a CGT asset can, in some circumstances, include input tax credits in the cost base or reduced cost base of the asset, resulting in a lower capital gain or an increased capital loss.

Budget Measures 2004-05

The measure will ensure that where input tax credits are claimed under the goods and services tax system, taxpayers are unable to reduce their capital gains by the amount of their input tax credits.

Capital gains tax — providing a roll-over on transition to the new superannuation safety arrangements

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	-	-	-

The Government will provide a capital gains tax (CGT) roll-over for CGT events that occur when superannuation entities merge to meet the requirements of the new superannuation safety arrangements. The measure will have effect from 1 July 2004.

The new superannuation safety arrangements, which commence on 1 July 2004, will modernise and strengthen the prudential regulation of superannuation. Where a trustee of a superannuation entity is unable or unwilling to meet the new licensing requirements, the entity can merge with another superannuation entity.

The measure will ensure that superannuation entities merging as a result of the new licensing requirements will not have a CGT liability at the time of the merger.

Consolidation — providing greater flexibility

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	*	*	*	*

The Government has allowed taxpayers to revoke certain elections in the consolidation regime, up to 31 December 2004.

The consolidation regime contains a number of irrevocable elections, including elections relating to the method of calculating the cost base of assets and the utilisation of losses. In order to provide greater flexibility and certainty to taxpayers as they move to consolidation, taxpayers will temporarily be able to revoke some of these elections.

The election to form a consolidated group or a multiple entry consolidated group remains irrevocable.

In addition, the Government will make a number of changes to clarify the operation of particular areas of the consolidation regime, with effect from 1 July 2002, the start date of the regime. These changes are a result of consultation with the business community and tax professional bodies.

Further information can be found in the press release of 4 December 2003 issued by the Minister for Revenue and Assistant Treasurer.

Foreign resident withholding — requiring withholding from alienated personal services payments

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	-	-	-

The Government has required amounts to be withheld from alienated personal services payments that are prescribed for foreign resident withholding before the funds leave Australia. The measure has effect from 23 March 2004, the date the amending legislation received Royal Assent.

The measure requires an entity to withhold amounts from prescribed payments to foreign entities where these payments are treated as the income of an individual for tax purposes. The measure ensures that payments made to foreign entities that relate to personal services provided by individuals are treated the same as direct payments to individuals.

Foreign resident withholding — requiring withholding from prescribed payments

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	125.0	130.0	140.0	145.0

The Government will require amounts to be withheld from certain payments made to foreign residents, with effect from 1 July 2004.

Withholding will be required from:

- payments for operating or promoting a casino junket tour (at a rate of three per cent);
- payments for entertainment and sports activities (at individual non-resident marginal tax rates or the company tax rate, as relevant); and
- payments for construction and related activities (at a rate of five per cent).

These payments will be prescribed in the regulations.

The amount required to be withheld is to be paid to the Commissioner of Taxation and the payee will receive a credit for the amount withheld in their income tax assessment for the year. The measure will facilitate the efficient collection of income tax.

Fringe benefits reporting — providing an exclusion for child tuition assistance

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office

The Government will provide a fringe benefits reporting exclusion for approved child tuition assistance provided to Australian Defence Force members, where a direction by the Department of Defence to relocate causes the members' children to enrol in a different school. The measure will have effect from 1 April 2003.

Fringe benefits reporting — providing exclusions for police officers

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office

The Government will provide a number of fringe benefits reporting exclusions to police officers, with effect from 1 April 2004.

The reporting exclusions will apply to:

- benefits associated with conveyancing costs where police officers purchase a dwelling within four years of being transferred by the police force, whether or not they owned a dwelling at the previous locality;
- housing benefits provided to police officers residing in housing attached to a working police station, whether or not the police officer is in a remote area;
- rental subsidies provided to police officers in regional areas; and
- private travel between home and work in unmarked police cars used by police officers employed by the Australian Crime Commission and similar organisations.

Fringe benefits tax — broadening the exemption for the purchase of a new dwelling as a result of relocation

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office

The Government will extend the fringe benefits tax exemption for incidental purchase costs of relocating employees who purchase a new dwelling before being able to sell their old dwelling. The measure will have effect from 1 April 2004.

Currently, an exemption is available for costs associated with the sale or acquisition of a dwelling as long as the sale is made within two years, and the purchase within four years, of the new employment commencement date. However, the purchase costs are only exempt if the sale of the old dwelling has occurred.

The measure will retain the existing two and four-year rules but will remove the requirement that the purchase of the new dwelling occurs after the sale of the old dwelling.

Fringe benefits tax — ensuring concessions are available for public ambulance services

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-3.0	-4.0	-4.0	-4.0

The Government will change the fringe benefits tax (FBT) concessions available to public and not-for-profit ambulance services to make them consistent with those available to public and not-for-profit hospitals, with effect from 1 April 2004.

The measure will allow all public ambulance services to provide benefits of up to \$17,000 of grossed-up taxable value per employee without incurring an FBT liability. It will also ensure that public ambulance services have access to an FBT exemption for housing benefits provided in 'regional' areas.

In the past, some public ambulance services have been able to access FBT exemptions because they qualified as public benevolent institutions. A recent decision of the Full Federal Court confirmed that public ambulance services controlled by state and territory governments are not public benevolent institutions.

Further information can be found in the press release of 20 January 2004 issued by the Treasurer.

See also the related expense measure titled *State, territory and local government organisations – transitional grants as compensation for lost access to a fringe benefits tax concession* in the Treasury portfolio, and the related revenue measure titled *Philanthropy – creating two new deductible gift recipient categories* in the Treasury portfolio.

Fringe benefits tax — extending the transitional arrangements for payments into worker entitlement funds

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	-	-	-

The Government will extend, until 1 April 2005, the transitional arrangements for the fringe benefits tax exemption for payments made by employers into worker entitlement funds.

The extension of the transitional arrangements will ensure that the exemption applies while employers put in place new arrangements to comply with the fringe benefits tax exemption that took effect from 1 April 2003.

Fringe benefits tax — increasing the thresholds for exempt long service award benefits

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office

The Government will increase the fringe benefits tax exemption thresholds for long service award benefits, with effect from 1 April 2005.

The measure will double the current exemption thresholds for long service award benefits from \$500 to \$1,000 for 15 years of service and from \$50 to \$100 for each additional year of service.

Fringe benefits tax — providing an exemption for certain benefits received by recipients of military compensation payments

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office

The Government has provided a fringe benefits tax exemption for certain benefits provided to Australian Government employees, with effect from 1 July 2004. The exemption applies where the benefit is provided because the employee is in receipt of a new type of military compensation payment.

The exemption reflects a change in the structure of compensation payments which were previously available under the *Veterans' Entitlements Act 1986*, and are now provided under the new Military Compensation and Rehabilitation Scheme.

The measure maintains the fringe benefits tax treatment currently available for recipients of payments provided under the *Veterans' Entitlements Act 1986*.

Fuel tax reform — introducing a new energy content based fuel excise system

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	-	-	-

The Government has deferred the introduction of the energy content based excise system for fuels capable of use in an internal combustion engine until 1 July 2011.

The measure will ensure that alternative fuels that are effectively untaxed under the current excise regime remain so until 1 July 2011.

Under the new system, from 1 July 2011 alternative fuels will receive a 50 per cent discount on the full energy content rate, with the excise rates phased in equally over five years to their final rate on 1 July 2015. In addition, all fuels will be grouped into three bands based on their energy content, with different rates for high, medium and low-energy fuels. Excise on petrol and diesel will remain unchanged.

Further information can be found in the press release of 16 December 2003 issued by the Prime Minister.

Interest withholding tax — updating of exemptions and the definition of interest

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-5.0	-5.0	-5.0	-5.0

The Government will broaden the definition of interest and update the references to debentures and borrowings in the interest withholding tax (IWT) provisions. The measure will have effect from the date of Royal Assent of the enabling legislation.

The definition of interest will be broadened to include payments of a non-capital nature made on certain capital instruments that are to be specified as debt interests in related regulations. The measure will also broaden the definition of debentures and borrowings to take account of the new debt and equity rules introduced in 2001. These changes will provide consistent definitions throughout related provisions.

The Government will also ensure debentures transferred from Australian subsidiaries of foreign banks to Australian branches retain their eligibility for an IWT exemption. Foreign banks will now be able to simplify their business structures by transferring debentures issued by their subsidiaries after 18 June 1993 to their Australian branches without losing the IWT exemption available for such instruments.

Further information can be found in the press release of 1 March 2004 issued by the Minister for Revenue and Assistant Treasurer.

Land transport facilities borrowings tax offset — phasing down of the scheme

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	-	-	-

The Government will phase down the land transport facilities borrowings tax offset scheme. The measure will have effect from the date of Royal Assent of the amending legislation.

Under the phasing down of the scheme, all projects that currently receive assistance, or are subject to an ongoing approval process, will continue to have access to the offset. However, no new projects will be considered for approval.

Personal income tax — increasing the Medicare levy low income thresholds

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-41.0	-21.0	-21.0	-21.0

The Government will increase the Medicare levy low income thresholds to \$15,529 for individuals and \$26,205 for families, with effect from 1 July 2003. The additional amount of threshold for each dependant child or student will also be increased to \$2,406. 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 2003, the threshold will rise to \$18,141. This will ensure that pensioners below Age Pension age do not pay the Medicare levy while they do not have an income tax liability.

Personal income tax — providing exemptions for certain military compensation payments

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office

The Government has provided income tax exemptions for certain military compensation payments, with effect from 1 July 1996.

The measure ensures that compensation payments for the loss of exempt pay or allowances due to a service related injury or illness are also exempt from income tax.

The measure applies retrospectively to ensure that recipients of the specified payments, first made in the 1996-97 income year, are not disadvantaged.

Personal income tax — simplifying the foreign employment exemption

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	-	-	-

The Government will simplify the operation of the foreign employment exemption for Australians working in a foreign country, with effect from 1 July 2005.

The measure will allow any accrued leave, other than long service leave, to be included in a taxpayer's period of foreign service for the purposes of establishing whether the taxpayer has met the minimum 91 days continuous service requirement.

In addition, continuity of foreign service will not be broken by other types of temporary absence provided that the time away does not exceed one sixth of the total number of days of service.

The measure will simplify the process taxpayers need to undertake to determine if their foreign employment income qualifies for a tax exemption.

Personal income tax — standardising the dependant child age criteria

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	..	-3.0	-3.0

The Government will standardise the age criteria used to determine whether children are dependants for the purposes of determining whether a taxpayer qualifies for a number of tax entitlements. The measure will have effect from 1 July 2005.

Currently, dependant children have an effect on a taxpayer's entitlement to a number of tax offsets as well as Medicare levy exemptions and reductions (including the Medicare levy surcharge). However, the age criteria applied varies across entitlements.

The measure will introduce a standard definition of a dependant, which will be a child aged less than 21 years or a full-time student aged less than 25 years.

Petroleum resource rent tax — providing an immediate uplift for exploration expenditure in designated offshore frontier areas

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	-2.0	-6.0	-9.0

The Government will allow an immediate uplift to 150 per cent on petroleum resource rent tax (PRRT) deductions for exploration expenditure incurred in designated offshore frontier areas. The measure will apply to the annual offshore acreage releases for 2004 to 2008.

The 150 per cent uplift applies to pre-appraisal exploration expenditure in the initial term of the exploration permit granted for a designated area. Uplifted expenditure will also retain access to the transferability and annual PRRT uplift provisions.

The Minister for Industry, Tourism and Resources will determine the designated areas each year, which will be more than 100 kilometres from an existing oil discovery and will comprise no more than 20 per cent of each year's acreage release areas.

The measure will lower the cost of petroleum exploration in more expensive and high-risk remote offshore areas, providing an incentive to invest in Australia's remote offshore areas in search of a new oil province.

Philanthropy — changing the requirements for the concessional treatment of testamentary gifts and philanthropic funds

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-

The Government will make several changes to the tax concessions relating to philanthropy. The measure will have effect from the income year following the date of Royal Assent of the enabling legislation.

The measure will:

- remove the condition that testamentary gifts of property to a deductible gift recipient must be independently valued at greater than \$5,000 before a capital gains tax exemption on the gift can apply;
- allow charitable funds to be income tax exempt where they distribute solely to charities that are located in and pursuing their purpose in Australia, to charities that are also deductible gift recipients, or to a combination of these types of charities; and

- allow ancillary funds and prescribed private funds to be endorsed by the Commissioner of Taxation as income tax exempt, and to benefit from a refund of imputation credits, where they distribute to deductible gift recipients that are also income tax exempt.

The measure will increase flexibility for charitable funds and prescribed private funds in respect of how they distribute monies.

Philanthropy — creating two new deductible gift recipient categories

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-0.5	-1.0	-1.0	-1.0

The Government will create two new deductible gift recipient categories, for public ambulance services and for certain special schools, with effect from 1 April 2004.

In the past, some public ambulance services and some special schools received tax deductible gifts under the category for public benevolent institutions. However, these organisations were recently found to be ineligible for this status as they are controlled by state and territory governments.

The measure will ensure that these organisations can continue to receive tax deductible gifts.

See also the related revenue measure titled *Fringe benefits tax – ensuring concessions are available for public ambulance services* in the Treasury portfolio, and the related expense measure titled *State, territory and local government organisations – transitional grants as compensation for lost access to a fringe benefits tax concession* in the Treasury portfolio.

Philanthropy — implementing the Government’s response to the Charities Definition Inquiry

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-3.0	-	-	-

The Government will defer the requirement for charities to be endorsed by the Commissioner of Taxation to access certain tax concessions until 1 July 2005.

As part of its response to the *Report of the Inquiry into the Definition of Charities and Related Organisations*, the Government announced that from 1 July 2004, charities, public benevolent institutions and health promotion charities will be required to be endorsed by the Commissioner of Taxation in order to access all relevant tax concessions. The Government has decided to defer this requirement until 1 July 2005. This is due to the relevant legislation not yet achieving passage through Parliament, and the desirability of providing organisations with adequate time to comply with the new arrangements.

Following advice from the Board of Taxation, the Government has decided not to proceed with a legislative definition of charity, but instead retain the common law meaning. However, the Government will introduce a statutory extension of the common law meaning of charity to include certain non-profit childcare and self-help groups, and closed or contemplative religious orders. The extension will apply from 1 July 2004.

Philanthropy — updating the list of eligible deductible gift recipients

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	*	*	*	*

The Government has decided that qualifying gifts of \$2 or more to the following organisations will be made tax deductible:

- Country Fire Authority, Victoria State Emergency Service and equivalent coordinating bodies in other states and territories;
- International Social Services Australia;
- Victorian Crime Stoppers;
- Page Research Centre;
- St Patrick's Cathedral Parramatta Rebuilding Fund, until 30 June 2004;
- Bowral Vietnam Memorial Walk Trust, until 16 August 2005; and
- The Albert Coates Memorial Trust, until 30 January 2006.

In addition, since the *Mid-Year Economic and Fiscal Outlook 2003-04* there have been:

- 33 additions to the Register of Cultural Organisations and three deletions;
- six admissions to the Register of Environmental Organisations and three removals; and

- two additions to the Harm Prevention Charities Register.

The Register of Cultural Organisations can be found on the Department of Communications, Information Technology and the Arts website at *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*. The Harm Prevention Charities Register can be found on the Department of Family and Community Services website at *www.facs.gov.au*.

Small business tax simplification — allowing companies more time to repay loans or put loans on a commercial footing

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	*	*	*

The Government will allow private companies until the due date for lodgement of their tax returns to repay a loan or put a loan on a commercial footing in order to avoid the operation of the non-commercial loan rules. The measure will have effect from the income year following the date of Royal Assent of the enabling legislation.

Currently, the non-commercial loan rules deem a loan made by a private company to a shareholder or associate to be an unfranked dividend, unless the loan is repaid or put on a commercial footing by the end of the company's income year.

The measure will reduce compliance costs for operators of private companies who often only see their tax advisors after the end of the income year, in the lead up to preparing their tax returns.

Small business tax simplification — extending depreciating asset roll-over relief for Simplified Tax System partnerships

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	-6.0	-5.0	-5.0

The Government will extend the optional roll-over relief in the Simplified Tax System (STS) for partial changes in partnerships. The measure will have effect from the income year following the date of Royal Assent of the enabling legislation.

Currently, roll-over relief is available in the STS only in limited circumstances involving partial changes in the membership of an existing partnership. The measure will ensure that all roll-over relief currently available for partial changes in partnerships under the uniform capital allowances regime is also available in relation to STS depreciating asset pools.

Small business tax simplification — facilitating movement from annual to quarterly Pay As You Go instalments

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	-	-	-

The Government will simplify the movement from annual to quarterly Pay As You Go (PAYG) instalments. The measure will have effect from the income year following the date of Royal Assent of the enabling legislation.

Taxpayers who become ineligible to pay annual PAYG instalments, for example because they register for the goods and services tax, will be allowed to commence paying quarterly instalments from the first quarter of the following income year. Currently, taxpayers are required to commence quarterly instalments from the quarter in which they become ineligible to pay annual instalments.

The measure will reduce compliance costs and increase certainty for affected taxpayers.

Small business tax simplification — facilitating the payment of franked distributions during a private company's first taxable year

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-

The Government will amend the imputation rules to facilitate the payment of franked distributions by private companies in their first taxable year. The measure will have effect from the income year following the date of Royal Assent of the enabling legislation.

Currently, companies do not pay tax during their first taxable year of operation, and therefore do not generate franking credits to attach to dividends paid during that year. The payment of profits as unfranked distributions in that year results in a mismatch between profits and franking credits that in some circumstances can lead to the double taxation of company profits.

The measure will allow an offset for the full amount of franking deficit tax paid, rather than the reduced credit currently available, for private companies who anticipate franking credits based on a reasonable estimate of the company's expected tax liability for that income year.

Small business tax simplification — increasing flexibility for making family trust and interposed entity elections

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	*	*	*

The Government will allow family trust elections and interposed entity elections to be made at any time in relation to an earlier income year, subject to certain conditions. The measure will have effect from the income year following the date of Royal Assent of the enabling legislation.

Currently, a trust must make an irrevocable family trust election in order to access certain company and trust losses and imputation credits. A company, trust or partnership is required to make an interposed entity election if it is to be included as part of the family group specified under the family trust election. The elections must be included in the trust's tax return for the income year from which the elections are to have effect.

The measure will address concerns that the current requirements for making these elections are too inflexible.

Small business tax simplification — providing a fringe benefits tax exemption for additional work-related items

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-1.0	-3.0	-4.0	-5.0

The Government will extend the list of work-related items that are exempt from fringe benefits tax (FBT). The measure will have effect from the FBT year following the date of Royal Assent of the enabling legislation.

Currently, electronic diaries and portable computers such as laptops and notebooks are exempt from FBT. The measure will extend this exemption to include printers designed for use with portable computers.

In addition, the list of work-related items exempt from FBT will include personal digital assistants (PDAs). This will ensure that PDAs continue to be exempt from FBT as these products become increasingly sophisticated and less like electronic diaries.

Small business tax simplification — providing a fringe benefits tax exemption for engagement of relocation consultants

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	*	*	*	*

The Government will extend the fringe benefits tax (FBT) exemptions available to relocated employees to include benefits associated with the engagement of relocation consultants. The measure will have effect from the FBT year following the date of Royal Assent of the enabling legislation.

Currently, certain expenses associated with the relocation of an employee, such as the removal or storage of an employee's household effects, are exempt from FBT in certain circumstances.

The measure will extend the FBT exemption to cover the engagement of relocation consultants to settle relocated employees into a new location.

Small business tax simplification — removing the customary requirement for the fringe benefits tax remote area housing exemption

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	-2.0	-2.5	-3.0

The Government will remove the customary rule to facilitate small business access to the remote area housing fringe benefits tax (FBT) exemption. The measure will have effect from the FBT year following the date of Royal Assent of the enabling legislation.

Currently, employer-provided housing in remote areas is only exempt from FBT if it is customary for employers in the industry to provide such housing benefits for their employees. The operation of the customary rule can make it difficult for small businesses to take advantage of the FBT exemption, as small businesses often do not customarily provide subsidised housing to employees.

The measure will ensure small businesses can access the FBT exemption when they provide remote area housing to their employees.

Superannuation — improving the integrity of the superannuation system

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	*	*	*	*

The Government will address a range of tax avoidance arrangements primarily involving small and non-arms length superannuation funds. The measure will have effect from the date of gazettal of the enabling regulations.

Under the measure:

- accumulation funds will be required to allocate all contributions, and fully vest benefits in a given member; and
- defined benefit funds and funds providing defined benefit pensions will be required to have at least 50 members.

The measure will target arrangements that avoid limits applying to tax concessions and social security means tests and that allow superannuation to be accumulated for estate planning purposes. It will also strengthen the prudential standards that apply to funds that provide defined pensions and benefits to ensure that these funds have the capacity to provide the benefits.

Tax losses — simplifying the loss recoupment rules for companies

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	*	*	*	*

The Government will make several changes to simplify the operation of the loss recoupment rules for companies. These changes include the simplification of the continuity of ownership test and removing the availability of the same business test under certain circumstances.

The measure will simplify the continuity of ownership test for widely held companies and eligible subsidiaries by:

- removing the requirement for these companies to trace through ownership interests that are less than 10 per cent of relevant rights;
- deeming certain interposed entities to be beneficial owners of the interests, and thereby excluding them from the tracing requirements; and
- testing continuity of ownership only on an annual basis.

Budget Measures 2004-05

These changes will apply to all losses incurred in an income year commencing on or after 1 July 2002, and to certain eligible pre-2002 losses.

The same business test will no longer be available in an income year where the total income of a company or corporate group exceeds \$100 million. This change will apply to all losses incurred in an income year commencing on or after 1 July 2004. As a result of this change, these companies will need to satisfy the continuity of ownership test to utilise these losses.

Further information can be found in the press release of 7 April 2004 issued by the Minister for Revenue and Assistant Treasurer.

Uniform capital allowances — allowing deductions for the cost of acquiring certain telecommunications rights

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-1.1	-3.2	-4.5	-5.5

The Government will allow capital allowance deductions for the cost of acquiring indefeasible rights to use (IRUs) domestic telecommunications cables, and for the cost of acquiring access rights to another company's telecommunications infrastructure. The measure will apply to expenditure incurred from 12 May 2004.

Currently, expenditure on acquiring domestic IRUs and telecommunications access rights is generally only able to be claimed as a capital loss upon expiry of the right.

The measure removes an anomaly between the tax treatment of international and domestic IRUs. In addition, the measure will better match the tax treatment of both domestic IRUs and site access rights to their underlying economic characteristics.

Venture capital — ensuring the Venture Capital Limited Partnership regime operates as intended

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	-	-	-

The Government will introduce a number of amendments to the Venture Capital Limited Partnership (VCLP) regime to ensure it operates as intended. The measure will have effect from 1 July 2002, the start date of the regime.

The changes will ensure that tax concessions are available for:

- investments made by a VCLP or other eligible entity into a holding company; and

- investments in a company with assets valued at less than \$250 million acquired by a VCLP from a corporate group where the assets of the group are valued at more than \$250 million.

The measure will expand the range of venture capital investments eligible for the tax concessions and ensure the regime operates as intended by removing minor impediments.

Further information can be found in the press release of 6 May 2004 issued by the Minister for Revenue and Assistant Treasurer.

Water facilities and landcare tax concessions — providing access for irrigation water providers

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	-5.0	-5.0	-5.0

The Government will provide certain irrigation water providers with access to the landcare and water facilities tax concessions available to primary producers, with effect from 1 July 2004.

The measure will allow eligible irrigation water providers to claim an immediate deduction for capital expenditure on landcare activities and claim a deduction for capital expenditure on water facilities over three years.

The measure will align the deductions available to primary producers and businesses using rural land with deductions available to irrigation water providers which supply those primary producers and businesses with water.

Wine industry assistance — providing a wine equalisation tax producer rebate

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-58.0	-90.0	-90.0	-100.0

The Government will rebate \$290,000 of wine equalisation tax (WET) to every wine producer per annum. This measure will apply from 1 October 2004 and will be pro-rated for the 2004-05 financial year. The effect of this decision is to exempt \$1 million of each producer's domestic wholesale wine sales from the WET on an annual basis.

Budget Measures 2004-05

The measure will offset the entire WET liability for around 90 per cent of wine producers and provide a significant benefit to the wine industry. Small wine producers in rural and regional Australia will capture around 85 per cent of the benefits of this tax relief.

Currently, producers have access to a maximum rebate of \$42,000 for cellar door sales under the Australian Government Cellar Door Rebate scheme. Under the new arrangements, each producer will be eligible for a rebate of up to \$290,000 on all wholesale sales.

The Australian Government Cellar Door Rebate scheme and state government cellar door rebate schemes will be abolished and the savings to the states will be refunded to the Australian Government.

See also the related revenue measure titled *Wine industry assistance – removing accelerated depreciation for grapevine plantings* in the Treasury portfolio.

Wine industry assistance — removing accelerated depreciation for grapevine plantings

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	2.0	6.0	11.0	17.0

The Government will remove accelerated depreciation for grapevine plantings, with effect from 1 October 2004.

Currently, capital expenditure incurred in acquiring and establishing grapevines can be written off over four years. Under the measure new grapevine plantings will be depreciated over their effective life.

The measure is part of a broader package of changes to the current wine tax arrangements that will provide significant benefits to the wine industry, in particular, small wine producers in rural and regional Australia.

See also the related revenue measure titled *Wine industry assistance – providing a wine equalisation tax producer rebate* in the Treasury portfolio.

