TAX REFORM ROAD MAP

A STRONGER, SMARTER AND FAIRER TAX SYSTEM

May 2013

© Commonwealth of Australia 2013

ISBN 978 0 642 74903–1

This publication is available for your use under a Creative Commons BY Attribution 3.0 Australia licence, with the exception of the Commonwealth Coat of Arms, third party content and where otherwise stated. The full licence terms are available from http://creativecommons.org/licenses/by/3.0/au/legalcode.

Use of Commonwealth of Australia material under a Creative Commons BY Attribution 3.0 Australia licence requires you to attribute the work (but not in any way that suggests that the Commonwealth of Australia endorses you or your use of the work).

Commonwealth of Australia material used 'as supplied'

Provided you have not modified or transformed Commonwealth of Australia material in any way including, for example, by changing the text; calculating percentage changes; graphing or charting data; or deriving new statistics from published statistics — then the Commonwealth prefers the following attribution:

Source: *The Commonwealth of Australia*

Derivative material

If you have modified or transformed Commonwealth of Australia material, or derived new material from those of the Commonwealth in any way, then the Commonwealth of Australia prefers the following attribution:

Based on Commonwealth of Australia data

Use of the Coat of Arms

The terms under which the Coat of Arms can be used are set out on the It's an Honour website (see www.itsanhonour.gov.au)

Other Uses

Inquiries regarding this licence and any other use of this document are welcome at:

Manager
Communications
The Treasury
Langton Crescent Parkes ACT 2600

Email: medialiasion@treasury.gov.au

Internet

A copy of this document is available on the central Budget website at: www.budget.gov.au.

Printed by CanPrint Communications Pty Ltd

Contents

Towards a stronger, smarter and fairer tax system	3
Principles for tax reform	4
A proud record of tax reform	5
Australia's place as a low tax nation	6
Fall in tax receipts since the global financial crisis	7
A stronger, smarter and fairer business tax system	8
Protecting the integrity of the corporate tax base	9
Cutting tax and red tape for small business	10
Rewarding innovation and investment	11
A fair return for Australia's resources	12
A stronger, smarter and fairer personal tax system	13
Lifting participation and rewarding hard work	14
Funding the services people with disability deserve	15
Supporting families with targeted assistance	16
Removing barriers to workforce participation	17
Removing inefficient tax concessions …	18
… in the personal and fringe benefits tax systems	19
A stronger, smarter, fairer retirement income system	20
Ensuring older Australians have dignity in retirement	21
Boosting superannuation savings	22
Fairer superannuation tax concessions	23
A stronger, smarter and fairer indirect tax system	24
More efficient state taxes	25
Rolling out tax reform	26

Towards a stronger, smarter and fairer tax system

A strong, smart and fair tax system is central to maintaining the strength and resilience of Australia's economy and delivering the quality public services that Australians expect and deserve. It underpins the Government's ambition to spread opportunity to every Australian and supports the delivery of enduring reforms such as the Government's National Plan for School Improvement and DisabilityCare Australia — our new National Disability Insurance Scheme.

The world we live in is changing rapidly and we need to make sure that Australia's tax system keeps up with these changes. By keeping pace, our tax system will continue to support improvements in our standard of living and help us make the most of the challenges and opportunities in the 21st century, including those of a transforming economy, evolving international business practices, an ageing population, and the unfolding of the Asian century.

Continuing the process of tax reform is key to being able to ensure that, as a community, we are well placed to meet these challenges and opportunities. That is why the Government has pursued tough reforms such as introducing the Minerals Resource Rent Tax; reforming the personal tax system to provide a fairer reward for effort and lift workforce participation; improving the fairness and sustainability of the superannuation system; and strengthening the integrity of the corporate tax base in a modern economy.

In this Budget, we are rolling out the next wave of reforms to ensure the tax system supports a stronger, smarter and fairer Australia, including measures that respond to threats to the corporate tax base, deliver greater fairness in the superannuation and personal tax systems, and provide a secure funding source for a better deal for Australians with disability.

The Hon Wayne Swan MP
Deputy Prime Minister and Treasurer

The Hon David Bradbury MP
Assistant Treasurer

Principles for tax reform

The tax system should support a strong and smart economy as well as a fairer society that provides opportunity for all Australians. It should be sustainable, provide revenue for high quality public services, be robust to changing practices and not unduly burden Australians with red tape.

A STRONGER TAX SYSTEM

A stronger tax system is one that is sustainable and raises revenue in the most efficient way. It should provide a secure revenue base to support the provision of the quality public services that Australians value and expect, such as world class education, health and disability support services, particularly as we confront the challenges of an ageing population.

A stronger tax system is also a simpler tax system. Unnecessary complexity reduces investment and hampers innovation, detracting from productivity and growth. Complexity reduces the time businesses and individuals can devote to other, more beneficial, activities such as exploring new commercial opportunities, securing a better job or spending more time with their family. It is also unfair as it disadvantages those who are less able to deal with it, particularly low income earners and small businesses.

A SMARTER TAX SYSTEM

A smarter tax system assists the productive allocation of resources in the economy, including by supporting entrepreneurial activity and sensible risk taking, so that businesses can pursue new investment opportunities and create employment.

A smarter tax system, alongside a targeted transfer system, should as far as possible improve incentives to participate in the workforce. It should also ensure individuals can receive a fair reward for the effort they put in to working, saving and investing.

A FAIRER TAX SYSTEM

A fairer tax system needs to be consistent with our egalitarian spirit, so that those with means contribute their fair share. Tax concessions should be appropriately targeted and tax rules should be updated in response to changing circumstances to ensure they continue to achieve their original policy intent.

Australians also expect that companies, including multinational companies, will pay their fair share of tax, to contribute to society more broadly. If some companies do not pay their fair share of tax, a higher tax burden will fall on other taxpayers, including Australian families. Businesses that do the right thing will be at a competitive disadvantage and confidence in our tax system will be eroded.

A proud record of tax reform

This Government has a proud record of tax reform.

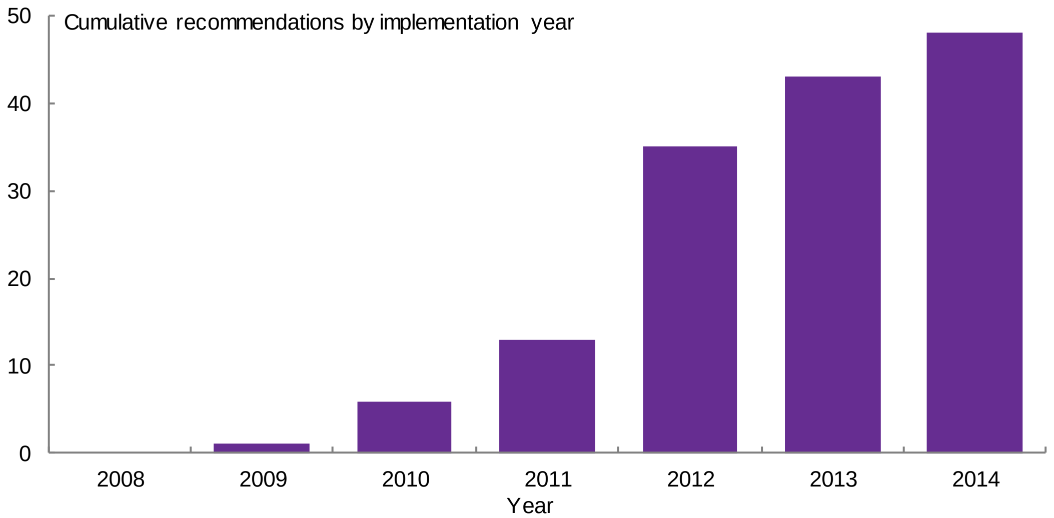
Tax reform is never easy and has been made all the harder by the extremely challenging fiscal circumstances we have been facing. Despite the challenges, the Government has delivered a substantial and ongoing program of reform to the tax and transfer system — starting with our first Budget in 2008, when we commissioned the most comprehensive review of the tax and transfer system in a generation, the *Australia's Future Tax System* (AFTS) Review.

Since our first Budget in 2008 we have made the tax system stronger, smarter and fairer, including by:

- delivering three rounds of tax cuts in our first three Budgets, right across the income scale;
- tripling the tax-free threshold to simplify the tax system and cut taxes for low and middle income earners, improving rewards particularly for casual and part-time workers;
- strengthening the Age Pension through our 2009 Secure and Sustainable Pension reforms;
- introducing a range of reforms to support small businesses to invest to be more competitive, such as the instant asset write-off and loss carry-back arrangements;
- removing, reforming or phasing out poorly targeted, out-dated and ineffective tax concessions and closing down loopholes;
- fostering a national conversation on tax reform through the October 2011 Tax Forum;
- establishing the Australian Charities and Not-for-profits Commission as an independent national regulator in 2012; and
- creating in 2013 the Tax Studies Institute as a centre for excellence in tax research at the Crawford School of Public Policy at the Australian National University.

Of the 138 recommendations in the AFTS report, the Government has acted on over a third of these in the space of a few short years. In every Budget since the AFTS review, the Government has added to this proud record of tax reform.

Progress of recommendations from the AFTS review's forty year vision



Australia's place as a low tax nation

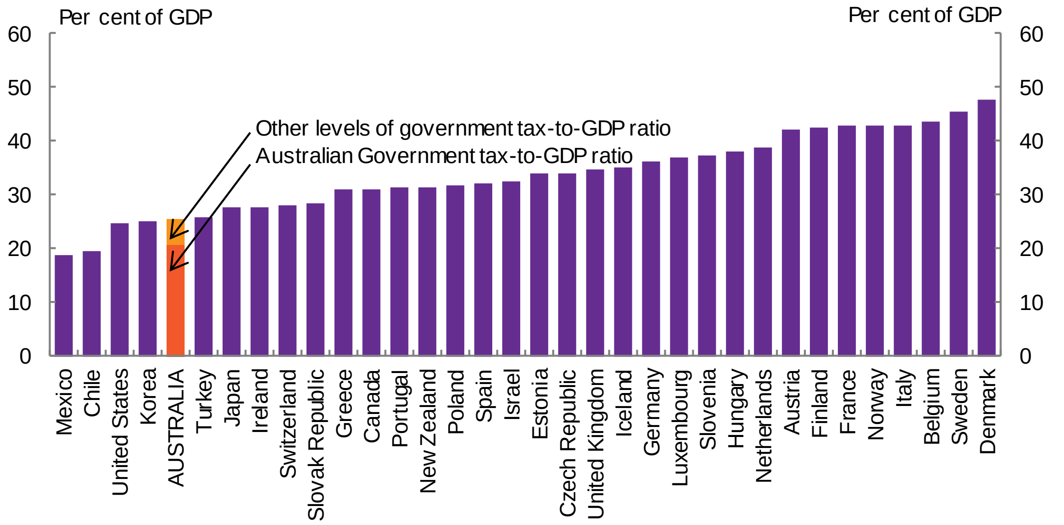
The Government continues to deliver first class services for Australians while maintaining a strong economy with low taxes and spending.

Australia is one of the lowest taxing economies in the developed world. In 2010, the latest year for which comparable international data are available, Australia (encompassing the Commonwealth, state, territory and local governments) had the fifth lowest tax-to-GDP ratio out of 34 OECD countries.

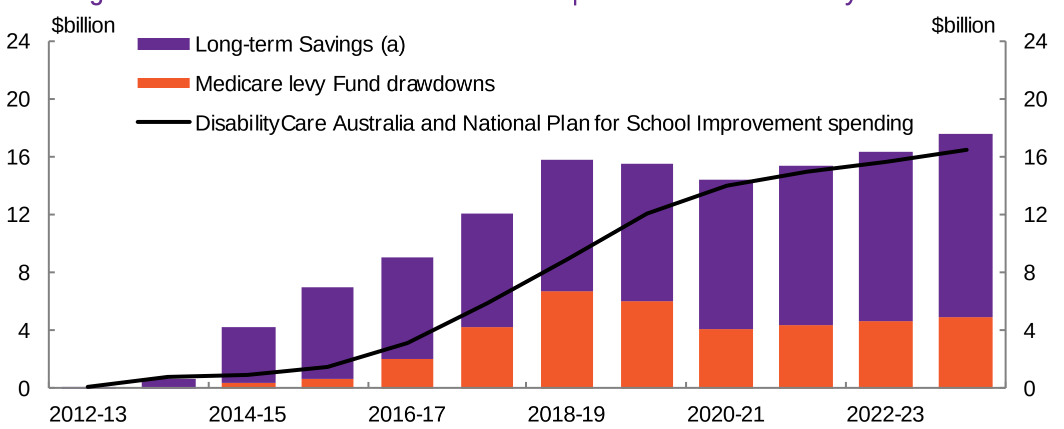
The Australian Government remains committed to keeping tax as a share of GDP lower, on average, than the level of 23.7 per cent of GDP it inherited in 2007-08. As revenue recovers, tax receipts as a percentage of GDP are expected to rise from 21.5 per cent in 2012-13 to 23.2 per cent by 2016-17.

According to OECD estimates, Australia's expenditure-to-GDP ratio for the general government sector was lower than those of all but two other OECD economies in 2012. Our low spending, combined with the responsible savings decisions we have taken over successive budgets, continues to ensure the long-term sustainability of the Budget position to provide room to fund our priorities while keeping taxes low.

General government tax to GDP ratio for OECD countries, 2010



Making room for the National Plan for School Improvement and DisabilityCare Australia



(a) Long-term savings from 2013-14 Budget and 2012-13 MYEFO, excluding Medicare levy and net of Dental Care Reform expenditure.

Fall in tax receipts since the global financial crisis

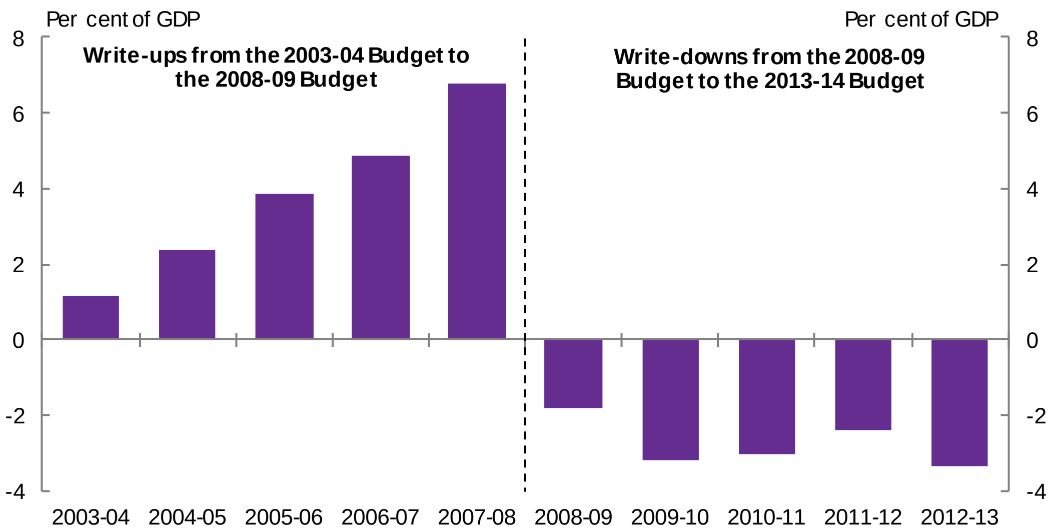
Since the global financial crisis (GFC), tax receipts as a share of GDP have fallen significantly. The total write-down in tax receipts over the five years since the 2008-09 Budget is around $170 billion.

Write-downs are also affecting the forward estimates. Tax receipts, before policy decisions and excluding GST, have been revised down since the 2012-13 MYEFO by $12.3 billion in 2012-13, $15.9 billion in 2013-14 and a total of around $60 billion over the four years to 2015-16. Company tax is the single largest contributor to the write-downs. Lower than expected capital gains tax (CGT) and resource rent taxes have compounded the fall in company tax receipts.

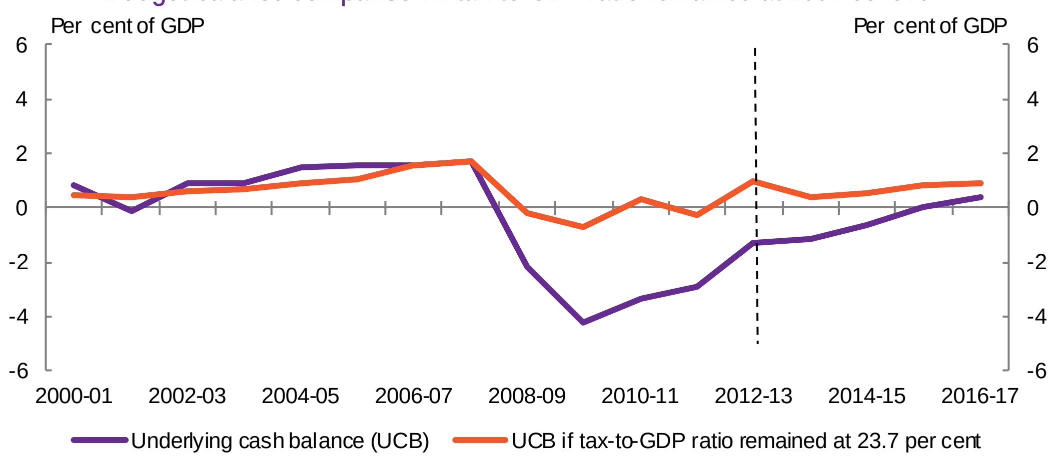
CGT receipts are expected to recover over the forward estimates, however the recovery is slower than projected at the 2012-13 MYEFO and will remain lower than the pre-GFC peak. Asset prices have recovered since the 2012-13 MYEFO but remain well below pre-GFC levels. A large stock of capital losses is expected to continue to weigh on CGT receipts over the forward estimates.

Had tax receipts as a percentage of GDP stayed at the level inherited by this Government in 2007-08 (23.7 per cent) then the Budget would have been in surplus from 2012-13 onwards.

Revenue write-ups and write-downs



Budget balance comparison if tax-to-GDP ratio remained at 2007-08 level



A stronger, smarter and fairer business tax system

A stronger, smarter and fairer business tax system needs to support the process of structural change in the Australian economy.

As a nation, we have benefitted greatly from globalisation, technological change and financial innovation. At the same time these developments are presenting us with significant challenges. The continuation of strong terms of trade and a high dollar, as a result of heavy investment in the mining sector and historically high global minerals prices, are driving structural change in our economy.

New investment in capital equipment by innovating companies means they can make the most of their workforces to do things better tomorrow than they are doing them today. This lifts productivity and real wages. An increase in the company tax rate would discourage investment. An increase in the company tax rate of 1.5 per cent would mean that we fall behind countries like Mexico and Spain in terms of tax rate competitiveness.

A strong corporate tax base is also central to the Government's goal of improving Australians' standard of living and funding public investment in critical infrastructure.

A broad tax base means that raising the revenue needed to fund the public goods and services Australians expect can be achieved more sustainably by spreading the tax burden more evenly. The Australian community expects all companies, including multinational companies, to pay their fair share of tax. This means that tax concessions should be well targeted and tax rules should be robust so that they continue to achieve their policy intent, even as business practices change.

The Government has been advancing this vision through reforms that protect the integrity of the corporate tax base, improve arrangements for small business and reward innovation and investment.

The Government is responding to the changing nature of global commerce, which is placing pressure on our corporate tax base, by working multilaterally to advance reforms in the international tax architecture. We are also moving quickly and decisively to close tax loopholes and create a fairer and more sustainable corporate tax system.

INTERNATIONAL ENGAGEMENT ON BUSINESS TAX ISSUES

The cross-border nature of global commerce makes multilateral action critical to developing enduring solutions to international corporate tax issues. The Australian Government will use its leading role as Chair of the G20 in 2014, to advance the case for multilateral action to counter base erosion and profit shifting.

Australia has been at the forefront of international efforts to encourage tax havens to address bank secrecy laws and other practices that allow tax evasion. Improved transparency of tax payable by large corporates will improve the public's understanding of the tax system. The Government also intends to sign an updated tax treaty with Switzerland to facilitate, among other things, better exchange of taxpayer information overcoming longstanding bank secrecy provisions.

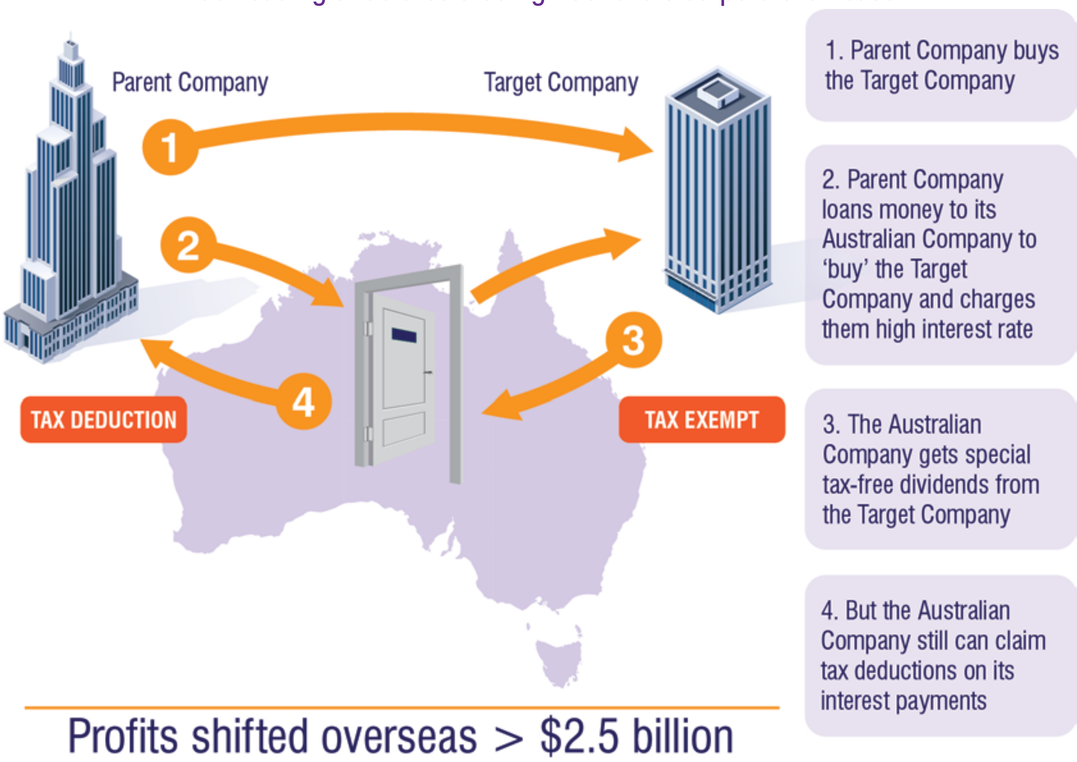
Protecting the integrity of the corporate tax base

As well as international engagement, the Government is taking immediate action to close loopholes and protect the corporate tax base from erosion. This includes by:

- addressing aggressive tax structures that seek to shift profits by artificially loading debt in Australia (see figure below);
- closing loopholes in our Offshore Banking Unit regime and closing loopholes that allow investors to engage in 'dividend washing';
- better targeting of the immediate deduction for resource exploration so that it is only available for genuine exploration activity;
- improving the integrity of our foreign resident capital gains tax regime and addressing low levels of voluntary compliance;
- increasing ATO compliance checks on offshore marketing hubs and business restructures; and
- closing loopholes in the consolidation regime and levelling the playing field between Australian consolidated groups and foreign-owned multiple entry consolidated groups.

The Government is also reforming the transfer pricing rules for multinationals, improving the effectiveness of the general anti-avoidance provisions in the tax law and fixing interactions between the consolidation rules and other areas of the tax system.

Debt loading structures eroding Australia's corporate tax base



Cutting tax and red tape for small business

Small businesses often face the greatest challenges with paperwork and accessing working capital to invest to be more competitive. That's why the Government has introduced reforms worth more than $5 billion to 2016-17 to improve cash-flow and cut red tape for Australia's three million small businesses. Making the tax system simpler allows small business owners to spend less time on tax matters and more time on their businesses.

SIMPLIFIED DEPRECIATION ARRANGEMENTS

Since 1 July 2012, small businesses have been able to immediately write off business assets they purchase that cost less than $6,500. This will make book-keeping a lot simpler by removing the need to track the depreciation of assets over a number of years.

Most assets costing more than $6,500 can be allocated to a single pool for tax depreciation purposes. Small businesses can also claim an accelerated initial deduction of up to $5,000 for new or used motor vehicles. The remainder of the cost can be pooled and depreciated at 15 per cent in the purchase year and then at 30 per cent in other years. This recognises that motor vehicles are important assets for many small businesses. Small businesses spent an estimated $3.5 billion on motor vehicles in 2010-11.

IMPROVING INCENTIVES FOR SMALL COMPANIES TO INNOVATE

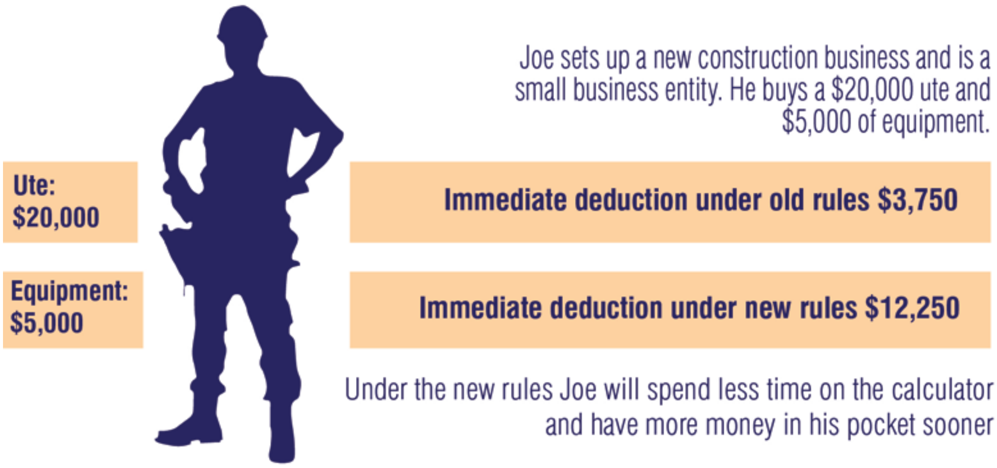
The Government's new research and development (R&D) tax incentive doubles the rate of assistance available to small and medium sized companies and improves cash-flow by providing a 45 per cent refundable tax offset. The Government will further improve cash-flow for these companies by making the offset available in quarterly instalments from 1 January 2014, supporting further investment in R&D.

The Government has also tripled the tax free threshold — from $6,000 to $18,200 — which is estimated to benefit 1.4 million small business owners who are sole traders or hold an interest in a partnership or operate through a trust.

REDUCING SUPERANNUATION RED TAPE FOR SMALL BUSINESS EMPLOYERS

The Government has established the Small Business Superannuation Clearing House — a free and simple online superannuation payments service that helps small businesses with less than 20 employees.

Combined benefit of new depreciation arrangements



Rewarding innovation and investment

The Government recognises how important productivity growth is for higher living standards. That is why we are progressing reforms to support businesses responding to changes in the economy and investment.

SUPPORTING INVESTMENT IN BUSINESS TRANSFORMATION

The Government is progressing reforms to allow companies to carry back tax losses to get a refund of past tax paid. Commencing as a one year loss carry-back in 2012-13, this reform will be extended from 2013-14 to allow companies to carry back up to $1 million of losses against tax paid up to two years earlier. This will help companies innovate and adapt in an economy in transition. Loss carry-back is estimated to provide assistance to nearly 110,000 companies over its first four years, which includes one in six manufacturing companies and almost 100,000 small businesses.

FACILITATING INVESTMENT IN SIGNIFICANT INFRASTRUCTURE

The Government is improving incentives for businesses to invest in nationally significant infrastructure by introducing an uplift allowance for designated infrastructure projects from 2012-13. This new incentive will preserve the real value of tax losses for investors by uplifting their value over time. Eligible losses will also be exempted from the continuity of ownership test and the same business test, ensuring they will continue to be available if circumstances change.

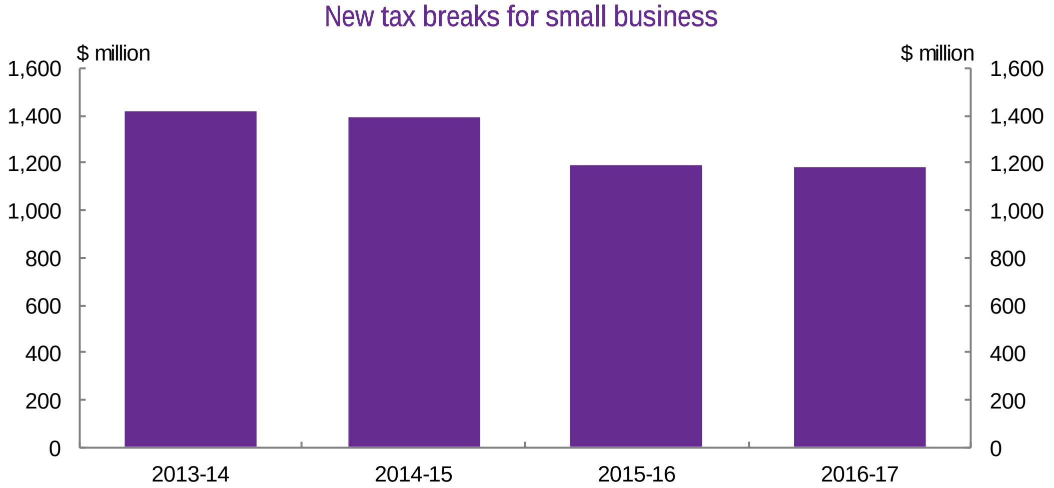
BETTER TARGETING SUPPORT FOR INVESTMENT IN R&D

An important source of productivity growth is the decisions of individual businesses to innovate. The Government has replaced outdated arrangements with the new R&D tax incentive. Introduced on 1 July 2011, the R&D tax incentive doubles the rate of assistance and improves cash-flow for small and medium sized companies and targets assistance through a clearer definition of R&D activities.

The Government has also announced that from 1 July 2013 the R&D tax incentive will be better calibrated to support innovation by ensuring the incentive is targeted at more responsive small and medium companies.

SUPPORTING OUR AGRICULTURAL SECTOR

The ability of our farmers to adapt to change is key to maintaining the strength of this sector. That is why the Government is making enhancements to the Farm Management Deposits (FMDs) Scheme to make it a more effective risk management tool and reduce red tape. The non-primary production income threshold will be increased from $65,000 to $100,000 and existing FMD accounts held for at least 12 months will be able to be consolidated.



A fair return for Australia's resources

A stronger, smarter and fairer tax system should ensure that all Australians can benefit from the returns from our non-renewable resources, lowering the tax burden on individuals and businesses.

THE MINERALS RESOURCE RENT TAX

The Minerals Resource Rent Tax (MRRT), which commenced on 1 July 2012, is an important long term reform that will ensure all Australians receive a fairer return for our coal and iron ore resources. The MRRT, like the Petroleum Resource Rent Tax (PRRT), is responsive to changing industry conditions by only taxing those projects earning above-normal profit and not imposing additional burdens on low profit operations. Unlike royalties, the MRRT adjusts with profitability and so is unlikely to adversely affect investment and production, but will collect greater revenue during periods of high profitability.

The minerals sector is currently in an investment stage and the additional productive capacity that will result from these significant investments can be expected to deliver gains to revenue over the longer term. ABARE has estimated that around $10 billion in revenue was forgone during the period 2000-01 to 2006-07 in present value terms. The sudden drop in coal and iron ore prices from their 2011 highs weighed heavily on MRRT receipts in 2012. MRRT receipts are expected to increase significantly over the forward estimates, reflecting strong volumes and lower capital investment as the economy transitions from the investment phase of the mining boom.

EXTENSION OF THE PETROLEUM RESOURCE RENT TAX

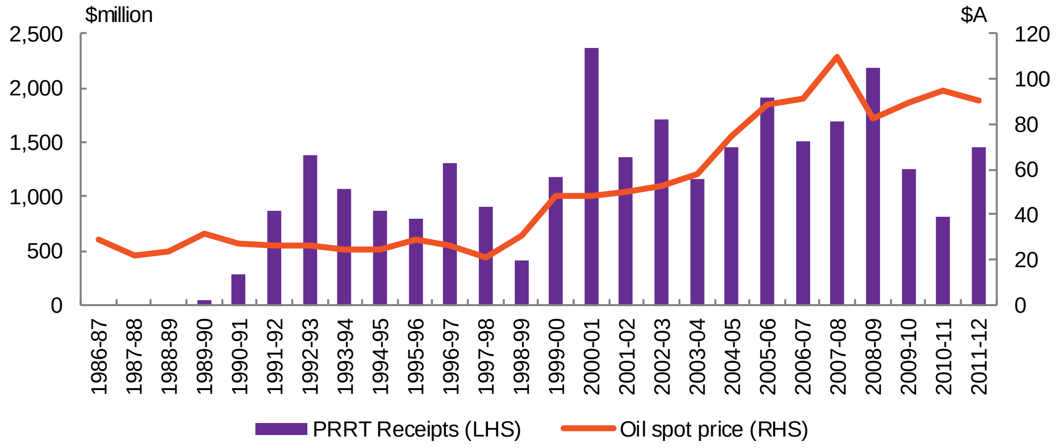
The PRRT has applied successfully to offshore petroleum projects located in Commonwealth waters since its commencement in 1986, raising more than $28 billion over that period despite volatility and difficulty in forecasting.

As part of the Government's resource tax reforms, the PRRT regime was extended to onshore petroleum projects and the North West Shelf from 1 July 2012. The extension to onshore projects can be expected to increase PRRT revenue collections over the longer term.

CASH BIDDING FOR OFFSHORE PETROLEUM EXPLORATION RIGHTS

To complement the operation of the PRRT, a cash bidding system will be introduced from 2014 to allocate offshore petroleum exploration acreage in mature areas and those known to contain petroleum. Cash bidding will prevent inefficient and wasteful over-exploration being undertaken by industry under a work program bidding system in areas where little may be required, while securing an upfront return for the community. The Government will also replace stamp duties on the transfer of offshore project interests with more efficient cost-recovery arrangements. This will remove stamp duties imposed by the Commonwealth.

PRRT — volatile but growing collections



A stronger, smarter and fairer personal tax system

Australians value a fair society that provides opportunity for all Australians to share in our growing prosperity. A stronger, smarter and fairer personal tax system should reward hard work and encourage saving, while ensuring everyone pays their fair share of tax.

It also means ensuring that the personal tax system provides a strong and stable funding stream for important public services including health, education and, in this Budget, DisabilityCare Australia.

A PROGRESSIVE PERSONAL TAX SYSTEM

One of the principal means by which prosperity is shared is through our progressive personal tax system, complemented by a targeted transfer payments system. Under our progressive tax system, people with higher taxable incomes pay more tax as a proportion of their income than people on lower incomes. On the transfer payments side, the Government targets assistance to lower income earners and withdraws this assistance as incomes increase.

Progressivity can be enhanced by ensuring tax offsets and other concessions within the personal tax system are carefully targeted, so that support is provided to those who need it most.

REMOVING DISINCENTIVES TO PARTICIPATION AND PROVIDING FAIR REWARDS FOR WORK

One of our greater socioeconomic challenges is the ageing of the Australian population. This will increase demand for government services when proportionately fewer people will be working to support the needs of an older population. The steps we take now as a nation to lift workforce participation and provide fair reward for effort will help us to deal with the ageing challenge.

Both personal income taxes and the withdrawal of benefits as incomes increase can detract from participation by lowering the returns from work. This is particularly the case for low income and secondary earners.

A strong, smart and fair personal tax and transfer system should balance appropriately rewarding work and supporting participation with properly targeted tax relief and payments to families so that the tax-transfer system remains fiscally sustainable.

The Government has introduced a number of reforms that build a more sustainable personal tax system, deliver the revenue needed to fund important services, encourage workforce participation and provide fair rewards from work.

Additional government benefits for families introduced in 2012-13

A family with two children aged 8 and 14
and **a household income of $110,000** split 70:30 between the parents
will benefit from the following recent government benefits in 2012-13

Schoolkids Bonus	= $1,230	Total Benefit = $2,130
Income tax cuts	= $381	
Household Assistance Package	= $73	
Low Income Super Contribution	= $446	

See also page 15 for tax cuts since 2007-08

Lifting participation and rewarding hard work

The Government believes in the value of hard work and has taken steps to increase the reward for effort and encourage workforce participation.

PERSONAL TAX CUTS AND TRIPLING THE TAX FREE THRESHOLD

From 1 July 2012, the tax free threshold has tripled from $6,000 to $18,200, the first increase in more than a decade. This directly improves the rewards for work for low income earners, with the effective tax free threshold rising to $20,542. People with taxable income below this threshold will no longer pay any tax or Medicare levy on that income.

All taxpayers with incomes up to $80,000 received a tax cut in 2012-13, with around 60 per cent of taxpayers getting a tax cut of at least $300.

Many part-time workers, particularly many women, will receive a tax cut of up to $600, further encouraging participation. Wage earners with income below the new tax free threshold will get to keep all of their wages in their regular pay packets. This will also mean that up to one million taxpayers will no longer need to go to the effort of lodging an annual tax return. And tax time is made simpler for all taxpayers through tax prefilling by the Australian Taxation Office.

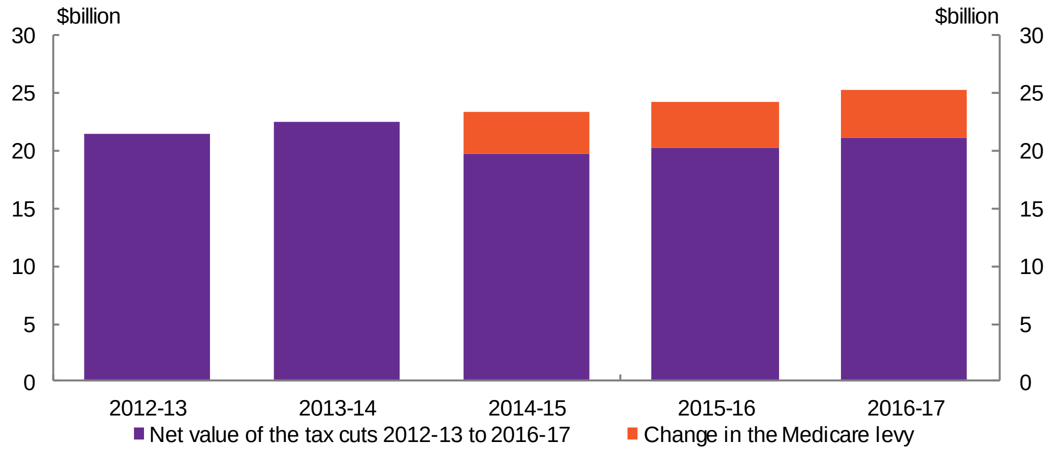
These tax cuts build on the three previous rounds of tax cuts the Government delivered from 2008, which extend right across the income scale. For example, someone earning $50,000 will pay around $2,000 less tax in 2013-14 compared to 2007-08.

REMOVING BARRIERS TO PARTICIPATION

The Government is also removing out-dated barriers to participation that impose high effective marginal tax rates on secondary earners and better targeting assistance provided through tax offsets.

Recent reforms include phasing out the dependent spouse tax offset (DSTO), which dates back to a time when male breadwinners maintained a housewife. The Government has also consolidated other dependency offsets into a single offset, removing out-dated offsets and targeting assistance to taxpayers supporting carers and relatives with disability. For example, it is a relic of a bygone era to assume that unmarried daughters will stay home and keep house rather than study or work and yet the child housekeeper offset was designed with this in mind. These reforms reflect community attitudes by targeting assistance to taxpayers who are genuinely unable to work.

Value of tax cuts and change in the Medicare levy from 2012-13 compared to 2007-08 tax scales



Note: the estimated value of the tax cuts is calculated on an income year basis (not an underlying cash balance basis).

Funding the services people with disability deserve

DisabilityCare Australia is the most fundamental social policy reform since Medicare.

LOCKING IN A FAIRER FUTURE

The Government will provide DisabilityCare Australia with a strong and stable funding stream to provide certainty to people with disability, their families and carers. The Government will increase the Medicare levy by half a percentage point from 1.5 per cent to 2 per cent of taxable income from 1 July 2014, with this revenue to be dedicated to DisabilityCare Australia.

The increase in the Medicare levy will raise $3.3 billion in the first year and approximately $20.4 billion between 2014-15 and 2018-19 as DisabilityCare Australia is rolled out across the country.

ASKING A LITTLE TO ACHIEVE A LOT

This increase will mean a modest contribution of around a dollar a day for someone earning around average full-time wages of $70,000 a year. Low income earners will continue to receive relief from the Medicare levy through the low income thresholds for singles, families, seniors and pensioners. The current exemptions from the Medicare levy will also remain in place, including for defence personnel, blind pensioners and sickness allowance recipients.

Even after this change, Australians will still benefit from the Government's three rounds of tax cuts and the tripling of the tax free threshold — someone earning $70,000 a year will pay an extra 96 cents a day in Medicare levy, but still be paying $953 less tax a year than they were in 2007.

DISABILITYCARE AUSTRALIA FUND

The money raised from the increase in the Medicare levy will be placed into the DisabilityCare Australia Fund for 10 years, to be spent funding the additional costs of DisabilityCare Australia.

A fixed amount of the money flowing into the Fund each year will be set aside for the States and Territories. This amount will be $825 million in 2014-15 (one quarter of the money estimated to be raised in that year). The annual amount allocated within the Fund will be grown in future years by 3.5 per cent per year. Over 10 years, the States and Territories will be allocated a total of $9.7 billion.

Tax cuts since 2007-08

TAXABLE INCOME	TAX CUTS SINCE 2007-08	INCREASE IN MEDICARE LEVY FOR SINGLE PERSON	TAX CUTS MINUS INCREASE IN MEDICARE LEVY
$20,000	$1,619	$0	$1,619
$30,000	$1,053	$150	$903
$40,000	$2,103	$200	$1,903
$50,000	$2,053	$250	$1,803
$60,000	$1,653	$300	$1,353
$70,000	$1,303	$350	$953
$80,000	$1,553	$400	$1,153
$90,000	$1,853	$450	$1,403
$100,000	$2,153	$500	$1,653
$150,000	$3,653	$750	$2,903
$200,000	$6,053	$1,000	$5,053

Tax cuts since 2007-08 include changes in the low-income tax offset and the Medicare levy low income thresholds, for a single person.

Supporting families with targeted assistance

Since 2007, the Government has taken significant steps to improve assistance to families, by building on assistance in ways that are targeted to families when they need it most and supporting them to participate in the workforce.

AUSTRALIA'S FIRST PAID PARENTAL LEAVE SCHEME

In the 2009-10 Budget, the Government committed $730.7 million over five years to establish Australia's first Paid Parental Leave (PPL) scheme. Now, around 95 per cent of working women have access to paid leave, up from around 50 per cent before the scheme was introduced. As of March 2013, over 280,000 families have benefited from parental leave pay.

In this Budget, the scheme has been further strengthened. From March 2014, time on PPL can be counted towards a subsequent PPL claim if it occurs in the work test period.

IMPROVING SUPPORT FOR FAMILIES

In the 2012-13 Budget, $2.1 billion was invested to replace the Education Tax Refund (ETR) with the Schoolkids Bonus of $410 a year for primary school students and $820 a year for secondary school students. The Schoolkids Bonus is paid as an automatic payment rather than a tax refund, providing more flexible and timely assistance, as recommended in the *Australia's Future Tax System* (AFTS) review.

To target assistance to where it is needed most, the Government is also introducing reforms to ensure the sustainability of the family payments system. From 1 March 2014, the Baby Bonus will be replaced by an increase to Family Tax Benefit Part A (FTB-A) of $2,000 on the birth or adoption of a first child and $1,000 for subsequent children, also reflecting the recommendations of the AFTS review. Pauses on indexation of higher income test thresholds for family payments, dependency tax offsets and FTB supplements will also be extended until 1 July 2017.

The Government has improved support for teenagers to best support their participation in school or work and study. To better align Youth Allowance and FTB-A, from 1 January 2012 FTB-A for dependent teenagers in full-time secondary school was increased by up to $4,208 a year for 16 and 17 year olds, and up to $3,741 a year for 18 and 19 year olds to match the payment rates for 13 to 15 year olds.

Proportion of working women with access to paid parental leave

Source: FAHCSIA

Removing barriers to workforce participation

The Government's reforms to the personal tax system to encourage workforce participation and provide fair rewards from work are supported by other reforms, including strengthening the national training system so that all Australians have the opportunity to develop skills needed for the workplace.

IMPROVING THE TAX-TRANSFER SYSTEM

Since 2008-09, a range of measures have been introduced to boost participation by addressing childcare affordability and increasing incentives to enter and stay in work:

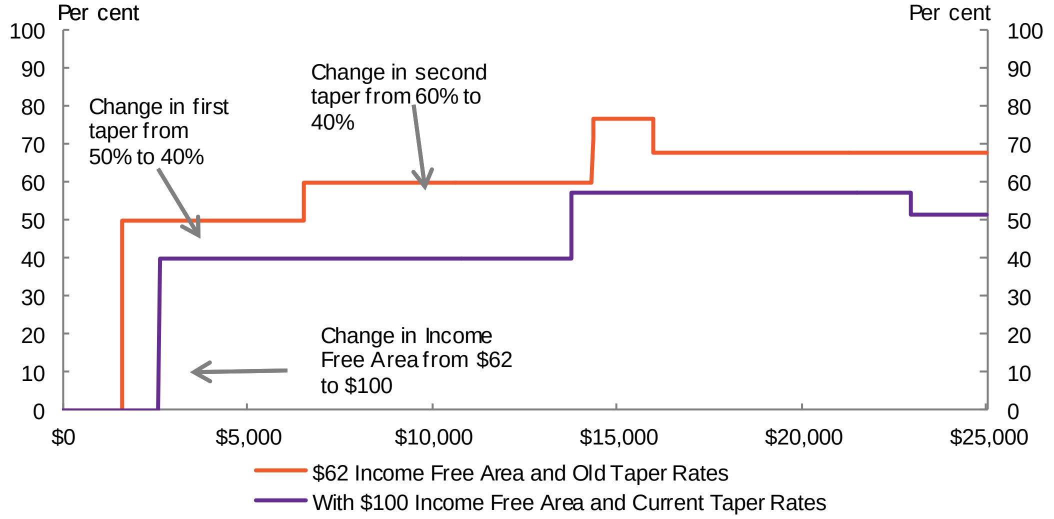
- the Child Care Rebate was increased from 30 to 50 per cent of out-of-pocket costs per child per year, and the annual cap lifted from $4,354 to $7,500 per child;
- single principal carer parents on Newstart can now keep up to $4,100 more of their income over a year from part-time work;
- the amount of income that young people who are unemployed and on Youth Allowance can earn before they start to lose benefits has been increased from $62 to $143 a fortnight;
- the number of hours a person on the Disability Support Pension can work and retain access to their pension has been increased from 15 to 30 hours per week; and
- eligibility requirements for Parenting Payment have been aligned following a six-year transition.

LIFTING PARTICIPATION

In the 2013-14 Budget, several measures have been introduced to increase workforce participation incentives for income support recipients and working families:

- the income free area for Newstart and similar allowance payments will be increased to $100 per fortnight and indexed from 1 July 2015 — recipients can earn more before their allowance is affected;
- the Pensioner Education Supplement will be extended to single principal carers on Newstart to undertake training and education to build skills for employment; and
- single parents who are no longer eligible for Parenting Payment nor qualify for income support due to earnings will have their eligibility for the Pensioner Concession Card extended from two to 12 weeks.

Effective marginal tax rate for a single principal carer with two kids (aged 9 and 14) in 2013-14



Removing inefficient tax concessions …

The Government has undertaken a number of major reforms to strengthen the personal tax system and make it fairer.

A STRONGER AND SMARTER PERSONAL TAX SYSTEM

The Government has reduced out-dated barriers to participation, reforming concessional offsets in the personal tax system to better reflect the realities of modern families. The dependent spouse tax offset (DSTO) is being phased out, with eligibility limited to taxpayers who maintain a spouse born before 1 July 1952. In addition, eight dependency offsets have been consolidated into a single streamlined and non-refundable offset, which further builds on this reform.

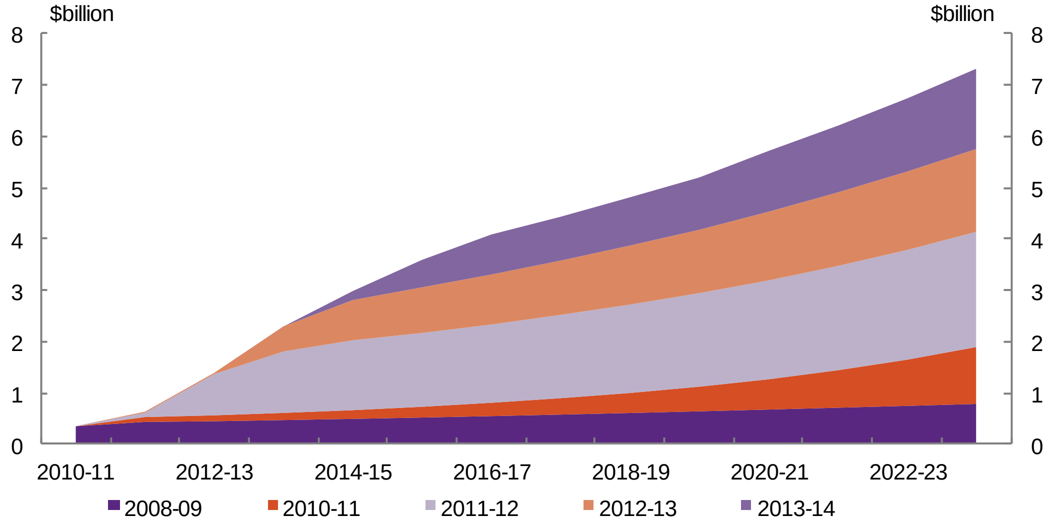
The Government is also phasing out the expensive and ineffective mature age worker tax offset (MAWTO), by limiting eligibility to taxpayers born on or before 1 July 1957, as announced in the 2012-13 Budget. Government reforms in the 2012-13 Budget provided more targeted and effective measures to encourage mature age workforce participation, including additional support for jobseekers, and expanded training opportunities.

In this Budget, the Government will phase out the net medical expenses tax offset (NMETO) over the next seven years from 1 July 2013. This offset dates back to 1936, long before our universal health system, and provides no direct assistance to the poorest Australians — those who pay no tax. The NMETO will continue to be available to taxpayers who incur expenses relating to disability aids, attendant care or eligible aged care expenses until 1 July 2019, when DisabilityCare Australia is fully operational and aged care reforms have been in place for several years. The Government is also capping the deduction for education expenses — which often provide a significant private benefit to the taxpayers.

A FAIR SHARE FOR EVERYONE

The Government is committed to ensuring that high income taxpayers pay their fair share of tax. Recent measures supporting this aim include: removing minors' eligibility for the low income tax offset on unearned income; and limiting the tax concession on employment termination payments, or 'golden handshakes'. These reforms are in line with those to better target tax concessions for employee share schemes. By treating different forms of income equally, these reforms strengthen the tax system by reducing opportunities for high-income individuals to minimise their tax.

Cumulative savings from removing inefficient personal tax and FBT concessions



… in the personal and fringe benefits tax systems

A fair tax system should ensure all employees are taxed equally regardless of whether they receive remuneration as wages and salary or as benefits. This is why the fringe benefits tax (FBT) system was introduced by the Hawke-Keating Government in 1986, and why this Government has introduced a number of reforms to better target FBT concessions that are no longer working in the way originally intended.

ENSURING FBT CONCESSIONS OPERATE AS INTENDED

The Government has announced a number of reforms to better target FBT concessions over the past five years. In its first Budget in 2008, the Government tightened the FBT exemption for certain work-related items (including laptop computers, personal digital assistants and tools of trade) to ensure the exemption only applies where these items are used primarily for work purposes, and that taxpayers can't get a double deduction for expenses. The exemption has also been limited to one item of each type per employee per year. In the same year, the Government amended the treatment of jointly held assets. This re-established the principle that the income and deductions arising from jointly held assets should be allocated between joint owners according to their legal interests.

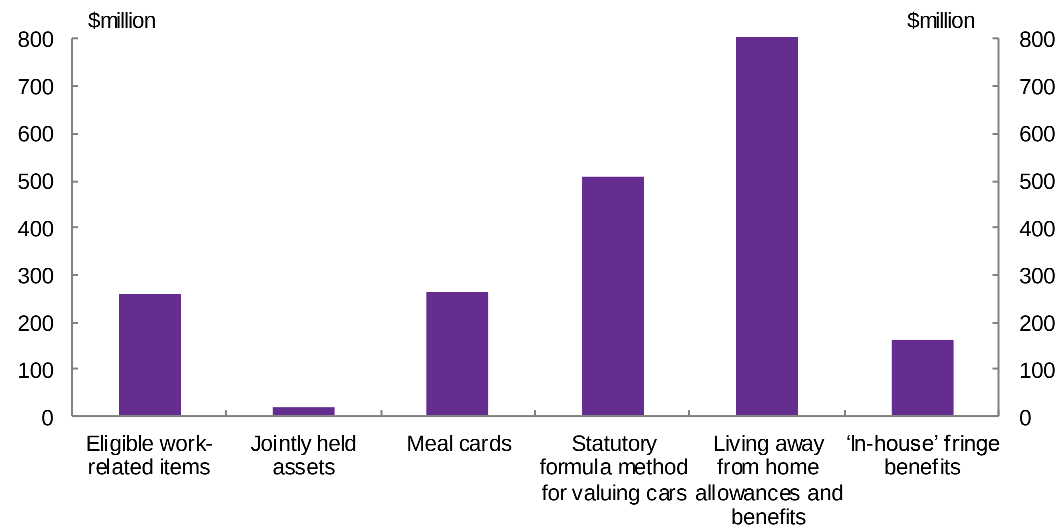
The Government also removed the FBT exemption for meal cards accessed under a salary sacrifice arrangement, to eliminate the inequity for other taxpayers who have to purchase meals out of their after-tax income.

In the 2011-12 Budget, the Government reformed the statutory formula method for valuing car fringe benefits, by replacing the four rates that depended on the distance travelled throughout the year with a single rate of 20 per cent. This removed the unintended incentive for people to drive their car further than needed, in order to obtain a larger tax concession.

The Government announced reforms to better target the tax concession for living-away-from-home allowances and benefits in both the 2011-12 MYEFO and 2012-13 Budget. These reforms will ensure that the tax concession can only be used for the expenses of people who are legitimately maintaining a second home in addition to their actual home in Australia, for a maximum period of 12 months.

The Government removed the concessional FBT treatment for 'in-house' fringe benefits that are accessed by way of a salary sacrifice arrangement in the 2012-13 MYEFO. This will return the use of this concession to its original intent, before the use of salary sacrificing arrangements became widespread.

Savings in 2016-17 from better targeting FBT concessions



A stronger, smarter, fairer retirement income system

The Government's vision for a stronger, smarter and fairer retirement income system means ensuring that incentives to save for retirement are available for all working Australians, access to superannuation tax concessions is distributed fairly and Australians are assured of dignity in retirement.

'THREE PILLARS' RETIREMENT INCOME POLICY

One of the most important public policy goals for any government is to ensure that older Australians are able to retire with a level of income sufficient to underpin a decent standard of living in retirement.

Meeting this challenge is the core goal of Australia's 'three pillars' retirement income system: the publicly funded age pension; compulsory superannuation paid by employers on behalf of employees; and voluntary savings through superannuation and other savings vehicles.

The Government is acting to strengthen each of these three pillars, not just for this year or next, but for decades into the future.

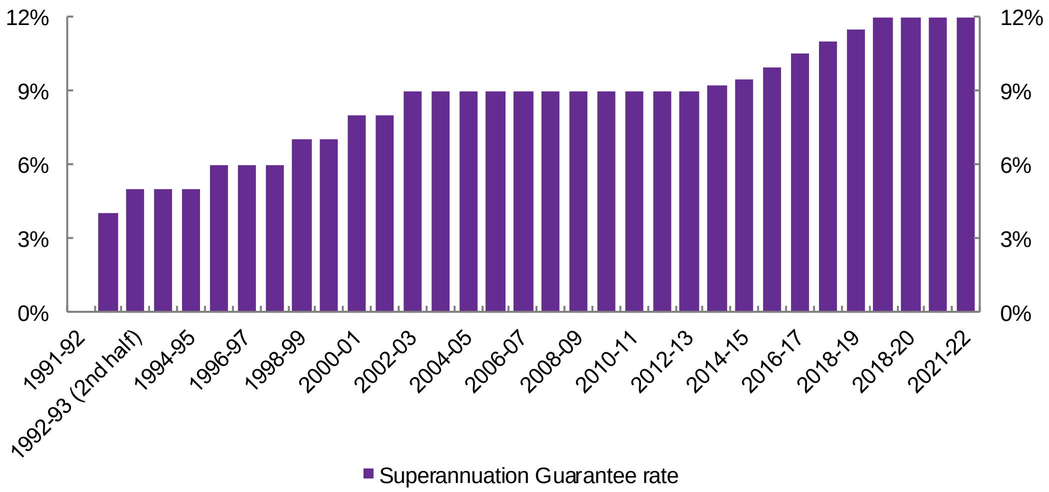
POLICY MAKING FOR THE LONG TERM

Retirement income policy is by its nature long term. In their twenties, people must make savings decisions that will affect their standard of living when they get to their seventies. The Government believes a stronger, smarter and fairer superannuation system is one that gives people the confidence and certainty to save for the long term.

The Government is establishing a Council of Superannuation Custodians to ensure that future changes to the superannuation system are consistent with an agreed Charter of Superannuation Adequacy and Sustainability. Changes to superannuation policy should only be made if they serve the long-term objectives of certainty, adequacy, fairness and sustainability.

The Government is meeting this vision through reforms which secure the age pension, boost superannuation savings, distribute superannuation tax concessions fairly and ensure the superannuation system is sustainable for the long term.

Boosting the Superannuation Guarantee rate



Note: A lower Superannuation Guarantee rate applied between 1992-93 and 1995-96 where the employer's payroll was below $1 million in 1991-92.

Ensuring older Australians have dignity in retirement

Around 3.5 million pensioners have benefited from our 2009 Secure and Sustainable pension reforms. These historic reforms delivered the biggest one-off increases to the pension in 100 years and improved the indexation arrangements. Since 2009, the maximum fortnightly rate, including supplements, has increased by around $207 for singles and $236 for couples (combined). This represents a 34 per cent increase to the maximum single pension and 24 per cent increase to couples' rates.

These reforms have improved the adequacy of the pension system, in particular the adequacy of the single rate of pension, which is now two-thirds of the couples combined rate.

A STRONGER AND FAIRER AGE PENSION

Demographic change and increased life expectancy presents a challenge for the sustainability of the pension system. That is why the Government is progressively increasing the qualifying age for the Age Pension by six months every two years, starting from 65 in 2017 and reaching 67 in 2023.

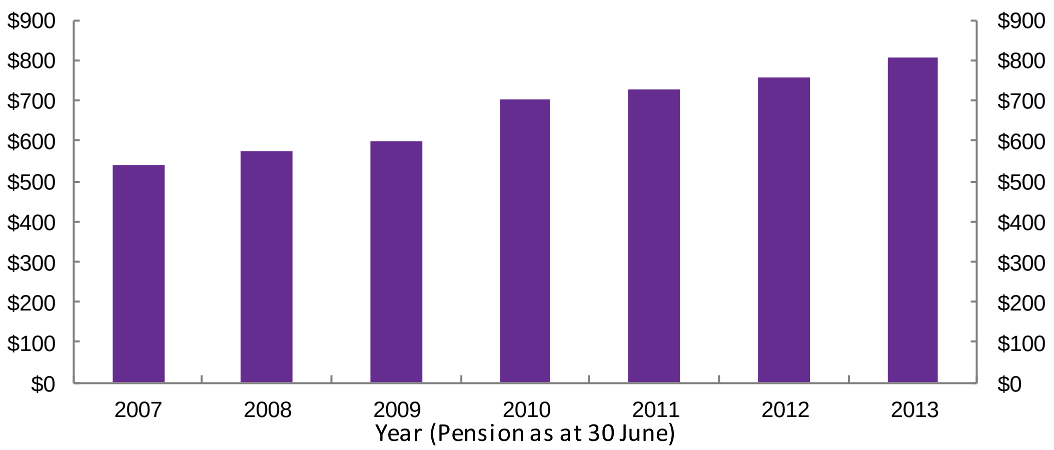
The Government has also taken steps to increase the fairness of the pension system. This includes extending the normal deeming rules to superannuation account-based income streams for the purposes of the pension income test to ensure all financial investments are assessed fairly and under the same rules. Normal pension deeming arrangements will apply to new superannuation account-based income streams from 1 January 2015. All products held by pensioners before 1 January 2015 will be grandfathered. Some pensioners may receive a higher rate of Age Pension payment under the new arrangements.

These reforms to the pension system build on the Government's reforms to improve the fairness, sustainability and efficiency of the superannuation system, helping to provide older Australians with dignity and security in their retirement.

ENCOURAGING WORKING OLDER AUSTRALIANS

The Government also recognises that seniors play an increasingly important role in the modern workplace. That is why the Government is encouraging working pensioners through the Work Bonus, which provides an exemption of $250 a fortnight for employment income from the pension income test and any unused amount can be used to offset future earnings up to a maximum of $6,500.

Growth in maximum rate single Age Pension (per fortnight)



Boosting superannuation savings

The Government's superannuation reforms will help Australians achieve a better standard of living in retirement by increasing superannuation savings through larger contributions and reduced fees and charges.

INCREASING SUPERANNUATION CONTRIBUTIONS

Around 8.4 million workers will benefit from the Government's historic decision to gradually increase the Superannuation Guarantee (SG) rate from 9 to 12 per cent from 1 July 2013 to 1 July 2019. This reform will increase the pool of national superannuation savings by more than $500 billion by 2037, and will significantly increase future retirement incomes for millions of workers. For example, a person aged 30 today on average full-time earnings will retire at age 67 with an extra $127,000 in superannuation savings.

From 1 July 2013, the Government will also abolish the maximum age limit for the SG. This will increase the incentive for workers aged 70 and over to remain in the workforce and further boost their super savings.

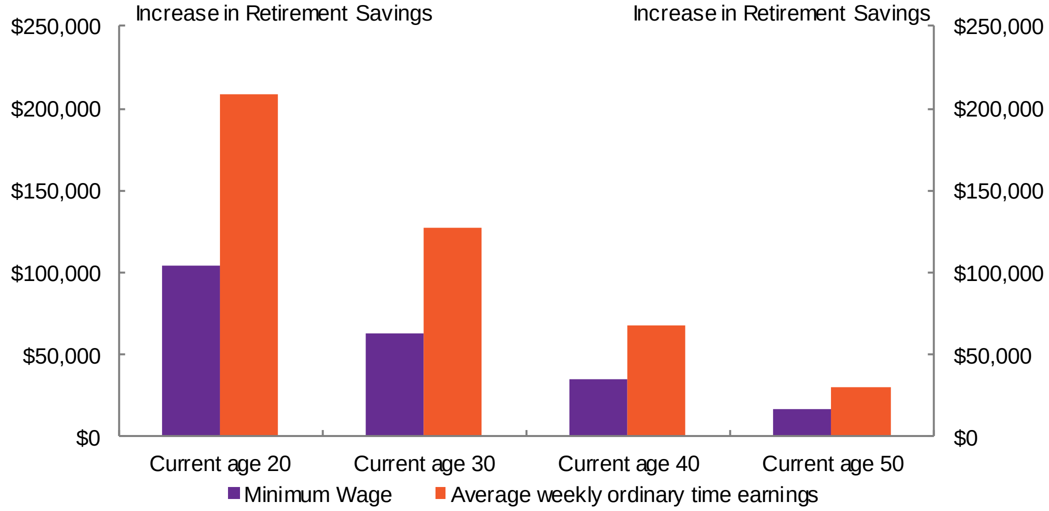
The Government is also simplifying the design and administration of the higher concessional contributions cap, by providing a $35,000 cap to anyone who meets certain age requirements. It is important for those who have not had the benefit of the SG for all of their working lives to be able to contribute more to their superannuation as they approach retirement. The start date for the higher cap will be brought forward to 1 July 2013 for those aged 60 and over, with those aged 50 and over able to access the higher cap from 1 July 2014.

A MORE EFFICIENT SUPERANNUATION SYSTEM

The Government is also implementing reforms to remove unnecessary costs and reduce fees and charges, which will further boost retirement savings. The introduction of MySuper — a simple, low cost superannuation product — together with the introduction of the SuperStream reforms to streamline the processing of transactions, will help put downward pressure on superannuation fees. Allowing superannuation funds to use tax file numbers (TFNs) to identify and consolidate members' superannuation accounts will also help reduce the number of lost and unnecessary super accounts and further reduce fees.

People will be able to keep better track of their super and consolidate their accounts via SuperSeeker, a secure online service administered by the ATO.

Projected increase (in 2013 dollars) in benefits at retirement from the Superannuation Guarantee increase



Fairer superannuation tax concessions

The Government is committed to ensuring Australia's superannuation system is fair and sustainable. All Australians should be encouraged to save for their retirement, but tax concessions need to be distributed fairly to ensure the sustainability of the superannuation system.

SUPERANNUATION CONTRIBUTIONS

The Government has cut tax on superannuation contributions for 3.6 million Australians on low and modest incomes, including 2.1 million women. Starting from 1 July 2012, the Low Income Superannuation Contribution allows most people with income up to $37,000 to effectively pay no tax on their super contributions by providing a tax cut of up to $500 a year.

The Government has also reduced the tax concession received by very high income earners on their superannuation contributions, to ensure it is more in line with the concession received by average income earners. From 1 July 2012, individuals with income above $300,000 will have the tax concession they receive on their superannuation contributions reduced from 30 per cent to 15 per cent.

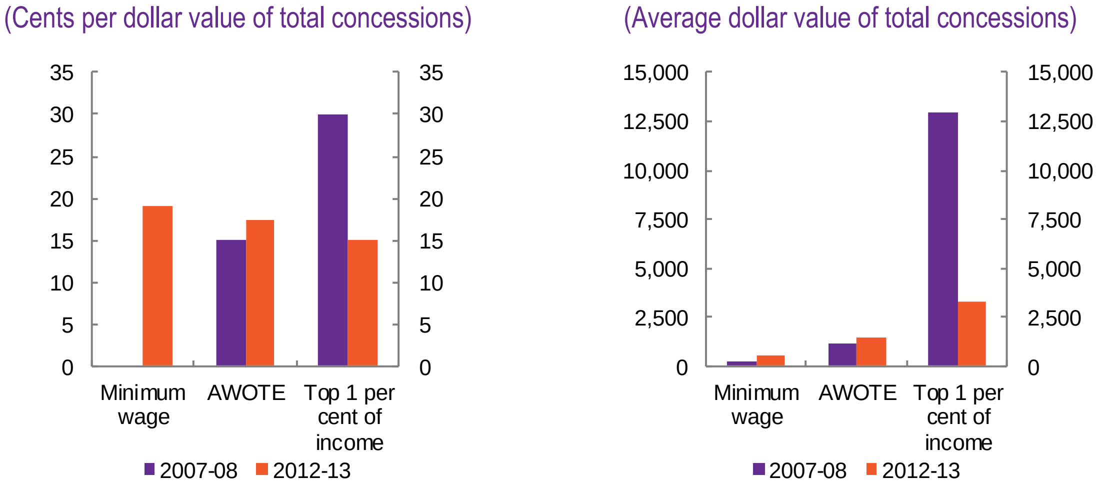
The Government will also make excess contributions tax fairer and give individuals greater choice. Excess concessional contributions made from 1 July 2013 will now be taxed at the person's marginal tax rate (plus an interest charge) rather than always taxing them at the top marginal rate. In addition, the new arrangements will give individuals greater choice by allowing them to withdraw any excess concessional contributions from their super fund.

EARNINGS IN THE RETIREMENT PHASE

The Government will also better target the tax exemption for earnings on superannuation assets supporting retirement income streams, by limiting it to the first $100,000 of future earnings for each individual each year. From 1 July 2014, earnings above $100,000 will be taxed at the same concessional rate of 15 per cent that applies to earnings in the accumulation phase.

The Government will also encourage the take-up of deferred lifetime annuities from 1 July 2014, by providing these products with the same concessional tax treatment that applies to superannuation assets supporting income streams. This responds to calls to expand the range of superannuation options available to retirees.

Change in concession for superannuation contributions



A stronger, smarter and fairer indirect tax system

Indirect taxes play a role in raising revenue from consumption and are an important part of the revenue mix. In addition, the indirect tax system can be used effectively to achieve better environmental and social outcomes that improve the wellbeing of current and future generations.

MOVING THE TAXATION OF FUELS TOWARDS ENERGY CONTENT BASED TAXATION

The Government has provided more consistent tax treatment of fuels, by bringing liquefied petroleum gas (LPG), liquefied natural gas (LNG) and compressed natural gas (CNG) into the tax system over time, but with a 50 per cent discount that recognises the potential environmental and fuel security benefits of their use.

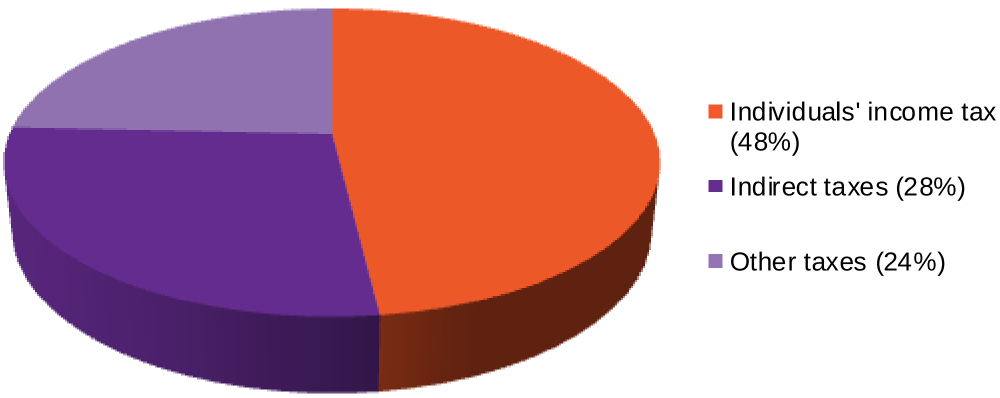
PROTECTING THE INTEGRITY OF THE WINE PRODUCER REBATE

The Government recognises the importance of wine producer rebate to small winemakers, as well as its ongoing integrity. The Government improved the integrity of the wine producer rebate by ensuring that wine producers cannot claim multiple rebates where wine is blended or further manufactured.

REFORMING THE TAXATION OF TOBACCO

Despite reductions in tobacco consumption among the general Australian population, tobacco continues to be a major cause of death and disability, with more than three million Australians still smoking at least daily or weekly. Around 15,000 people die each year of smoking related illness. In line with the AFTS review, the Government will index tobacco excise and excise equivalent customs duty to average weekly ordinary time earnings (AWOTE), replacing the current CPI indexation. This will ensure, through modest increases, that the excise component of tobacco keeps pace with incomes.

Tax mix 2012-13



More efficient state taxes

The Government's vision for a stronger, smarter and fairer tax system extends to reform at the state and territory level to improve productivity and economic growth.

The *Australia's Future Tax System* (AFTS) review highlighted that some taxes are more detrimental than others when it comes to the impact they have on living standards. Economic growth can be promoted by relying on more efficient taxes and reducing inefficient taxes.

INEFFICIENT STATE AND TERRITORY TAXES

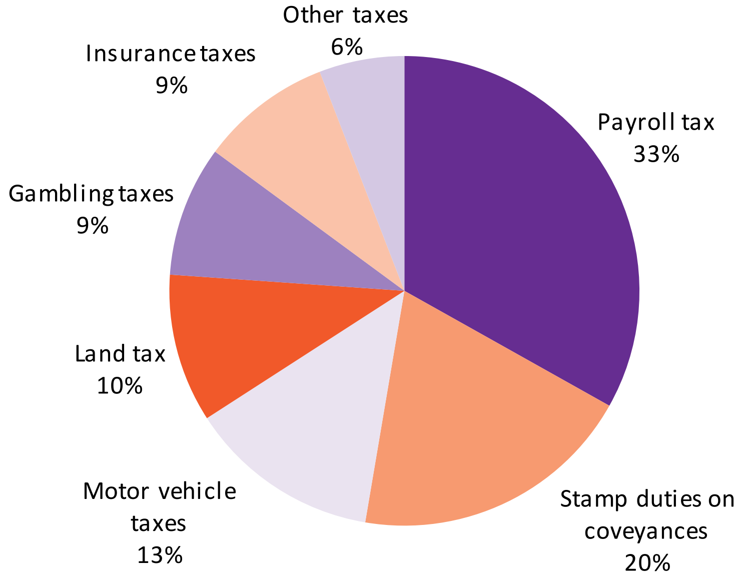
The AFTS review found that some of the most inefficient taxes levied in Australia are state and territory taxes. It identified reforms to improve or abolish existing state and territory taxes that are a drag on the economy. In all, the AFTS review made 26 tax-related recommendations requiring state and territory or intergovernmental action. Many of these recommendations have been echoed by state and territory tax reviews in recent years, such as those of New South Wales, Victoria and the Australian Capital Territory.

For example, abolishing insurance taxes would reduce economic costs resulting from under-insurance or non-insurance, which leave individuals and governments exposed to more risk than they would otherwise bear. Insurance taxes also detract from fairness as the burden of these taxes falls disproportionately on low income households.

Stamp duty on the transfer of property is a similarly inefficient source of taxation that hampers the ability of families and businesses to adapt to changes in their circumstances or take advantage of new opportunities. Stamp duty on property makes downsizing after the children have grown up or moving to take up a better job more difficult. It also makes it harder for businesses to shift premises or expand as their business grows. This stifles productivity and economic growth.

State and territory leaders have acknowledged the need for reform of their tax systems and have undertaken to work together to advance proposals. The New South Wales and South Australian Treasurers have agreed to work with the Council for the Australian Federation to develop a state tax reform plan. The Australian Capital Territory has led the way recently by funding a bold, comprehensive and progressive plan for reform of its property taxes. The Australian Government supports reforms that make the tax system fairer and more efficient, in line with its vision in commissioning the AFTS review.

Sources of state and territory tax revenue in 2011-12



ROLLING OUT TAX REFORM

2008

- Commissioned the *Australia's Future Tax System* (AFTS) Review
- Provided income tax cuts worth $47 billion over the first four years
- Tightened the fringe benefit Tax (FBT) exemption that applies to use of meal cards under a salary sacrifice arrangement
- Tightened the FBT exemption for work-related items
- Amended the FBT law in relation to jointly held assets
- Improved fairness in the Medicare levy surcharge by raising the income thresholds
- Improved housing affordability through the First Home Saver Account
- Increased the Child Care Rebate from 30 per cent to 50 per cent
- Introduced a new Education Tax Refund
- Tightened eligibility for dependency offsets

2009

- Tightened access to non-commercial business losses
- Removed interest withholding tax on government securities
- Better targeted the exemption for foreign employment income
- Amended FBT law to ensure that donations to deductible gift recipients under salary sacrifice arrangements do not result in an employer incurring FBT liability
- Better targeted eligibility for employee share scheme tax concessions
- Introduced the Secure and Sustainable Pension Reforms

2010

- Released the Government's response to the AFTS report
- Lifted tobacco excise (*AFTS Recommendation 73*)

2011

- Repealed the foreign investment fund regime
- Supported innovative small Australian businesses through a redesigned R&D tax incentive payment
- Commenced a review into modernising the taxation of trust income (*AFTS Recommendation 36*)
- Introduced the first two phases of an investor manager regime
- Reformed the statutory formula method for valuing car fringe benefits (*AFTS Recommendation 9*)
- Reformed the taxation of fuels towards energy content based taxation (*AFTS Recommendation 65*)
- Introduced the Paid Parental Leave scheme
- Removed minors' eligibility for low income tax offset on unearned income
- Phased out the dependent spouse tax offset (*AFTS Recommendation 6*)
- Fostered the national conversation on tax reform through the Tax Forum

2012

- Raised the tax free threshold from $6,000 to $18,200 (*AFTS Recommendation 2*)
- Introduced the Minerals Resource Rent Tax on iron ore and coal projects (*AFTS Recommendations 45, 46, 47 and 48*)
- Extended the Petroleum Resource Rent Tax (PRRT) to onshore oil and gas projects (*AFTS Recommendations 45*)
- Introduced transfer pricing reforms to confirm the transfer pricing in Australia's tax treaties operate as intended
- Increased the managed investment trust (MIT) withholding rate from 7.5 per cent to 15 per cent and introduced a clean MIT withholding tax regime
- Introduced the instant asset write-off to provide small business with an immediate deduction for assets that cost less than $6,500 (*AFTS Recommendation 29*)
- Introduced immediate deduction of first $5,000 of cost of motor vehicles for small businesses (*AFTS Recommendation 29*)
- Introduced loss carry-back arrangements to allow companies to carry back up to $1 million worth of tax losses and offset against past profits (*AFTS Recommendation 31*)
- Halved the withholding tax rate on managed investment trusts from 30 per cent to 15 per cent (*AFTS Recommendation 33*)
- Replaced the entrepreneurs tax offset with better targeted incentive for small business (*AFTS Recommendation 6*)
- Removed concessional FBT treatment for in-house fringe benefits if they are accessed by salary sacrifice (*AFTS Recommendation 9*)
- Reformed the FBT treatment of airline transport by modernising the method for determining the taxable value of airline fringe benefits (*AFTS Recommendation 9*)
- Invested $2.1 billion to replace the Education Tax Refund with the simpler and fairer Schoolkids Bonus as an automatic payment to all eligible Family Tax Benefit Part A (FTBA) families (*AFTS Recommendation 6*)
- Provided greater consistency between family payments and Youth Allowance by aligning the eligibility age for FTB-A (*AFTS Recommendation 98*)
- Improved support for families by increasing the rate of FTB-A for 16 to 19 year olds in full-time secondary study to match that for 13 to 15 year olds (*AFTS Recommendation 91*)
- Reformed the living-away-from-home allowances and benefits (*AFTS Recommendation 9*)
- Improved targeting of the net medical expenses tax offset through means testing (*AFTS Recommendation 7*)
- Consolidated eight dependency tax offsets (*AFTS Recommendation 6*)
- Phased out the mature age workers tax offset (*AFTS Recommendation 6*)
- Decreased the taper rate of Newstart Allowance for single principal carers (*AFTS Recommendation 85*)
- Increased the income free area for students receiving Youth Allowance
- Protected the integrity of the wine producer rebate
- Reduced duty free allowance for cigarettes (*AFTS Recommendation 75*)
- Better targeted the employment termination payments tax offset (*AFTS Recommendation 6*)
- Extended superannuation concessions to 3.6 million low income earners by introducing a Low Income Superannuation Contribution of up to $500 (*AFTS Recommendation 18*)
- Reduced the tax concession on superannuation contributions received by very high income earners from 30 per cent to 15 per cent (*AFTS Recommendation 18*)
- Established the Australian Charities and Not-for-profits Commission (*AFTS Recommendation 41*)

2013

- Introduced reforms to modernise Australia's transfer pricing rules and the general anti-avoidance rules
- Enhancing the integrity of the corporate tax base by addressing loopholes in the consolidation regime, non-resident CGT arrangements, concessions for mining exploration expenditure and the offshore banking unit regime
- Released a base erosion and profit shifting scoping paper examining possible responses to the risks to the integrity of the corporate tax base
- Removing stamp duty for offshore petroleum projects (*AFTS Recommendation 50*)
- Better targeted the R&D tax incentive to companies with annual aggregated Australian turnover less than $20 billion
- Closing a loophole that allows sophisticated investors to engage in 'dividend washing' (*AFTS Recommendation 39*)
- Introduced uplift factor for losses of certain infrastructure projects (*AFTS Recommendation 31*)
- Phasing out the net medical expenses tax offset (*AFTS Recommendation 7*)
- Introduced Dad and Partner Pay to build on the Paid Parental Leave (PPL) scheme
- Decreasing the taper rate of the Newstart Allowance for single principal carers (*AFTS Recommendation 85*)
- Realigning eligibility requirements for parenting payment following a six year transition (*AFTS Recommendation 85*)
- Increasing the Superannuation Guarantee rate from 9 per cent to 9.25 per cent
- Providing a $35,000 superannuation concessional contributions cap for all people aged 60 and over from 1 July 2013 and for all people aged 50 and over from 1 July 2014 (AFTS Recommendation 18)
- Abolishing the Superannuation Guarantee maximum age limit (*AFTS Recommendation 20*)
- Making excess contributions tax fairer by taxing excess contributions at the marginal rates plus an interest charge
- Establishing the Council of Superannuation Custodians
- Arrangements being finalised to develop a Tax System Advisory Board (*AFTS Recommendation 115*)
- Establishing a Tax Studies Institute as a centre of research excellence on the tax and transfer system (*AFTS Recommendation 134*)

2014

- Leveraging the Government's chair of the G20 to advance the case for concerted multilateral action on corporate tax base integrity and influencing global forums to counter base erosion and profit shifting
- Introducing changes to enhance the integrity of the corporate tax base by addressing artificial loading of debt into Australia and by eliminating tax advantages available for (foreign-owned) multiple entry consolidated groups
- Introducing a cash bidding system, to complement the operation of the PRRT, to allocate offshore petroleum exploration acreage in mature areas and those known to contain petroleum (*AFTS Recommendation 49*)
- Phasing down the interest withholding tax paid by financial institutions on offshore borrowings (*AFTS Recommendation 33*)
- Supporting innovative small Australian businesses through the quarterly credits regime
- Funding DisabilityCare Australia through a 0.5 per cent increase in the Medicare levy
- Strengthening Paid Parental Leave by allowing parents to include their time on Paid Parental Leave towards a claim for a subsequent birth
- Replacing the Baby Bonus with an increase in FTB-A (*AFTS Recommendation 91*)
- Introducing a $2,000 cap on deductions for self-education expenses (*AFTS Recommendation 8*)
- Indexing tobacco excise to AWOTE (*AFTS Recommendation 74*)
- Increasing the Superannuation Guarantee rate from 9.25 per cent to 9.5 per cent
- Allowing future earnings on assets supporting superannuation income streams to be tax free up to $100,000 with earnings above $100,000 taxed at the concessional rate of 15 per cent and ensuring that defined benefit funds are similarly impacted (*AFTS Recommendation 19*)
- Extending concessional superannuation tax treatment to Deferred Lifetime Annuities

2015

- Applying normal Age Pension deeming arrangements to new superannuation account-based income streams
- Increasing the Superannuation Guarantee rate from 9.5 per cent to 10 per cent
- Increasing the threshold for lost super accounts to be transferred to the ATO to $2,500

2016

- Introducing non-resident CGT non-final withholding tax
- Increasing the Superannuation Guarantee rate from 10 per cent to 10.5 per cent
- Increasing the threshold for lost super accounts to be transferred to the ATO to $3,000

2017

- Increasing the Age Pension qualifying age from 65 to 65.5
- Increasing the Superannuation Guarantee rate from 10.5 per cent to 11 per cent

2018

- Increasing the Superannuation Guarantee rate from 11 per cent to 11.5 per cent

2019

- Increasing the Age Pension qualifying age from 65.5 to 66
- Increasing the Superannuation Guarantee rate from 11.5 per cent to 12 per cent

2021

- Increasing the Age Pension qualifying age from 66 to 66.5

2023

- Increasing the Age Pension qualifying age from 66.5 to 67