

## APPENDIX A: GST REVENUE MEASURES

### Additional customs compliance activities

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	2.4	5.7	6.3	6.7

The Government will provide additional funding to the Australian Customs Service to undertake additional compliance activities and increase the number of audits on import duty and GST assessments.

The additional compliance activities are expected to result in increased GST revenue. (See also the related expense measure titled *Imports – additional revenue compliance activities* in Budget Paper No. 2 under the Attorney-General's portfolio.)

### Annual private use apportionment option — change to the start date

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	-	-	-	-

The Government has allowed small businesses the option to undertake annual private use apportionment of input tax credits on certain acquisitions and importations, with effect from 1 October 2004 for entities with quarterly tax periods and 1 November 2004 for entities with monthly tax periods.

The planned commencement date of 1 July 2004 was deferred as the enabling legislation did not come into effect in time for a 1 July 2004 start date.

### Annual reporting and payment option — change to the start date

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	-110.6	-	-	-

The Government has allowed small businesses and non-profit bodies that are voluntarily registered for GST the option to report and pay their GST on an annual basis, with effect from 1 October 2004 for those with quarterly tax periods and 1 November 2004 for those with monthly tax periods.

The annual GST reporting and payment measure was originally estimated to affect GST revenue primarily in 2004-05. The change to the start date will result in some of the impact being borne in 2005-06 instead of 2004-05.

The planned commencement date of 1 July 2004 was deferred as the enabling legislation did not come into effect in time for a 1 July 2004 start date.

### Asian Development Bank — GST concession

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	..	..	..	..

The Government will allow Asian Development Bank (ADB) officers to import personal effects (including furniture) free of GST when first taking up a post in Australia. The measure will take effect when enabling changes to the Asian Development Bank (Privileges and Immunities) Regulations 1967 come into operation.

The concession implements a tax privilege contained in an agreement reached between the ADB and Australia for the establishment of the ADB's Australian office. The tax privileges in the agreement are consistent with tax privileges acknowledged as appropriate for the ADB by Australia as a signatory to the ADB's founding agreement. However, this concession is not included in the current ADB regulations.

This measure is subject to the unanimous agreement of state and territory governments.

The Government is also providing an income tax concession to officers of the ADB (see the related Treasury revenue measure titled *Asian Development Bank – income tax exemption for Australian staff* in Budget Paper No. 2 under the Treasury portfolio). A customs duty concession is also proposed (see the related revenue measure titled *Asian Development Bank – customs duty concession* in Budget Paper No. 2 under the Attorney-General's portfolio).

### Changes to the vouchers provisions

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	10.0	10.0	10.0	10.0

The Government will ensure that pre-paid phone products (vouchers) are treated as 'eligible vouchers' for GST purposes with effect from 1 July 2000.

The GST voucher provisions operate so that GST is remitted when the voucher is redeemed for goods and services and not on the sale of the voucher. This is because at the time the voucher is issued, the GST status of the underlying supply may not be known and cannot be determined until the voucher is used to obtain goods and services.

When the GST was introduced, it was intended that pre-paid phone products would be treated as vouchers. However, some pre-paid phone vouchers do not qualify as a GST Division 100 voucher, even though the telecommunications industry has been treating them as such. Therefore, the amendment will apply retrospectively. This will minimise compliance costs and ensure consistency of treatment of pre-paid phone cards.

The Government will also clarify that GST should be remitted on the face value of a voucher (monetary value stated on a voucher) at the time it is redeemed, rather than on the consideration received by the supplier. As this measure is intended only to clarify the operation of the law, the date of effect will be 11 May 2005.

This measure is subject to the unanimous agreement of state and territory governments.

**Compulsory third party schemes — alternative global decreasing adjustment methodology**

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	-6.7	-6.7	-6.7	-6.7

The Government will allow compulsory third party (CTP) insurers to use a further methodology to calculate decreasing adjustments when settling claims under CTP insurance schemes. The measure will apply to payments made in respect of claims arising from events that occur on or after 1 July 2005.

The GST law already provides a number of methodologies that CTP insurers may use to calculate decreasing adjustments with respect to payments made under their CTP schemes. This measure will provide a further methodology that CTP insurers may opt to use to reduce their compliance and administration costs.

The South Australian Government has requested this change and it is subject to the unanimous agreement of state and territory governments.

**GST and the sale of real property**

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	*	*	*	*

The Government will prevent entities manipulating certain elements of the GST law (such as the margin scheme, the grouping, associates, joint venture, going concerns or farm land provisions) to reduce the GST liability on supplies of real property. This measure will have effect from the date the enabling legislation was introduced into

Parliament – 17 March 2005 – except in respect of an amendment requiring written agreement to use the margin scheme, which will have effect from the date of Royal Assent.

The GST provisions dealing with real property are designed to ensure that GST is payable on the value added to land once it enters the GST system. The first supply of unimproved land by the Government is GST-free. Newly constructed (or substantially renovated) residential premises and commercial property sold by registered entities are taxable.

However, certain registered entities are using other provisions in the GST Act (such as the going concern provisions) to make the acquisition of real property either a GST-free or non-taxable supply, in order to apply the margin scheme on the subsequent sale of that property, and therefore reduce their GST obligation.

The amendments will remove these unintended consequences and ensure that GST is collected on the full value added to the land after it has entered the GST system. The amendments will also clarify the operation of the margin scheme and address uncertainty regarding entitlements to input tax credits.

#### **GST-free supplies — charitable retirement villages**

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	..	..	..	..

The Government has allowed supplies of accommodation, accommodation-related services and meals by charitable retirement villages to their residents to be GST-free, with effect from 14 December 2004.

The GST law provides that supplies of accommodation by charitable retirement villages are GST-free when provided for less than 75 per cent of their GST-inclusive market value or the cost of providing the accommodation. Supplies other than supplies of accommodation by charitable retirement villages are GST-free when provided for less than 50 per cent of their GST-inclusive market value or less than 75 per cent of the cost of acquiring them.

However, it was uncertain whether supplies of accommodation, accommodation-related services and meals to residents of charitable retirement villages fell within the existing concession. This measure ensures that such supplies are GST-free.

Further information can be found in the press release of 13 August 2004 issued by the Minister for Revenue and Assistant Treasurer.

**GST-free supplies — residents of serviced apartments in retirement villages**

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	-11.0	-12.0	-13.0	-14.0

The Government has allowed residents of serviced apartments in retirement villages who require certain care services to obtain those care services and their accommodation GST-free, with effect from 1 July 2000.

The GST law provides that supplies of certain services and accommodation are GST-free. Generally, these services consist of services covered by Schedule 1 of the *Quality of Care Principles* made under section 96-1 of the *Aged Care Act 1997*.

However, there was some uncertainty whether supplies of certain care services and accommodation to residents of serviced apartments in retirement villages fell within the existing concession.

This measure ensures that residents of serviced apartments in retirement villages who require daily living activities assistance or nursing services are brought under the GST-free concession.

Further information can be found in the press release of 13 August 2004 issued by the Minister for Revenue and Assistant Treasurer.

**GST treatment of the Military Rehabilitation and Compensation Scheme**

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	-	-	-	-

The Government has listed the Military Rehabilitation and Compensation Scheme as a 'statutory compensation scheme' under the A New Tax System (Goods and Services Tax) Regulations 1999. The measure has effect from 1 July 2004.

Listing the scheme was consequential to the Government creating a new scheme under the *Military Rehabilitation and Compensation Act 2004*.

The effect of listing a scheme as a statutory compensation scheme is that payments or supplies made in settlement of claims for compensation under the scheme are treated in the same way as payments or supplies made in settlement of claims under insurance policies. As a result, payments or supplies made in settlement of claims under insurance policies are generally not subject to GST.

**Indirect Tax Concession Scheme — GST concessions for diplomats and consular missions**

Revenue (\$)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	*	*	*	*

The Government has extended the concessions to which diplomatic and consular missions of certain countries are entitled under the Indirect Tax Concession Scheme (ITCS). The changes have effect from the date that Australia signed an agreement with each country.

The ITCS provides refunds of certain indirect taxes to international organisations, diplomatic and consular missions and visiting defence forces. This measure affects the level of GST concessions provided to diplomatic and consular missions of Afghanistan, Botswana, Bulgaria, the Democratic People's Republic of Korea, East Timor, Israel, Pakistan, Singapore, Spain, Ukraine, United Arab Emirates and Venezuela.

The Government is also providing other indirect tax concessions under the ITCS (see the related item titled *Indirect tax concession scheme – concessions for diplomats and consular missions* in Budget Paper No. 2 under the Treasury portfolio).

**Supplies of rights offshore — taxing consumption in Australia**

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	140.0	140.0	150.0	150.0

The Government proposes to apply GST to offshore supplies of options or rights where they relate to goods, services or other things that are for use and enjoyment in Australia. This measure takes effect from the date the enabling legislation was introduced into Parliament – 10 February 2005.

The Government's intention is broadly to tax the supply of goods, services and other things that are consumed or used in Australia. However, the current law allows non-resident entities to provide rights, such as rights to some components of Australian holiday packages, GST-free, even when they are for goods or services that will be consumed in Australia. The proposed changes will ensure that these services will attract the correct taxation treatment.

**Supplies to offshore owners of Australian real property**

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	22.0	23.0	24.0	25.0

The Government has removed the GST-free status of supplies that are made to landlords offshore in relation to their residential property in Australia. This measure took effect from 1 April 2005.

Supplies relating to residential premises in Australia should generally be input taxed. This means that the recipient is not entitled to an input tax credit for the GST paid on inputs to the supply of the premises but is not required to remit GST on the supply of the premises. However, the current law allows for certain supplies of services made to landlords who are not in Australia to be GST-free. As a result, overseas-based landlords received more favourable tax treatment.

The proposed changes will ensure that services that are made to offshore landlords, including residents living overseas, but connected to residential property in Australia, will no longer be GST-free.

