

## Part 1: Revenue Measures

**Table 1: Revenue measures since the 2006-07 MYEFO<sup>(a)</sup>**

| Page                                                       |                                                                                                                          | 2007-08<br>\$m | 2008-09<br>\$m | 2009-10<br>\$m | 2010-11<br>\$m |
|------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
| <b>ATTORNEY-GENERAL'S</b>                                  |                                                                                                                          |                |                |                |                |
| <i>Attorney-General's Department</i>                       |                                                                                                                          |                |                |                |                |
| 79                                                         | COAG – harmonise and rationalise the law on personal property securities(b)                                              | -              | 4.2            | 29.0           | 29.8           |
| <i>Australian Customs Service</i>                          |                                                                                                                          |                |                |                |                |
| 5                                                          | Customs duty – clarification of the time limit for recovery                                                              | -              | -              | -              | -              |
| 12                                                         | Deferred settlement of excise and excise-equivalent customs duties                                                       | -              | -              | -              | -              |
| 305                                                        | Energy Grants (Cleaner Fuels) Scheme(b)                                                                                  | -              | -              | -              | -              |
| 13                                                         | Excise and excise-equivalent customs duty – enhancing and streamlining eligibility for refunds, remissions and drawbacks | -3.1           | -8.7           | -9.2           | -9.7           |
| 5                                                          | Expand the range of goods in inwards duty free stores                                                                    | ..             | ..             | ..             | ..             |
| 26                                                         | Tourist Refund Scheme – introducing private providers and enhancements to tax-free shopping                              | ..             | ..             | ..             | ..             |
| <b>Portfolio total</b>                                     |                                                                                                                          | <b>-3.1</b>    | <b>-4.5</b>    | <b>19.8</b>    | <b>20.1</b>    |
| <b>COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS</b> |                                                                                                                          |                |                |                |                |
| <i>Australian Communications and Media Authority</i>       |                                                                                                                          |                |                |                |                |
| 96                                                         | Australian Communications and Media Authority – additional funding(b)                                                    | -              | 1.0            | 1.4            | 1.4            |
| <b>Portfolio total</b>                                     |                                                                                                                          | <b>-</b>       | <b>1.0</b>     | <b>1.4</b>     | <b>1.4</b>     |
| <b>EDUCATION, SCIENCE AND TRAINING</b>                     |                                                                                                                          |                |                |                |                |
| <i>Department of Education, Science and Training</i>       |                                                                                                                          |                |                |                |                |
| 230                                                        | Dental school – Charles Sturt University(b)<br>Realising Our Potential                                                   | -              | -              | ..             | ..             |
| 116                                                        | – allowing more responsive universities(b)                                                                               | 1.3            | 2.9            | 3.6            | 4.2            |
| 120                                                        | – FEE-HELP for Diploma and Advanced Diploma VET courses(b)                                                               | 1.8            | 6.8            | 15.1           | 25.3           |
| 115                                                        | – increasing university funding(b)                                                                                       | -              | 0.2            | 0.8            | 1.7            |
| <b>Portfolio total</b>                                     |                                                                                                                          | <b>3.1</b>     | <b>10.0</b>    | <b>19.5</b>    | <b>31.2</b>    |
| <b>FINANCE AND ADMINISTRATION</b>                          |                                                                                                                          |                |                |                |                |
| <i>Department of Finance and Administration</i>            |                                                                                                                          |                |                |                |                |
| 197                                                        | Comcover – discontinuation of the reinsurance programme(b)                                                               | -0.5           | -0.5           | -0.5           | -0.5           |
| <b>Portfolio total</b>                                     |                                                                                                                          | <b>-0.5</b>    | <b>-0.5</b>    | <b>-0.5</b>    | <b>-0.5</b>    |
| <b>FOREIGN AFFAIRS AND TRADE</b>                           |                                                                                                                          |                |                |                |                |
| <i>Department of Foreign Affairs and Trade</i>             |                                                                                                                          |                |                |                |                |
| 6                                                          | Passport fees – CPI indexation                                                                                           | 8.5            | 14.9           | 20.4           | 26.6           |
| <b>Portfolio total</b>                                     |                                                                                                                          | <b>8.5</b>     | <b>14.9</b>    | <b>20.4</b>    | <b>26.6</b>    |

**Table 1: Revenue measures since the 2006-07 MYEFO<sup>(a)</sup> (continued)**

| Page |                                                                                                   | 2007-08    | 2008-09    | 2009-10    | 2010-11    |
|------|---------------------------------------------------------------------------------------------------|------------|------------|------------|------------|
|      |                                                                                                   | \$m        | \$m        | \$m        | \$m        |
|      | <b>HEALTH AND AGEING</b>                                                                          |            |            |            |            |
|      | <i>Department of Health and Ageing</i>                                                            |            |            |            |            |
| 247  | Pharmaceutical Benefits Scheme – minor new listings(b)                                            | nfp        | nfp        | nfp        | nfp        |
|      | <b>Portfolio total</b>                                                                            | <b>nfp</b> | <b>nfp</b> | <b>nfp</b> | <b>nfp</b> |
|      | <b>IMMIGRATION AND CITIZENSHIP</b>                                                                |            |            |            |            |
|      | <i>Department of Immigration and Citizenship</i>                                                  |            |            |            |            |
| 273  | 457 visas – ongoing management of caseload(b)                                                     | 1.7        | 2.1        | 2.0        | 2.1        |
| 274  | Citizenship Test(b)                                                                               | 5.5        | 9.4        | 9.7        | 10.0       |
| 7    | Cost recovery policy implementation – removal of the Taiwan visa facilitation fee                 | -3.3       | -3.3       | -3.3       | -3.4       |
|      | Migration Programme                                                                               |            |            |            |            |
| 278  | – 4,000 additional family stream places for 2006-07(b)                                            | -          | -          | -          | -          |
| 279  | – 8,800 place increase for 2007-08(b)                                                             | 1.2        | 1.2        | 1.3        | 1.3        |
| 280  | Review of student visa two-stage permission to work – implementation(b)                           | 1.1        | -0.9       | -0.9       | -1.0       |
| 282  | World Youth Day 2008 – support(b)                                                                 | -3.2       | -          | -          | -          |
|      | <b>Portfolio total</b>                                                                            | <b>3.0</b> | <b>8.5</b> | <b>8.7</b> | <b>9.0</b> |
|      | <b>PRIME MINISTER AND CABINET</b>                                                                 |            |            |            |            |
|      | <i>Australian National Audit Office</i>                                                           |            |            |            |            |
| 291  | Auditing standards – meeting new requirements(b)                                                  | 0.6        | 0.6        | 0.6        | 0.6        |
|      | <b>Portfolio total</b>                                                                            | <b>0.6</b> | <b>0.6</b> | <b>0.6</b> | <b>0.6</b> |
|      | <b>TREASURY</b>                                                                                   |            |            |            |            |
|      | <i>Australian Prudential Regulation Authority</i>                                                 |            |            |            |            |
|      | <i>Australian Prudential Regulation Authority</i>                                                 |            |            |            |            |
| 302  | – strengthened capabilities and continuation of funding(b)                                        | -          | -          | -          | -          |
| 303  | – sustaining capabilities in prudential regulation(b)                                             | 6.8        | 6.0        | 5.7        | 5.5        |
| 22   | Superannuation – preventing public offer funds from imposing a participating employer requirement | -          | -          | -          | -          |
|      | <i>Australian Taxation Office</i>                                                                 |            |            |            |            |
| 104  | Afghanistan – Australian Defence Force deployments(b)                                             | -9.0       | -5.0       | -          | -          |
| 8    | Amounts misappropriated by an agent – income tax treatment                                        | *          | *          | *          | *          |
| 8    | Australian property trusts – enhancing international competitiveness                              | -          | *          | *          | *          |
|      | Capital gains tax                                                                                 |            |            |            |            |
| 9    | – extending small superannuation fund roll-over on marriage breakdown                             | -          | -1.0       | -1.0       | -1.0       |
| 9    | – scrip for scrip roll-over for medical defence organisations                                     | -          | -          | -          | -          |
| 10   | Carbon sink forests – establishment costs deductible                                              | -          | -6.0       | -7.9       | -9.7       |
| 183  | Child Care Tax Rebate – conversion to a direct payment(b)                                         | -          | 425.0      | 475.0      | 530.0      |
| 10   | Company loss recoupment rules – same business test and technical amendments                       | -15.0      | -40.0      | -50.0      | -70.0      |

**Table 1: Revenue measures since the 2006-07 MYEFO<sup>(a)</sup> (continued)**

| Page |                                                                                                                                                 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|------|-------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|---------|---------|
|      |                                                                                                                                                 | \$m     | \$m     | \$m     | \$m     |
|      | <b>TREASURY (continued)</b>                                                                                                                     |         |         |         |         |
|      | Consolidation                                                                                                                                   |         |         |         |         |
| 11   | – further improvements to the operation of the income tax law for consolidated groups                                                           | *       | *       | *       | *       |
| 12   | – modify the membership rules and the capital gains tax provisions for authorised deposit-taking institutions                                   | -       | -       | -       | -       |
| 304  | Debt collection enhancement – reducing taxation debt and outstanding superannuation guarantee charge payments(b)                                | 5.0     | 45.0    | 45.0    | 45.0    |
| 12   | Deferred settlement of excise and excise-equivalent customs duties                                                                              | -       | -       | -       | -       |
| 305  | Energy Grants (Cleaner Fuels) Scheme(b)                                                                                                         | -       | -       | -       | -       |
| 13   | Excise and excise-equivalent customs duty – enhancing and streamlining eligibility for refunds, remissions and drawbacks                        | -6.0    | -12.0   | -15.0   | -15.0   |
| 14   | Finance leasing – taxation treatment to remain unchanged                                                                                        | -20.0   | -65.0   | -75.0   | -100.0  |
|      | Forestry managed investment schemes                                                                                                             |         |         |         |         |
| 14   | – statutory deduction for investments                                                                                                           | -       | -       | -       | -       |
| 15   | – trading of interests                                                                                                                          | -       | 60.0    | 60.0    | 20.0    |
| 15   | Global Integration – extension of the premium 175 per cent research and development tax concession to subsidiaries of multinational enterprises | -50.0   | -50.0   | -50.0   | -50.0   |
| 16   | Increasing the GST registration turnover threshold                                                                                              | -0.7    | -4.7    | -4.4    | -4.0    |
| 17   | Increasing the threshold for requiring an approved tax invoice for GST                                                                          | -2.8    | -3.6    | -3.8    | -4.0    |
| 107  | Iraq – continued funding for stabilisation and reconstruction activities(b)                                                                     | -23.0   | -       | -       | -       |
| 17   | PAYG instalments paid annually when voluntarily registered for GST                                                                              | -       | -100.0  | -20.0   | -20.0   |
| 18   | Personal income tax cuts                                                                                                                        | -5305.0 | -8350.0 | -8785.0 | -9050.0 |
|      | Personal income tax                                                                                                                             |         |         |         |         |
| 19   | – increase the dependent spouse rebate                                                                                                          | -20.0   | -130.0  | -135.0  | -140.0  |
| 19   | – increasing the Medicare levy low-income thresholds                                                                                            | -60.0   | -30.0   | -30.0   | -30.0   |
| 20   | – tax status of Australian Defence Force Operation Ramp                                                                                         | ..      | -       | -       | -       |
| 20   | – tax status of Defence Force Income Support Allowance                                                                                          | -       | -       | -       | -       |
| 20   | Petroleum resource rent tax – minor policy issues                                                                                               | -       | -       | -       | -       |
|      | Philanthropy                                                                                                                                    |         |         |         |         |
| 21   | – changes to prescribed private funds                                                                                                           | -1.3    | -1.4    | -1.5    | -1.6    |
| 21   | – updating the list of deductible gift recipients                                                                                               | -0.8    | -1.6    | -1.4    | -1.2    |
| 101  | Screen media support package(b)                                                                                                                 | -       | 11.0    | 22.0    | 22.0    |
| 22   | Simplified accounting methods – extending availability                                                                                          | -       | 1.0     | 1.0     | 1.0     |

**Table 1: Revenue measures since the 2006-07 MYEFO<sup>(a)</sup> (continued)**

| Page |                                                                                                                  | 2007-08        | 2008-09        | 2009-10        | 2010-11        |
|------|------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|      |                                                                                                                  | \$m            | \$m            | \$m            | \$m            |
|      | <b>TREASURY (continued)</b>                                                                                      |                |                |                |                |
|      | Superannuation                                                                                                   |                |                |                |                |
| 200  | – reforming the Public Sector Superannuation Scheme and the Commonwealth Superannuation Scheme(b)                | -              | 3.4            | 10.7           | 14.5           |
| 23   | – taxation of lump sum superannuation death benefit payments to non-dependants of defence personnel and police   | -0.2           | -0.2           | -0.2           | -0.2           |
| 23   | – transitional arrangements for personal contributions                                                           | -1.0           | -2.0           | -2.0           | -2.0           |
| 24   | Tax law secrecy and disclosure rules – standardisation                                                           | -              | -              | -              | -              |
|      | Thin capitalisation                                                                                              |                |                |                |                |
| 25   | – definition of excluded equity interest                                                                         | -              | -              | -              | -              |
| 25   | – extension of accounting standard transitional arrangements                                                     | -              | -              | -              | -              |
| 26   | Tobacco Growers Adjustment Assistance Package 2006 – tax-free grants                                             | -1.3           | -1.3           | -              | -              |
| 26   | Tourist Refund Scheme – introducing private providers and enhancements to tax-free shopping                      | -1.0           | -1.0           | -1.0           | -1.0           |
| 27   | Venture capital – improved taxation treatment                                                                    | -              | -2.0           | -7.0           | -16.0          |
|      | <i>Department of the Treasury</i>                                                                                |                |                |                |                |
| 304  | Debt collection enhancement – reducing taxation debt and outstanding superannuation guarantee charge payments(b) | 3.0            | 4.3            | 4.2            | 3.7            |
|      | <b>Portfolio total</b>                                                                                           | <b>-5502.3</b> | <b>-8251.1</b> | <b>-8566.6</b> | <b>-8874.0</b> |
|      | <b>Decisions taken but not yet announced</b>                                                                     | <b>-90.0</b>   | <b>-</b>       | <b>-</b>       | <b>-</b>       |
|      | <b>Total impact of revenue measures(c)</b>                                                                       | <b>-5580.7</b> | <b>-8221.1</b> | <b>-8496.7</b> | <b>-8785.6</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) A minus sign before an estimate indicates a reduction in revenue, no sign before an estimate indicates a gain to revenue.

(b) Details of these measures can be found under Part 2: Expense measures.

(c) Measures may not add due to rounding.

## ATTORNEY-GENERAL'S

### Customs duty — clarification of the time limit for recovery

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Customs Service | -       | -       | -       | -       |

The Government will place a four-year statutory time limit on customs duty recovery, other than in cases of fraud or evasion. The measure will have effect from the 28<sup>th</sup> day after the date of Royal Assent of the enabling legislation.

Currently, there is no time limit on the recovery of the short payment of customs duty or the overpayment of a refund, rebate or drawback of customs duty, where the short payment or overpayment is not the result of an error by the Australian Customs Service.

This measure will provide consistency with the timeframe for recovery of other indirect taxes and provide certainty for importers.

### Expand the range of goods in inwards duty free stores

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Customs Service | ..      | ..      | ..      | ..      |

The Government will relax the current restrictions on the range of goods available for sale in inwards duty free stores. The type of goods available for sale will be limited by size, weight and the value of the duty free passenger concession. The changes will take effect from the date that the applicable customs regulation is amended.

The range of goods currently available for sale in inwards duty free stores is restricted. This measure will allow travellers, on arrival in Australia, to purchase a broader range of goods that are able to be carried as part of their hand luggage, up to a value of \$900.

The measure will increase convenience for inward travellers purchasing duty free goods.

See also the related item titled *Expand the range of goods in inwards duty free stores* in Appendix C of Budget Paper No. 3.

## FOREIGN AFFAIRS AND TRADE

### Passport fees — CPI indexation

| Revenue (\$m)                           | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|-----------------------------------------|---------|---------|---------|---------|
| Department of Foreign Affairs and Trade | 8.5     | 14.9    | 20.4    | 26.6    |

The Government will index the fees charged for passports and other travel documents to movements in the Consumer Price Index (CPI), with effect from 1 July 2007.

Fees for passports and other travel documents will be increased annually on 1 July, in line with movements in the CPI over the four quarters ending in March each year.

As a result of this measure, on 1 July 2007 the standard adult passport fee will increase from \$193 to \$200, while the passport fee for children and seniors will increase from \$96 to \$100.

## IMMIGRATION AND CITIZENSHIP

### Cost recovery policy implementation — removal of the Taiwan visa facilitation fee

| Revenue (\$m)                             | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|-------------------------------------------|---------|---------|---------|---------|
| Department of Immigration and Citizenship | -3.3    | -3.3    | -3.3    | -3.4    |

The Government will remove the Taiwan visa facilitation fee which has funded the Department of Immigration and Citizenship's operations at the Australian Commerce and Industry Office in Taiwan. The removal of the fee will result in a reduction in revenue of \$13.2 million over four years.

The removal of the visa facilitation fee follows a review under the Government's cost recovery policy, and brings operations in Taiwan into line with operations at Australia's other overseas posts.

## TREASURY

### Amounts misappropriated by an agent — income tax treatment

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | *       | *       | *       | *       |

The Government will ensure a more consistent treatment of amounts misappropriated by an agent. This measure will have effect from the date of Royal Assent of the enabling legislation.

Currently, amounts misappropriated by an agent may reduce tax liabilities only in limited circumstances. There is no offsetting adjustment available where an amount misappropriated by an agent arises from the disposal of a depreciating asset or a capital gains tax asset.

This measure will extend the recognition of misappropriated amounts to calculations made under the uniform capital allowance and capital gains tax regimes.

### Australian property trusts — enhancing international competitiveness

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -       | *       | *       | *       |

The Government will allow certain stapled entities, such as Australian listed property trusts, to restructure with an interposed head trust without taxation consequences, with effect from the 2006-07 income year.

Capital gains tax roll-over relief will be provided for investors in a stapled group where a unit trust has been interposed between the investors in the stapled group and the stapled entities.

The Government will also ensure that these restructures do not result in the head trust being taxed as if it were a company.

These proposals will improve the international competitiveness of Australian listed property trusts and facilitate their expansion into offshore markets.



**Capital gains tax — extending small superannuation fund roll-over on marriage breakdown**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -       | -1.0    | -1.0    | -1.0    |

The Government will allow one spouse in a marriage breakdown to transfer their entire in specie interest in a small superannuation fund to another complying superannuation fund, without there being an immediate capital gains tax (CGT) taxing point. This measure will have effect from 1 July 2007.

Currently, the CGT roll-over for assets of small superannuation funds on marriage breakdown applies only to the spouse who benefits from a payment split made under the *Family Law Act 1975* and only to the assets subject to the payment split. These assets can be rolled over only to another small superannuation fund.

This measure will facilitate complete separation of superannuation assets for spouses in a marriage breakdown and provide greater choice of fund to the spouse whose interest is transferred.

**Capital gains tax — scrip for scrip roll-over for medical defence organisations**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -       | -       | -       | -       |

The Government will allow a capital gains tax (CGT) scrip for scrip roll-over where a post-CGT membership interest in a medical defence organisation is replaced with a membership interest in another medical defence organisation, and both organisations are companies limited by guarantee. The roll-over will apply to CGT events happening on or after 14 February 2007.

The current scrip for scrip roll-over applies to shares and trust interests but not to membership interests in a company limited by guarantee.

This measure will ensure that CGT need not be an impediment to mergers of medical defence organisations.

Further information can be found in the press release of 14 February 2007 issued by the Minister for Revenue and Assistant Treasurer.

**Carbon sink forests — establishment costs deductible**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -       | -6.0    | -7.9    | -9.7    |

The Government will introduce depreciation for the costs of establishing a qualifying carbon sink forest under the horticultural plant provisions, with effect from 1 July 2007. This will enable costs to be depreciated over a period of 14 years, which is considerably less than the effective life of such a forest.

As an additional enhancement to encourage the early establishment of carbon sink forests, the Government will introduce immediate deductibility for costs incurred in establishing a qualifying carbon sink forest during a five-year period commencing on 1 July 2007. The immediate deduction will take precedence over the general horticultural provisions during this five-year period. Deductions under this measure will not be available to carbon sink forests established through managed investment schemes.

Currently, the costs of establishing a carbon sink forest are regarded as capital in nature and are treated under the capital gains tax provisions of the tax law.

This measure will encourage the establishment of carbon sink forests, which will deliver carbon sequestration and natural resource management benefits. See also the expense measure titled *Climate change – Global Initiative on Forests and Climate* in the Environment and Water Resources portfolio.

**Company loss recoupment rules — same business test and technical amendments**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -15.0   | -40.0   | -50.0   | -70.0   |

The Government will remove the \$100 million cap on the same business test (SBT), with effect from 1 July 2005.

Currently, a company is able to carry forward a tax loss to offset future assessable income, subject to meeting the continuity of ownership test (COT), or if the COT is not satisfied, the SBT applies. Companies with income in excess of \$100 million do not have access to the SBT.

The Government will also improve and clarify the loss recoupment rules by:

- ensuring that companies do not fail the COT because they have multiple classes of shares on issue, with effect from 1 July 2002;

- defining the meaning of ‘voting power’ in the context of the COT as the power to vote on a poll for the election of a director to a company, with effect from 1 July 2007; and
- ensuring that the ‘entry history’ rule in the consolidation regime – which, for certain purposes, applies the pre-consolidation history of a subsidiary member of a consolidated group to the head entity – is disregarded in applying the SBT, with effect from 1 July 2002.

The removal of the SBT cap will assist large closely held companies that do not benefit from the relaxation of the COT. The other amendments to the loss recoupment rules will reduce uncertainty and ensure that the outcomes under the rules are consistent with policy intent.

**Consolidation — further improvements to the operation of the income tax law for consolidated groups**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | *       | *       | *       | *       |

The Government will improve and clarify the operation of the income tax law for consolidated groups. The measure will generally take effect from 1 July 2002, the commencement of the consolidation regime, though some aspects have more recent dates of commencement.

Under the consolidation regime, wholly-owned groups are taxed as single taxpayers. Over time, taxpayers and the Australian Taxation Office have identified that certain consolidation rules are not operating as intended, leading to inequitable outcomes and the imposition of excessive compliance costs.

The measure includes changes to the consolidation tax cost setting rules, the capital gains tax provisions and the uniform capital allowances rules. The measure will ensure that the income tax law affecting consolidated groups operates as intended and will reduce the compliance burden for consolidated groups.

**Consolidation — modify the membership rules and the capital gains tax provisions for authorised deposit-taking institutions**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -       | -       | -       | -       |

The Government will remove taxation impediments to the restructuring of conglomerates containing authorised deposit-taking institutions (ADIs) involving the appointment of a non-operating holding company as the head company of the consolidated group, with effect from 1 July 2007.

Currently, if a consolidated group headed by an ADI were to restructure and appoint a non-operating holding company as the head company of the group, the ADI would become a subsidiary company and would not be able to issue preference shares outside the group.

The measure will ensure that ADIs, as subsidiary members of a group, can continue to issue certain preference shares to non-group members and maintain their tax position. The measure will also ensure that ordinary shareholders who dispose of their shares in an ADI, in exchange for shares in the non-operating holding company, can obtain a capital gains tax roll-over.

This measure will enable financial conglomerates containing ADIs to adopt a non-operating holding company structure. It also complements prudential requirements for ADIs administered by the Australian Prudential Regulation Authority.

**Deferred settlement of excise and excise-equivalent customs duties**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -       | -       | -       | -       |
| Australian Customs Service | -       | -       | -       | -       |
| Total                      | -       | -       | -       | -       |

The Government will allow small businesses to defer the settlement of excise and excise-equivalent customs duties to a monthly cycle. Settlement will be due on the 21<sup>st</sup> of the following month. The measure will take effect from the later of 1 January 2008 or the date of Royal Assent of the enabling legislation.

Currently, businesses may defer settlement of excise and excise-equivalent customs duties for a period of up to seven days, through permissions made under the *Excise Act 1901* and *Customs Act 1901*.

Under this measure, the existing seven-day policy and the extended period for small business will be codified in the excise and customs legislation to provide certainty to business.

The measure will reduce the compliance burden for small businesses. It will be linked to the Government's Small Business Alignment Framework announced by the Treasurer and Minister for Small Business and Tourism on 13 November 2006.

This measure has no revenue impact under the accruals basis for recognising revenue. It will reduce cash receipts by \$1.5 million in 2007-08, with a negligible impact in later years.

**Excise and excise-equivalent customs duty — enhancing and streamlining eligibility for refunds, remissions and drawbacks**

| Revenue (\$m)                | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|------------------------------|---------|---------|---------|---------|
| Australian Customs Service   | -3.1    | -8.7    | -9.2    | -9.7    |
| Australian Taxation Office   | -6.0    | -12.0   | -15.0   | -15.0   |
| Total                        | -9.1    | -20.7   | -24.2   | -24.7   |
| <i>Related expense (\$m)</i> |         |         |         |         |
| Australian Customs Service   | 0.2     | 0.4     | 0.4     | -       |
| <i>Related capital (\$m)</i> |         |         |         |         |
| Australian Customs Service   | 0.1     | -       | -       | -       |

The Government will align excise and customs legislation to establish consistent eligibility conditions across excise and equivalent customs product classes for taxpayers seeking a refund, remission or drawback of duty. The measure will have effect from the later of 1 January 2008 or the date of Royal Assent of the enabling legislation.

This measure will allow all excisable and excise-equivalent imported goods — alcohol (other than wine), tobacco and fuel — to be eligible for a refund of duty where they are returned to a place licensed to receive the good, or they are destroyed with the prior approval of the relevant administering authority. Such goods will continue to be eligible for a drawback of duty when they are exported.

The measure will increase the opportunities for manufacturers and importers to access a return of duty and will reduce compliance costs.

The Government will provide the Australian Customs Service with additional resourcing to implement and administer the new arrangements.

**Finance leasing — taxation treatment to remain unchanged**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -20.0   | -65.0   | -75.0   | -100.0  |

The Government will not proceed with the Review of Business Taxation recommendation relating to the taxation of finance leasing. The Government had announced, following the Review of Business Taxation, its in-principle agreement to proceed with this proposal subject to further review. Proceeding with this proposal would disrupt the finance leasing sector and have an adverse impact on business more broadly, particularly small business. This decision will mean that finance leases will be excluded from the scope of forthcoming legislation for the taxation of financial arrangements.

**Forestry managed investment schemes — statutory deduction for investments**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -       | -       | -       | -       |

The Government will allow investors in forestry managed investment schemes (MISs) to claim immediate upfront deductions for their expenditure on such schemes, provided that at least 70 per cent of the expenditure is directly related to developing forestry. This measure will have effect from 1 July 2007.

The immediate upfront deduction for forestry MIS interests will be subject to rules designed to ensure the integrity of investments receiving the deduction and to address issues of tax symmetry between deductions and proceeds.

The measure will increase revenue by \$44 million in 2009-10 and reduce revenue by \$246 million in 2010-11. Provision for this funding has already been included in the forward estimates.

Further details can be found in the joint press release of 21 December 2006 issued by the Minister for Revenue and Assistant Treasurer and the Minister for Fisheries, Forestry and Conservation.

See also the related revenue measure titled *Forestry managed investment schemes — trading of interests* in the Treasury portfolio.

**Forestry managed investment schemes — trading of interests**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -       | 60.0    | 60.0    | 20.0    |

The Government will allow trading of both existing and future interests in forestry managed investment schemes (MISs), subject to a minimum four year holding period for initial investors, with effect from 1 July 2007.

Currently, it is possible to trade interests in forestry schemes only in exceptional circumstances. General trading has not occurred owing to a view that investors' contributions would not be deductible if there was evidence that the investor did not intend, at the time of entering the scheme, to carry on a business and remain in the scheme until harvest.

The measure will allow initial investors to trade their interests in a forestry MIS once they have been held for a period of at least four years. The four-year restriction will apply only to the initial investors in a scheme. The trading of forestry MIS interests will be subject to a market value pricing rule for initial investors to reduce tax arbitrage opportunities. In addition, there will be specific rules for the income tax treatment of investors' costs and proceeds to ensure tax symmetry.

The measure will apply to interests in a pre-existing forestry MIS as well as future investment in newly established schemes. This will mean that taxpayers who invested in a forestry MIS prior to 1 July 2003 will be able to trade their interest as of 1 July 2007.

The revenue estimates reflect a bring-forward of revenue from income that would have been received at harvest to income received as a result of the earlier trading of interests.

See also the related revenue measure titled *Forestry managed investment schemes – statutory deduction for investments* in the Treasury portfolio.

**Global Integration — extension of the premium 175 per cent research and development tax concession to subsidiaries of multinational enterprises**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -50.0   | -50.0   | -50.0   | -50.0   |

The Government will relax the beneficial ownership provisions of the premium 175 per cent research and development (R&D) tax concession, to allow Australian subsidiaries of multinational enterprises to claim deductions under the concession for their incremental R&D expenditure where the resulting intellectual property is held overseas. The measure will have effect from 1 July 2007.

### *Budget Measures 2007-08*

Currently, the beneficial ownership rules prevent subsidiaries of foreign-owned multinational enterprises from claiming the R&D concession if they transfer intellectual property to their offshore parent company.

The beneficial ownership rules will remain unchanged for the base 125 per cent R&D tax concession.

See also the related expense measures titled *Global Integration* in the Industry, Tourism and Resources; Foreign Affairs and Trade; and Agriculture, Fisheries and Forestry portfolios.

Further information can be found in the statement of 1 May 2007 issued by the Prime Minister and the Minister for Industry, Tourism and Resources.

#### **Increasing the GST registration turnover threshold**

| Revenue (\$m)                | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|------------------------------|---------|---------|---------|---------|
| Australian Taxation Office   | -0.7    | -4.7    | -4.4    | -4.0    |
| <i>Related expense (\$m)</i> |         |         |         |         |
| Australian Taxation Office   | -0.9    | -0.9    | -0.9    | -1.0    |

The annual turnover thresholds for registration for the GST will be raised to \$75,000 for businesses and to \$150,000 for non-profit bodies, with effect from 1 July 2007.

As a result of this measure, businesses and non-profit bodies with a turnover between the present threshold (\$50,000 or \$100,000) and the proposed threshold (\$75,000 or \$150,000) will no longer be required to register for GST. Those that voluntarily register for GST will have the option of remitting GST annually, rather than quarterly or monthly.

Taxpayers choosing not to register for GST will be able to claim, against their business income, the GST-inclusive cost of deductible business expenses, rather than the GST-exclusive amount. They will not be able to claim fuel tax credits.

The new thresholds are in line with recommendation 5.38 of *Rethinking Regulation: Report of the Taskforce on Reducing Regulatory Burdens on Business*. See also the related item titled *Increasing the GST registration turnover threshold* in Appendix C of Budget Paper No. 3 and the revenue measure titled *PAYG instalments paid annually when voluntarily registered for GST* in the Treasury portfolio.

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



**Increasing the threshold for requiring an approved tax invoice for GST**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -2.8    | -3.6    | -3.8    | -4.0    |

Businesses will be allowed to claim input tax credits for purchases with a GST-exclusive value of \$75 or less without the need for an approved tax invoice, with effect from 1 July 2007.

To claim an input tax credit, businesses currently have to obtain an approved tax invoice for all purchases with a GST-exclusive value greater than \$50. For purchases with a GST-exclusive value of \$50 or less, the documentation required for income tax purposes is sufficient to claim an input tax credit.

This measure will also carry over to the 'no-ABN withholding' arrangements, increasing the threshold for 'no-ABN withholding' from \$50 to \$75.

Increasing the threshold for requiring an approved tax invoice to claim an input tax credit to \$75 will reduce business compliance costs.

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

See also the related item titled *Increasing the threshold for requiring an approved tax invoice for GST* in Appendix C of Budget Paper No. 3.

**PAYG instalments paid annually when voluntarily registered for GST**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -       | -100.0  | -20.0   | -20.0   |

The Government will align the pay as you go (PAYG) payment and reporting requirements with the annual payment and reporting requirements for taxpayers who are voluntarily registered for GST, with effect from 1 July 2008.

Currently, taxpayers can remit PAYG annually only if they are not registered for GST and they meet other eligibility requirements. This measure will allow taxpayers who voluntarily register for GST, and who report and pay GST on an annual basis, to meet their PAYG obligations on an annual basis, subject to the other eligibility tests.

The measure will reduce the compliance costs of eligible taxpayers, as they will be able to lodge only one Business Activity Statement per year.

See also the related item titled *PAYG instalments paid annually when voluntarily registered for GST* in Appendix C of Budget Paper No. 3 and the revenue measure titled *Increasing the GST registration turnover threshold* in the Treasury portfolio.

**Personal income tax cuts**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -5305.0 | -8350.0 | -8785.0 | -9050.0 |

The Government will provide tax cuts worth \$31.5 billion over four years. This is in addition to the \$36.7 billion worth of tax cuts announced in last year's budget.

From 1 July 2007, the 30 per cent threshold will rise from \$25,001 to \$30,001.

In addition, the low income tax offset will increase from \$600 to \$750 and will begin to phase-out from \$30,000.

From 1 July 2008, the 40 per cent threshold will rise from \$75,001 to \$80,001 and the 45 per cent threshold will rise from \$150,001 to \$180,001.

| Current tax thresholds<br>Income range (\$) | Tax rate<br>% | New tax thresholds<br>from 1 July 2007 |               | New tax thresholds<br>from 1 July 2008 |               |
|---------------------------------------------|---------------|----------------------------------------|---------------|----------------------------------------|---------------|
|                                             |               | Income range (\$)                      | Tax rate<br>% | Income range (\$)                      | Tax rate<br>% |
| 0 - 6,000                                   | 0             | 0 - 6,000                              | 0             | 0 - 6,000                              | 0             |
| 6,001 - 25,000                              | 15            | 6,001 - <b>30,000</b>                  | 15            | 6,001 - 30,000                         | 15            |
| 25,001 - 75,000                             | 30            | <b>30,001</b> - 75,000                 | 30            | 30,001 - <b>80,000</b>                 | 30            |
| 75,001 - 150,000                            | 40            | 75,001 - 150,000                       | 40            | <b>80,001</b> - <b>180,000</b>         | 40            |
| 150,001 +                                   | 45            | 150,001 +                              | 45            | <b>180,001 +</b>                       | 45            |

The tax cuts will increase disposable incomes for all Australian taxpayers and provide further incentives, especially for lower income earners, to participate in the workforce and will further enhance Australia's international competitiveness.

Over 80 per cent of taxpayers will face a top marginal tax rate of no more than 30 per cent over the forward estimates period with taxpayers needing to earn \$134,000 to pay an average tax rate of 30 per cent in 2008-09.

In 2008-09, the top marginal tax rate will apply to around 2 per cent of taxpayers.

**Low income tax offset**

To assist low-income earners, from 1 July 2007 the low income tax offset will increase from \$600 to \$750 per year. In addition, the income threshold at which the offset begins to reduce will increase from \$25,000 to \$30,000. As a result, some offset can be claimed up to an income of \$48,750 compared to \$40,000 currently. Taxpayers with annual incomes between \$25,000 and \$48,750 will benefit from both the increase in the 30 per cent threshold to \$30,001 and the increase in the low income tax offset.

Those eligible for the full low income tax offset will not pay tax until their annual income exceeds \$11,000 (up from \$10,000 currently).

### Senior Australians

Senior Australians eligible for the senior Australians tax offset currently pay no tax up to an annual income of \$24,867 for singles and \$41,360 for couples (depending on the income earned by each member of the couple). The effect of the tax cuts is to lift these income levels up to \$25,867 for singles and \$43,360 for couples.

The Medicare levy threshold that applies 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.

### Personal income tax — increase the dependent spouse rebate

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -20.0   | -130.0  | -135.0  | -140.0  |

The Government will increase the dependent spouse rebate from \$1,655 to \$2,100 with effect from 1 July 2007.

The full dependent spouse rebate is available to a resident taxpayer who contributes to the maintenance of a resident spouse whose separate net income does not exceed \$282. The rebate is reduced by \$1 for every \$4 by which the dependent spouse's separate net income exceeds \$282.

This measure will increase the separate net income at which the rebate is completely phased-out from \$6,901 to \$8,681.

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

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -60.0   | -30.0   | -30.0   | -30.0   |

The Government will increase the Medicare low-income thresholds to \$16,740 for individuals and \$28,247 for families, with effect from 1 July 2006. The additional amount of threshold for each dependent child or student will also be increased to \$2,594. The increase in these thresholds takes into account movements in the Consumer Price Index 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 2006, the threshold will rise to \$21,637. 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 — tax status of Australian Defence Force Operation Ramp**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | ..      | -       | -       | -       |

The Government has extended the overseas forces tax offset to Australian Defence Force members serving in Operation Ramp, with effect from 20 July 2006.

Operation Ramp was the Australian Defence Force's contribution to the evacuation of Australian citizens from Lebanon.

The overseas forces tax offset is provided for Australian Defence Force members serving in overseas localities that are deemed to be uncongenial or isolated.

**Personal income tax — tax status of Defence Force Income Support Allowance**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -       | -       | -       | -       |

The Government will clarify the income tax treatment of the Defence Force Income Support Allowance (DFISA), such that DFISA is exempt from income tax where the whole of the underlying social security payment that DFISA is paid in respect of is also exempt from income tax. This measure will have effect from 1 July 2007.

DFISA is paid to recipients of the veterans' disability pension to compensate them for where this pension is counted as income by Centrelink in eligibility tests for other income-tested benefits, such as the disability support pension or Newstart Allowance.

**Petroleum resource rent tax — minor policy issues**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -       | -       | -       | -       |

The Government will implement several changes to the petroleum resource rent tax (PRRT), with effect from 1 July 2008.

The Government will introduce a functional currency rule, similar to the functional currency rule for income tax. The introduction of the functional currency rule will reduce compliance costs for PRRT taxpayers.

The Government will also introduce a ‘look-back’ rule for exploration expenditure related to a production licence derived from an exploration permit or retention lease. This change will ensure that all exploration expenditure is deductible for PRRT purposes. It will apply to production licences derived from an exploration permit or retention lease on or after 1 July 2008.

The Government will also remove an inconsistency in the PRRT ‘external petroleum’ provisions to address circumstances where two or more petroleum projects are not independent of each other.

### Philanthropy — changes to prescribed private funds

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -1.3    | -1.4    | -1.5    | -1.6    |

Since the *Mid-Year Economic and Fiscal Outlook 2006-07*, there have been 10 funds approved for prescription as prescribed private funds (PPFs).

PPFs allow businesses, families, and individuals to establish and donate to a charitable trust of their own, for the purposes of disbursing funds to a range of other deductible gift recipients. At present, there are 448 PPFs.

### Philanthropy — updating the list of deductible gift recipients

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -0.8    | -1.6    | -1.4    | -1.2    |

Since the *Mid-Year Economic and Fiscal Outlook 2006-07*, the Government has announced that qualifying gifts of \$2 or more to the following organisations have been made tax deductible:

- Bunbury Diocese Cathedral Rebuilding Fund, for a period of two years; and
- Australian Peacekeeping Memorial Fund Inc, until 31 December 2008.

In addition, since the *Mid-Year Economic and Fiscal Outlook 2006-07* there have been:

- four admissions to the Overseas Aid Gift Deduction Scheme;
- 16 admissions to and one removal from the Register of Environmental Organisations;
- 49 admissions to and 16 removals from the Register of Cultural Organisations; and

- one admission to the Register of Harm Prevention Charities.

The list of overseas aid relief funds can be found on the AusAid website at [www.ausaid.gov.au](http://www.ausaid.gov.au). The Register of Environmental Organisations can be found on the Department of Environment and Water Resources website at [www.environment.gov.au](http://www.environment.gov.au). The Register for 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 for Harm Prevention Charities can be found on the Department of Families, Community Services, and Indigenous Affairs website at [www.facs.gov.au](http://www.facs.gov.au).

### **Simplified accounting methods — extending availability**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -       | 1.0     | 1.0     | 1.0     |

The Commissioner of Taxation will have power to develop simplified accounting methods (SAMs) for all entities with an annual turnover of less than \$2 million that make mixed supplies — taxable and GST-free — or mixed purchases, with effect from 1 July 2007.

Currently, SAMs are restricted to retailers that sell food and to charities that make GST-free supplies. Under this measure, businesses will be able to approach the Australian Taxation Office to initiate the development of a SAM to simplify their GST calculations and reduce their compliance costs.

A minor income tax gain from this measure arises because of the expected reduction in net GST payable by businesses, which is tax deductible for income tax purposes.

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

See the related item titled *Simplified accounting methods — extending availability* in Appendix C of Budget Paper No. 3.

### **Superannuation — preventing public offer funds from imposing a participating employer requirement**

| Revenue (\$m)                              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|--------------------------------------------|---------|---------|---------|---------|
| Australian Prudential Regulation Authority | -       | -       | -       | -       |

The Government will prevent public offer funds from requiring that new employers sign 'participating employer' agreements before accepting contributions on behalf of fund members. The measure will have effect from 1 July 2007.

Currently, funds may require employers to become a 'participating employer' in order to make contributions to an employee's existing fund.

This measure will generally allow employees to choose to remain in a fund following a change of employer, rather than having contributions paid to another fund.

**Superannuation — taxation of lump sum superannuation death benefit payments to non-dependants of defence personnel and police**

| Revenue (\$m)                | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|------------------------------|---------|---------|---------|---------|
| Australian Taxation Office   | -0.2    | -0.2    | -0.2    | -0.2    |
| <i>Related expense (\$m)</i> |         |         |         |         |
| Australian Taxation Office   | 0.8     | 0.3     | -       | -       |

The Government will provide non-dependants of Australian Defence Force personnel and Australian police force members (including Australian Protective Service Officers) killed in the line of duty with the same concessional tax treatment for lump sum superannuation death benefits as dependants.

Currently, a lump sum superannuation death benefit is taxed more concessionaly if paid to a dependant.

The measure will allow eligible non-dependants to receive lump sum superannuation death benefits tax free from 1 July 2007. The effective commencement date for the measure will be 1 January 1999, as eligible individuals who have received a lump sum superannuation death benefit over the period from 1 January 1999 to 30 June 2007 will receive an ex gratia payment to provide a similar outcome to that of a dependant at the time the death benefit was received. These payments will be administered by the Australian Taxation Office.

Further information can be found in the press release of 5 April 2007 issued by the Minister for Revenue and Assistant Treasurer.

**Superannuation — transitional arrangements for personal contributions**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -1.0    | -2.0    | -2.0    | -2.0    |

The Government will introduce transitional rules for the acceptance of personal superannuation contributions for people who were aged 64 or 74 at any time between 10 May 2006 and 5 September 2006.

Under this measure, personal superannuation contributions can be made between 10 May 2006 and 30 June 2007 by a person:

*Budget Measures 2007-08*

- aged 64 at any time between 10 May 2006 and 5 September 2006, without having to satisfy the work test; or
- aged 74 at any time between 10 May 2006 and 5 September 2006, as long as the work test is met in either 2005-06 or 2006-07.

Currently, these individuals would need to satisfy the work test – 40 hours in a consecutive 30 day period – in the year in which they wished to make the contribution.

This measure will benefit individuals who, owing to the timing of the *Simplified Superannuation* announcements, may have inadvertently missed the opportunity to take advantage of the transitional arrangements for non-concessional contributions made before 30 June 2007.

Further information can be found in the press release of 7 February 2007 issued by the Minister for Revenue and Assistant Treasurer.

**Tax law secrecy and disclosure rules — standardisation**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -       | -       | -       | -       |

The Government will standardise the various secrecy and disclosure rules in the tax law into a single piece of legislation and clearly identify all allowable disclosures of taxpayer information. The measure will have effect from the date of Royal Assent of the enabling legislation.

This measure will provide a clear set of rules to guide the protection and disclosure of taxpayer information and reduce the complexity and volume of the tax law.

Under the new rules, the Commissioner of Taxation will be authorised to make disclosures in limited circumstances where the public interest benefit of the disclosures outweighs the impact on taxpayer privacy, such as disclosures to law enforcement agencies.

Existing safeguards and limitations on the use of tax information will be retained to protect taxpayer information. The use of tax information by other government agencies will continue to be strictly limited.

Further information can be found in the press release of 15 January 2007 issued by the Minister for Revenue and Assistant Treasurer.



**Thin capitalisation — definition of excluded equity interest**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -       | -       | -       | -       |

The Government will change the definition of 'excluded equity interest' in the thin capitalisation rules to ensure that the rules operate as intended. This measure will apply to income years beginning on or after 1 July 2002.

To prevent manipulation of the thin capitalisation rules – through temporary, artificial inflation of equity and asset levels – certain short-term equity interests are excluded from thin capitalisation calculations for income years beginning on or after 1 July 2002. This measure will ensure that taxpayers are not inadvertently disadvantaged by the exclusion of long-term equity interests from thin capitalisation calculations.

**Thin capitalisation — extension of accounting standard transitional arrangements**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -       | -       | -       | -       |

The Government will extend, by one year, the transitional period during which thin capitalisation reporting entities may elect to use accounting or prudential standards that applied immediately prior to 1 January 2005.

This measure will extend the transitional period from three to four years and allow entities to make up to four consecutive annual elections to use the pre-existing accounting or prudential standards, commencing in the first income year beginning on or after 1 January 2005.

This measure will provide additional time for consultations with industry to determine an appropriate long term response to the effect on thin capitalisation outcomes of the Australian equivalents to the International Financial Reporting Standards.

Further information can be found in the press release of 24 January 2005 issued by the Treasurer.

**Tobacco Growers Adjustment Assistance Package 2006 — tax-free grants**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -1.3    | -1.3    | -       | -       |

The Government will change the taxation treatment of certain grants provided under the Tobacco Growers Adjustment Assistance Programme 2006, with effect from the commencement of the programme.

The Government is providing grants of up to \$150,000 to tobacco growers who undertake to exit the tobacco industry for five years.

This measure will make the grants tax-free where the recipient exits all agricultural enterprises for five years. If the grower leaves the tobacco industry but remains in agriculture, they will still be eligible for the grant, but it will be assessable for tax purposes.

Further information on the grants package can be found in the press release of 26 October 2006 issued by the Minister for Agriculture, Fisheries and Forestry.

**Tourist Refund Scheme — introducing private providers and enhancements to tax-free shopping**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Customs Service | ..      | ..      | ..      | ..      |
| Australian Taxation Office | -1.0    | -1.0    | -1.0    | -1.0    |
| Total                      | -1.0    | -1.0    | -1.0    | -1.0    |

Proposed changes to the operation of tourist shopping arrangements will be made to enhance their effectiveness by:

- enabling private providers to provide tourist refunds — with approval for refunds and compliance to remain a government function — with effect from 1 February 2008;
- extending the period during which travellers can purchase goods and be eligible to claim a refund of GST and wine equalisation tax through the Tourist Refund Scheme (TRS) from 30 days to 60 days;
- allowing travellers using the TRS to aggregate multiple invoices from single retailers in order to meet the \$300 threshold for TRS claims; and
- extending the period during which travellers can make tax-free purchases through the sealed bag system from 30 days to 60 days.

The changes to the TRS (other than introducing private providers) and to the sealed bag system require the unanimous agreement of the States and Territories. These changes will be implemented as soon as practicable after that agreement is received.

See also the related item titled *Tourist Refund Scheme – introducing private providers and enhancements to tax-free shopping* in Appendix C of Budget Paper No. 3.

### **Venture capital — improved taxation treatment**

| Revenue (\$m)              | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|----------------------------|---------|---------|---------|---------|
| Australian Taxation Office | -       | -2.0    | -7.0    | -16.0   |

The Government will further relax the eligibility requirements for concessional taxation treatment for foreign residents investing in venture capital limited partnerships and Australian venture capital funds of funds, with effect from the 2007-08 income year.

The concessional tax treatment for foreign resident investors will be extended:

- to allow up to 20 per cent of committed capital in venture capital limited partnerships and Australian venture capital funds of funds to be invested in companies and unit trusts that are not located in Australia; and
- to allow eligible partners in conditionally registered venture capital limited partnerships and Australian venture capital funds of funds that become fully registered to be entitled to a tax exemption on the profits and gains derived from investments made while the partnership was conditionally registered.

To ensure that investments made by an early stage venture capital limited partnership are directed at early stage venture capital activities, a partnership can acquire pre-owned investments in an entity only if:

- it already owns an investment in the entity, or it will also be making investments, that are not pre-owned investments in the entity at the same time; and
- the total value of the partnership's pre-owned investments does not exceed 20 per cent of its committed capital.

This measure enhances the changes to the venture capital arrangements announced in the 2006-07 Budget.

