Part 1: Revenue Measures

Table 1: Revenue measures since the 2010-11 MYEFO[(a)]

Page		2010-11 $m	2011-12 $m	2012-13 $m	2013-14 $m	2014-15 $m
	AGRICULTURE, FISHERIES AND FORESTRY					
	Department of Agriculture, Fisheries and Forestry					
8	Changes to agricultural production levies	10.5	21.9	22.3	22.7	23.0
	Portfolio total	**10.5**	**21.9**	**22.3**	**22.7**	**23.0**
	ATTORNEY-GENERAL'S					
	Attorney-General's Department					
103	Marriage Celebrants Program — reform(b)	-	-	-	4.2	4.0
	Natural Disaster Recovery and Rebuilding					
168	– assistance to business affected by the Queensland Floods(b)	-	2.2	4.6	4.3	3.8
169	– assistance to business affected by Tropical Cyclone Yasi(b)	-	1.5	3.0	2.8	2.5
	Australian Customs and Border Protection Service					
14	Alternative fuels — delayed introduction of taxation and other changes	-	2.0	-	-	-
9	Australia New Zealand Closer Economic Relations Trade Agreement — Amendments to product specific rules of origin	-	..	..	..	..
21	Excise and excise-equivalent customs duty — refunds, remissions and drawbacks	9.7	12.1	13.4	14.1	15.1
260	Migration Program — allocation of places for 2011-12(b)	-	0.7	2.2	3.7	5.4
	Australian Security Intelligence Organisation					
9	National Security — Australian Security Intelligence Organisation maritime and airport security assessments — improved cost recovery	-	1.3	1.3	1.3	1.3
	Insolvency and Trustee Service Australia					
102	Insolvency and Trustee Service Australia — additional funding(b)	-	12.4	15.7	18.3	22.1
341	Personal Property Securities Register — additional funding(c)	-	2.0	3.0	3.0	-
	Portfolio total	**9.7**	**34.2**	**43.1**	**51.7**	**54.2**
	BROADBAND, COMMUNICATIONS AND THE DIGITAL ECONOMY					
	Australian Communications and Media Authority					
111	Australian Communications and Media Authority — revenue assurance project(b)	-	nfp	nfp	nfp	nfp
116	National Broadband Network — regulatory framework(b)	-	3.5	3.3	3.1	2.9
	Portfolio total	**-**	**3.5**	**3.3**	**3.1**	**2.9**

Table 1: Revenue measures since the 2010-11 MYEFO[(a)] (continued)

Page		2010-11 $m	2011-12 $m	2012-13 $m	2013-14 $m	2014-15 $m
	CLIMATE CHANGE AND ENERGY EFFICIENCY					
	Office of the Renewable Energy Regulator					
	Renewable Energy Target					
124	– implementation of legislative amendments(b)	-	6.0	3.9	2.3	1.8
10	– reduction of the solar credits multiplier	-	-0.3	-3.4	-4.2	-4.0
	Portfolio total	**-**	**5.7**	**0.6**	**-1.9**	**-2.2**
	DEFENCE					
	Department of Defence					
128	Middle East Area of Operations — continuation of Australia's military contribution(b)	-	40.9	-	-	-
129	Solomon Islands — continued Australia Defence Force assistance to the Regional Assistance Mission to Solomon Islands(b)	-	1.0	-	-	-
129	Timor-Leste — continuation of Australia's commitment to helping to maintain security and stability(b)	-	4.5	-	-	-
	Portfolio total	**-**	**46.4**	**-**	**-**	**-**
	EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS					
	Department of Education, Employment and Workplace Relations					
157	Education Services for Overseas Students — further response to the Baird Review(b)	-	7.5	7.6	7.5	7.6
163	Higher Education Contribution Scheme — reduction in discounts(b)	-	0.2	4.3	18.4	41.0
11	Tertiary Education Quality and Standards Agency — cost recovery	-	4.1	4.1	4.1	4.2
	Portfolio total	**-**	**11.8**	**16.0**	**30.1**	**52.8**
	HEALTH AND AGEING					
	Department of Health and Ageing					
345	Latent tuberculosis testing — continuation(c)	-	0.4	0.5	0.5	0.5
	Pharmaceutical Benefits Scheme					
236	– biological disease-modifying antirheumatic drugs — amendments to more cost-effective arrangements(b)	nfp	nfp	nfp	nfp	nfp
236	– extension and amendments to listings from 1 March 2011(b)	nfp	nfp	nfp	nfp	nfp
238	– new and extensions to listings from 1 February 2011(b)	nfp	nfp	nfp	nfp	nfp
239	– new listing from 1 July 2011(b)	-	nfp	nfp	nfp	nfp
240	– new listing from 1 May 2011(b)	nfp	nfp	nfp	nfp	nfp
240	– new listings from 1 April 2011(b)	nfp	nfp	nfp	nfp	nfp
	Portfolio total	**-**	**0.4**	**0.5**	**0.5**	**0.5**

Table 1: Revenue measures since the 2010-11 MYEFO[(a)] (continued)

Page		2010-11	2011-12	2012-13	2013-14	2014-15
		$m	$m	$m	$m	$m
	IMMIGRATION AND CITIZENSHIP					
	Department of Immigration and Citizenship					
260	Migration Program — allocation of places for 2011-12(b)	-	-26.6	-27.3	-36.1	-37.0
12	Visa Application Charge — increase	-	62.2	71.0	75.9	85.7
	Migration Review Tribunal and Refugee Review Tribunal					
260	Migration Review Tribunal — Refugee Review Tribunal — changes to application fees(b)	-	3.5	3.5	4.1	4.1
	Portfolio total	**-**	**39.1**	**47.2**	**44.0**	**52.9**
	INFRASTRUCTURE AND TRANSPORT					
	Department of Infrastructure and Transport					
266	Airport building controllers — increased funding(b)	-	3.5	3.5	3.5	3.5
	Portfolio total	**-**	**3.5**	**3.5**	**3.5**	**3.5**
	RESOURCES, ENERGY AND TOURISM					
	Department of Resources, Energy and Tourism					
305	Upstream Petroleum Regulatory Reform — revised arrangements(b)	-12.5	8.9	15.3	-	-
	Portfolio total	**-12.5**	**8.9**	**15.3**	**-**	**-**
	TREASURY					
	Australian Prudential Regulation Authority					
323	Stronger Super — MySuper(b)	-	5.1	10.0	8.3	6.5
325	Superannuation — financial assistance grants to compensate fund members for the failure of Trio(b)	-	55.0	-	-	-
	Australian Securities and Investments Commission					
316	Australian Accounting Standards Board and Auditing and Assurance Standards Board — additional funding(b)	-	1.8	1.8	1.8	1.8
318	Australian Securities and Investments Commission — additional funding(b)	-	18.8	-	-	-
319	Competition for Market Services(b)	-	8.0	9.1	6.6	6.2
324	Stronger super — self managed super funds(b)	-	-	1.0	0.4	0.4
	Australian Taxation Office					
13	Abolish the Entrepreneurs' Tax Offset	-	-	-	180.0	185.0
13	Additional benefits agreement — Mauritius	..	..	..	..	..
14	Alternative fuels — delayed introduction of taxation and other changes	-	-240.0	-199.0	-135.0	-69.0

Table 1: Revenue measures since the 2010-11 MYEFO[(a)] (continued)

Page		2010-11 $m	2011-12 $m	2012-13 $m	2013-14 $m	2014-15 $m
	TREASURY (continued)					
	Border Security					
97	– enhancing regional capability to combat people smuggling(b)	-	-0.2	-0.2	-	-
256	– initiatives to address irregular population flow in source and transit countries(b)	-	..	..	..	-
98	– strengthening Customs and Border Protection Service's operational engagement overseas(b)	-	-0.1	..	..	-
	Building Australia's Future Workforce					
14	– Dependent Spouse Tax Offset — phase-out	-	60.0	220.0	230.0	245.0
15	– Low Income Tax Offset — bring forward	-	-1,370.0	65.0	25.0	30.0
	Capital gains tax					
15	– amendments to the scrip for scrip roll-over and the small business concessions	-	5.0	50.0	50.0	55.0
16	– exemption for incentives related to renewable resources or for preserving environmental benefits	-	-	*	*	*
17	– extensions to the main residence exemption in relation to special disability trusts	*	*	*	*	*
17	– limiting the trading stock exception for superannuation funds	-	-	5.0	5.0	5.0
18	– minor amendments ensuring the proper functioning of the capital gains tax provisions	..	..	..	..	..
19	Capital gains tax and other roll-overs for amalgamations of indigenous corporations	-	*	*	*	*
19	Crude oil excise — technical amendments	-	-	-	-	-
	Debt/equity tax rules					
20	– clarification of the scope of an integrity provision	*	*	*	*	*
20	– extending the debt/equity transitional period for Upper Tier 2 capital instruments	*	*	*	*	*
21	Excise and excise-equivalent customs duty — refunds, remissions and drawbacks	15.0	16.0	18.0	19.0	20.0
21	Extension of the temporary loss relief for superannuation funds mergers by three months	-	-	*	*	*
22	Farm Management Deposits — early access for primary producers suffering natural disasters and improved administration arrangements	-	*	*	*	*
	Fringe benefits tax					
22	– exemption for Australian residents working in remote areas overseas under fly-in fly-out arrangements	-	-	-	-	-
23	– reform of the car fringe benefit rules	5.0	30.0	140.0	335.0	460.0
23	Functional currency rules — extending the range of entities that can use a functional currency	*	*	*	*	*

Table 1: Revenue measures since the 2010-11 MYEFO[(a)] (continued)

Page		2010-11	2011-12	2012-13	2013-14	2014-15
		$m	$m	$m	$m	$m
	TREASURY (continued)					
24	General interest charge — ensuring its continuous operation	-	-	-	-	-
	GST					
24	– treatment of new residential premises	20.0	10.0	10.0	10.0	10.0
25	– treatment of property in possession of a mortgagee	-	-	-	-	-
26	– certain supplies to health insurers	-	-	-	-	-
26	– Government response to Board of Taxation report: minor changes	-	*	*	*	*
27	– providing businesses in a net refund position with access to the GST instalment system	-	-	*	*	*
28	Improvements to the company loss recoupment rules	-	*	*	*	*
28	Income tax — expanding the definition of exploration to include geothermal energy	-	-	-	-5.0	-5.0
29	Income tax relief for water reforms	-	*	*	*	*
29	Infrastructure — enhanced loss utilisation for designated projects	-	-	-	*	*
	International tax					
30	– Interim Investment Manager Regime	-	*	*	*	*
31	– tax information exchange agreements	*	*	*	*	*
31	– update to the list of countries that have effective exchange of information arrangements with Australia	-	-15.0	-20.0	-22.0	-24.0
32	Look-through treatment for instalment warrants and similar arrangements	..	..	..	..	..
32	Luxury car tax — tax-free importation of cars by public museums	-	-0.5	-0.5	-0.5	-0.5
128	Middle East Area of Operations — continuation of Australia's military contribution(b)	-	-57.6	-5.6	-	-
260	Migration Program — allocation of places for 2011-12(b)	-	63.0	214.8	382.4	569.6
33	Minerals Resource Rent Tax — adoption of recommendations of the Policy Transition Group	-	-	..	..	..
	National Security					
104	– Australian Federal Police — United Nations Mission in Sudan — contribution(b)	-	-0.3	-0.2	..	-
203	– Baghdad Embassy civilian security arrangements — final transition(b)	-	-0.2	..	-	-
	Natural Disaster Recovery and Rebuilding					
33	– exempting Disaster Income Recovery Subsidy (flood relief) payments from income tax	-	-	-	-	-
34	– tax treatment of clean up and recovery business assistance grants	-	-55.0	-30.0	-10.0	-3.0
34	– Temporary flood and cyclone reconstruction levy	-	1,500.0	225.0	-	-

Table 1: Revenue measures since the 2010-11 MYEFO[(a)] (continued)

Page		2010-11 $m	2011-12 $m	2012-13 $m	2013-14 $m	2014-15 $m
	TREASURY (continued)					
35	New tax system for managed investment trusts — clarifying the 2010-11 Budget measure	-	-	50.0	20.0	5.0
	Not-for-profit sector reforms					
322	– Australian Charities and Not-for-profits Commission — establishment(b)	-	8.0	10.0	10.0	13.0
36	– better targeting of not-for-profit tax concessions	-	-	-	-	-
37	– introducing a statutory definition of 'charity'	-	-	-	-	-
	Official development assistance					
206	– Expanding aid in Indonesia and South East Asia(b)	-	..	..	..	..
207	– Expanding aid to Africa, South and Central Asia and the Middle East(b)	-	-0.1	-0.1	-0.1	-0.1
209	– support for education and ending violence against women in Papua New Guinea and the Pacific(b)	-	..	..	..	..
38	Pacific Seasonal Worker Pilot Scheme — improved tax treatment	-	-0.8	-	-	-
193	Paid Paternity Leave — implementation — new start date(b)	-	-	0.4	0.1	-
38	Pay As You Go (PAYG) instalment taxpayers — reduction in the gross domestic product (GDP) adjustment factor	-	-700.0	700.0	-	-
	Personal income tax					
39	– disallow deductions against government assistance payments	-	-	-	-	-
39	– increasing the Medicare levy low-income thresholds	-	-50.0	-25.0	-25.0	-25.0
40	– removing minors' eligibility for low income tax offset on unearned income	-	-	240.0	250.0	250.0
40	Petroleum Resource Rent Tax — clarifying the taxing point	-	-	-	-	-
41	Philanthropy — updating the list of specifcally listed deductible gift recipients	-	-0.7	-	-	-
41	Reduction in the minimum payment amounts for account-based pensions in 2011-12	-	-2.0	-5.0	-	-
195	Reform of family payments — pause indexation of upper limits and thresholds for a further two years(b)	-	-	0.5	3.5	6.5
42	Securities lending arrangements tax rules — extending the scope to address insolvency issues	-	*	*	*	*
42	Small business depreciation — accelerated initial deduction for motor vehicles	-	-	-	-200.0	-150.0
196	Social Security Agreement with Hungary(b)	-	..	..	..	..
129	Solomon Islands — continued Australia Defence Force assistance to the Regional Assistance Mission to Solomon Islands(b)	-	-1.8	-0.2	-	-

Table 1: Revenue measures since the 2010-11 MYEFO(a) (continued)

Page		2010-11 $m	2011-12 $m	2012-13 $m	2013-14 $m	2014-15 $m
	TREASURY (continued)					
324	Stronger super — self managed super funds(b)	-	10.0	12.0	12.0	13.0
	Superannuation					
43	– greater use of tax file numbers	-	*	*	*	*
43	– refund of excess concessional contributions	-	-0.8	-13.6	-3.3	-2.2
44	– securing super	-	-	..	..	..
44	Superannuation contribution caps — operation of the higher cap for over 50s	-	-	-	65.0	90.0
45	Tax Breaks for Green Buildings — deferral	-	-	15.0	100.0	180.0
	Tax compliance					
45	– countering fraudulent phoenix activities by company directors	-	10.0	60.0	95.0	95.0
46	– enhanced refund fraud detection and management	-	63.9	67.2	59.3	42.2
46	– reporting Government grants and payments	-	21.8	46.2	46.2	46.2
47	– reporting taxable payments	-	-	7.9	217.0	288.1
48	Tax laws — minor amendments	*	*	*	*	*
48	Tax treatment of payments made under the Sustainable Rural Water Use and Infrastructure Program	-	-10.0	-45.0	-5.0	30.0
	Taxation of Financial Arrangements					
49	– amendments to tax hedging rules	*	*	*	*	*
49	– minor amendments to ease the transition into Stages 3 and 4	*	*	*	*	*
129	Timor-Leste — continuation of Australia's commitment to helping to maintain security and stability(b)	-	-6.9	-0.9	-	-
	Trust taxation					
50	– income averaging and farm management deposits	-	-	-	-	-
50	– interim changes to improve the taxation of trust income	-	*	*	*	*
	Portfolio total	**40.0**	**-625.6**	**1,833.5**	**1,725.8**	**2,374.8**
	Decisions taken but not yet announced	**54.3**	**83.8**	**57.6**	**63.4**	**72.2**
	Total impact of revenue measures(d)	**102.0**	**-366.5**	**2,042.8**	**1,942.9**	**2,634.5**

* 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 in revenue.
(b) These measures can also be found in the expense measures summary table.
(c) These measures can also be found in the capital measures summary table.
(d) Measures may not add due to rounding.

AGRICULTURE, FISHERIES AND FORESTRY

Changes to agricultural production levies

Revenue ($m)					
	2010-11	2011-12	2012-13	2013-14	2014-15
Department of Agriculture, Fisheries and Forestry	10.5	21.9	22.3	22.7	23.0
Related expense ($m)					
Department of Agriculture, Fisheries and Forestry	*10.5*	*21.9*	*22.4*	*22.7*	*23.0*

The Government has adjusted the following agricultural production levies to meet changes in the funding needs of the agricultural industry organisations they support:

- Cattle transaction levy: to maintain the cattle transaction levy at $5.00 per head beyond 31 December 2010;
- Nashi levy and export charge: to reduce the levy rate to zero, with effect from 1 January 2011;
- Ginger levy: to introduce a new research and development levy of 0.5 per cent of the sale price payable on fresh ginger, seed ginger and processing ginger that is produced in Australia and sold or processed in Australia, with effect from 1 April 2011; and
- Mushroom levy: to increase the annual threshold exemption level for mushroom spawn, upon which the mushroom levy is paid, with effect from 1 July 2011.

These changes to agricultural production levies were initiated by industry representative organisations. All revenue raised by the levies is provided directly to fund industry research and development or marketing programs. The Government will also continue to provide funding to match levies for research and development up to a cap, in accordance with existing co-investment arrangements.

ATTORNEY-GENERAL'S

Australia New Zealand Closer Economic Relations Trade Agreement — Amendments to product specific rules of origin

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Customs and Border Protection Service	-	..	..	..	..

The governments of Australia and New Zealand will amend the Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) rules of origin to provide greater consistency for exporters. Australia and New Zealand are committed to completing their domestic processes in time to give effect to the agreement from 1 January 2012.

The measure will change the rules of origin approach taken on a small number of tariff lines from a Regional Value Content approach based on the factory cost of a good, to a Change-in-Tariff Classification approach. Under a Change-in-Tariff Classification approach, goods are required to undergo sufficient processing to bring about a change in tariff classification. These amendments will result in rules of origin that provide consistency for exporters, and ensure that ANZCERTA reflects best practice. This measure has an ongoing negligible revenue impact.

National Security — Australian Security Intelligence Organisation maritime and airport security assessments — improved cost recovery

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Security Intelligence Organisation	-	1.3	1.3	1.3	1.3

The Government will achieve additional revenue of $5.2 million over four years from a more accurate recoupment of costs incurred by the Australian Security Intelligence Organisation for security assessments carried out on applicants for Maritime and Airport Security Identification Cards. These cards allow unescorted access to secure maritime and airport areas.

CLIMATE CHANGE AND ENERGY EFFICIENCY

Renewable Energy Target — reduction of the solar credits multiplier

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Office of the Renewable Energy Regulator	-	-0.3	-3.4	-4.2	-4.0

The Government will bring forward by one year, to 1 July 2013, the scheduled phase-out of the solar credits multiplier under the Renewable Energy Target. For systems installed between 1 July 2011 and 30 June 2012, the multiplier will be reduced to a factor of three, and for systems installed between 1 July 2012 and 30 June 2013 the multiplier will be reduced to a factor of two.

This measure will result in the Government receiving less revenue from fees for the creation and surrender of Renewable Energy Certificates and from the Renewable Energy Shortfall Charge. This will involve a cost to revenue estimated to be $11.9 million over four years.

See also the related expense measure titled *Renewable Energy Target — implementation of legislative amendments.*

EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS

Tertiary Education Quality and Standards Agency — cost recovery

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Department of Education, Employment and Workplace Relations	-	4.1	4.1	4.1	4.2

The Government will allow the Tertiary Education Quality and Standards Agency to charge fees to higher education providers on a cost recovery basis for the following activities:

- registration and re-registration of providers;
- accreditation and re-accreditation of courses;
- major variations to registrations and accreditations; and
- publication and provision of training programs.

The cost recovery arrangements are estimated to collect $16.5 million over four years to offset the costs incurred by the Tertiary Education Quality and Standards Agency in providing the above services.

The Government provided funding of $60.8 million over four years in the 2009-10 Budget to establish the Tertiary Education Quality and Standards Agency as an independent body with powers to regulate higher education providers, monitor quality and set standards. The legislation to establish the Tertiary Education Quality and Standards Agency will also include arrangements for cost recovery.

IMMIGRATION AND CITIZENSHIP

Visa Application Charge — increase

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Department of Immigration and Citizenship	-	62.2	71.0	75.9	85.7

From 1 July 2011, the Government will increase a number of visa application charges by 15 per cent. The changes will help offset the wider costs associated with the operation of the migration and temporary entrant program.

This increase in visa application charges will not apply to: tourist visas; student visas; second instalment investor retirement visas; second instalment contributory parent visas (which are increased in line with health, aged care and social security costs instead of by CPI); and humanitarian protection visas lodged in Australia, which are charged at a rate of $30 and not indexed.

A list of visa application charges is available on the Department of Immigration and Citizenship website: www.immi.gov.au.

This measure will increase revenue by $294.9 million over four years.

TREASURY

Abolish the Entrepreneurs' Tax Offset

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	-	180.0	185.0

The Government will abolish the Entrepreneurs’ Tax Offset (ETO), with effect from the 2012-13 income year. This measure has an ongoing gain to revenue estimated to be $365 million over the forward estimates period.

The ETO is poorly targeted, complex for taxpayers and may actually deter businesses from growing beyond the size that benefits from the concession. Small business will benefit from the Government’s small business tax reform package, including a new instant write-off for the first $5000 of a motor vehicle, to commence from the 2012-13 income year.

This reform implements a change recommended by the Australia’s Future Tax System Review, and continues the process of tax reform started in May last year with the release of the Government’s *Stronger, Fairer, Simpler* package of reforms.

Additional benefits agreement — Mauritius

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	..	..	..	..	..

The Government has signed an additional benefits agreement with Mauritius. This agreement allocates taxing rights between Australia and Mauritius over certain income derived by individuals. This measure will have an ongoing negligible revenue impact.

The agreement allocates taxing rights over income from pensions, annuities, government services and certain payments made to visiting students and business apprentices. The agreement also establishes an administrative mechanism to help resolve transfer pricing disputes between Australia and Mauritius.

This agreement was signed in conjunction with a tax information exchange agreement, which provides for bilateral cooperation to prevent tax avoidance and evasion.

Alternative fuels — delayed introduction of taxation and other changes

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Customs and Border Protection Service	-	2.0	-	-	-
Australian Taxation Office	-	-240.0	-199.0	-135.0	-69.0
Total	-	-238.0	-199.0	-135.0	-69.0
Related expense ($m)					
Australian Taxation Office	-	*-212.0*	*-199.0*	*-135.0*	*-69.0*

The Government will delay the introduction of excise and excise-equivalent customs duty on alternative fuels until 1 December 2011 in response to representations from industry to allow additional time to implement the tax changes.

The Government will also simplify the arrangements by applying transitional tax rates to gaseous fuels and biodiesel at the scheduled effective tax rates during the transition to 2015-16, instead of imposing tax at the final rate and providing offsetting production grants.

The Government will also make several other minor changes, including revising the unit of measurement of compressed and liquefied natural gas for taxation purposes from cents per litre to cents per kilogram, consistent with general industry practice.

These changes are expected to reduce the fiscal balance by $26 million over the forward estimates period.

Further information can be found in the press release of 24 January 2011 issued by the Assistant Treasurer.

Building Australia's Future Workforce — Dependent Spouse Tax Offset — phase-out

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	60.0	220.0	230.0	245.0

The Government will phase out the dependent spouse tax offset (DSTO) for taxpayers with a dependent spouse born on or after 1 July 1971. This reform addresses a barrier to participation by progressively removing the tax concession for taxpayers with a non-working spouse and no children.

Taxpayers with an invalid or permanently disabled spouse, supporting a carer, or people who are eligible for the zone, overseas forces and overseas civilian tax offsets will not be affected by this change.

This reform is consistent with the recommendations of the Australia's Future Tax System Review, and continues the process of tax reform started in May last year with the release of the Government's *Stronger, Fairer, Simpler* package of reforms.

This measure has an ongoing gain to revenue which is estimated to be $755 million over the forward estimates period.

Building Australia's Future Workforce — Low Income Tax Offset — bring forward

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-1,370.0	65.0	25.0	30.0

The Government will increase the amount of the low income tax offset (LITO) that is delivered to low and middle income earners through their regular pay during the year from 50 per cent to 70 per cent of their total entitlements. The remaining 30 per cent of their LITO benefit will still be paid as a lump sum on assessment of income tax returns. This adjustment will deliver up to $300 in more timely tax relief to low and middle income earners in the workforce. Individuals' total LITO entitlement in any one year remains unchanged. This measure will have effect from 1 July 2011.

This measure will have a $1.37 billion cost to revenue in the first year, associated with bringing forward the payment of the LITO in 2011-12, and subsequent years.

Capital gains tax — amendments to the scrip for scrip roll-over and the small business concessions

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	5.0	50.0	50.0	55.0

The Government will ensure that the scrip for scrip roll-over integrity provisions that apply to individuals and companies also apply appropriately to trusts, superannuation funds and life insurance companies.

The scrip for scrip roll-over integrity provisions apply to transactions where stakeholders in the target and acquiring entities have the potential to influence both entities. Some trusts, superannuation funds and life insurance companies consider the integrity provisions do not apply to them because as the stakeholders, they own the interests for the benefit of others (that is, the beneficiaries), rather than for their own benefit. This was never the intended interpretation of the integrity provisions, and so the Government will amend them to ensure that they apply effectively to all stakeholders.

A similar issue arises for the small business tax concessions. The Government will also ensure the provisions that limit access to a range of small business tax concessions are fully effective in that trusts will not be able to avoid being treated as connected entities for the purpose of testing eligibility for the concessions on the basis that trusts do not own assets for their own benefit. These changes will also ensure that some small businesses will be able to access the small business capital gains tax (CGT) concessions because the changes will make their business assets 'active'.

This measure will have effect for the scrip for scrip roll-over and small business CGT concessions for CGT events happening after 7.30pm (AEST) on 10 May 2011.

This measure will have an ongoing gain to revenue estimated to be $160 million over the forward estimates period.

Capital gains tax — exemption for incentives related to renewable resources or for preserving environmental benefits

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	*	*	*

The Government will exempt from capital gains tax (CGT) any gains or losses arising from a right to a financial incentive granted to taxpayers under an Australian government (Commonwealth, State or Territory) scheme that encourages them to acquire renewable resource assets (for instance, photovoltaic solar cells or solar hot water systems) or for their agreeing to preserve a part of Australia's environmental amenity (for instance, for refraining from removing remnant vegetation). This measure will also turn off the income tax recoupment rules in relation to any underlying assets (for instance, a solar hot water system) to ensure that the incentive keeps its full financial value. This measure will have an ongoing small unquantifiable revenue impact.

This measure will apply to income tax assessments for the 2007-08 income year and later income years.

The measure will remove any CGT impediments from the effective operation of Australian government environmental schemes.

Capital gains tax — extensions to the main residence exemption in relation to special disability trusts

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	*	*	*	*	*

The Government will extend the 2009-10 Budget measure that provides a capital gains tax (CGT) main residence exemption to special disability trusts (SDTs) with effect for income tax assessments for the 2006-07 and later income years. This measure is expected to have a small unquantifiable impact over the forward estimates period.

In particular, this measure backdates the CGT main residence exemption for SDTs and provides equivalent taxation treatment amongst SDTs established under different Acts. It also provides a CGT exemption for assets transferred into a SDT for no consideration. In addition the measure will provide a CGT exemption in the advent of the death of the principal beneficiary for the intended recipient of the principal beneficiary's main residence, if the recipient disposes of the dwelling within two years of the principal beneficiary's death.

Capital gains tax — limiting the trading stock exception for superannuation funds

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	5.0	5.0	5.0

The Government will remove the trading stock exception to the 'capital gains tax (CGT) primary code rule' for complying superannuation entities for specified assets, with effect from 7.30 pm (AEST) 10 May 2011. This measure has an ongoing gain to revenue estimated to be $15 million over the forward estimates period.

This measure will ensure gains or losses on specified assets (primarily shares, units in a trust and land) are subject to CGT, consistent with CGT being the primary code for taxing gains and losses of complying superannuation entities. A small number of complying superannuation entities are seeking to treat shares as trading stock, so as to deduct losses on their shares against income other than capital gains.

This measure also provides transitional rules to ensure that assets held or accounted for as trading stock before the time of announcement are unaffected.

Capital gains tax — minor amendments ensuring the proper functioning of the capital gains tax provisions

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	..	..	..	..	..

The Government will make a series of minor amendments to the income tax law to ensure the proper functioning of the capital gains tax (CGT) and associated provisions. This measure will have an ongoing negligible revenue impact.

The changes made by these measures include:

- Ensuring that the roll-over for the exchange of shares in one company for shares in another company operates properly, so that there is deferral of a profit or loss where the original shares are held on revenue account at the time of the exchange. This change will have effect from 7.30 pm (AEST) on 10 May 2011.

- Amending the roll-over for certain disposals of assets by a trust to allow roll-over relief to apply where a transferee company or trust holds rights, just before the disposal or transfer time, associated with a deed or similar document that is designed to facilitate the transfer of assets into the company or trust. These changes to the roll-over for the disposal of assets by a trust to a company will have effect for CGT events happening after 7.30 pm AEST on 10 May 2011 and the changes to the roll-over for the transfer of assets between certain trusts will have effect for CGT events happening on or after 1 November 2008.

- Ensuring that gains and losses arising from life insurance policies that are generally exempted from CGT are not then taxed under the ordinary income tax provisions by removing the exception to the 'CGT primary code' rule for such gains and losses. This will remove uncertainty in the application of income tax to compensation or damages payments made under life insurance policies. These changes will apply to CGT events happening in the 2005-06 income year and later income years.

- Legislating the current Tax Office practice of allowing a testamentary trust to distribute an asset of the deceased person without a CGT taxing point occurring. The income tax law in relation to deceased estates will also be rewritten using a principle based format and minor technical issues relating to deceased estates fixed. These changes will apply to CGT events happening on or after the day the legislation receives Royal Assent.

Capital gains tax and other roll-overs for amalgamations of indigenous corporations

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	*	*	*	*

The Government will amend the income tax laws to ensure that there are no immediate taxation consequences for *Corporations (Aboriginal and Torres Strait Islander) Act 2006 (*CATSI Act) corporations that amalgamate with one or more CATSI Act corporations, with effect for income tax assessments for the 2007-08 income year and later income years. This measure is expected to have a small but unquantifiable revenue impact.

The measure will provide a capital gains tax roll-over for members' interests in CATSI Act corporations that amalgamate, and will also provide a roll-over for any gains or losses realised by the original corporation when it ceases to own its CGT assets, revenue assets, trading stock and depreciating assets that become assets of the newly amalgamated entity.

These changes will remove impediments to CATSI Act corporations achieving efficiencies and help to ensure their long-term sustainability.

Crude oil excise — technical amendments

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	-	-	-

The Government will make several technical legislative amendments to ensure that condensate production is subject to crude oil excise as announced in the 2008-09 Budget. This measure has no revenue impact.

The amendments include changes to the *Excise Tariff Act 1921* to introduce a statutory definition of the production area 'Rankin Trend', and to ensure that production from 'Rankin Trend' does not represent 'exempt offshore oil and condensate'. The *Petroleum Excise (Prices) Act 1987* will be amended to clarify that determinations of Volume Weighted Average Realised Price, which are integral to the operation of the excise regime, are not invalidated merely by a failure to issue a notice to the producer.

The changes will take effect from midnight (AEST) on 13 May 2008, consistent with the original 2008-09 Budget measure.

Debt/equity tax rules — clarification of the scope of an integrity provision

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	*	*	*	*	*

The Government will amend the debt/equity tax rules to restrict the application of an integrity provision that deems an interest from an arrangement that funds a return through connected entities to be an equity interest under certain circumstances. The changes will ensure that this provision will only apply to arrangements where both the purpose and effect is that the ultimate investor has, in substance, an equity interest in the issuer company. Additionally, the integrity provision will not apply where the Commissioner considers that it would be unreasonable for the provision to apply.

The amendments will apply from the commencement of the debt/equity tax rules (generally 1 July 2001). This measure will have an ongoing unquantifiable but small revenue impact.

Debt/equity tax rules — extending the debt/equity transitional period for Upper Tier 2 capital instruments

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	*	*	*	*	*

The Government has extended the debt/equity transitional period for Upper Tier 2 capital instruments to 1 July 2011, with effect from the date of Royal Assent of the enabling legislation. This measure has an ongoing unquantifiable revenue impact that is not expected to be significant.

The extension will give issuers of relevant financial instruments, mainly Authorised Deposit-Taking Institutions, the opportunity to amend relevant instruments to come within the terms of regulations which were made on 10 March 2011. The new regulations ensure that certain Upper Tier 2 perpetual subordinated notes are not precluded from being a debt interest under the debt/equity tax rules. The measure will apply to Upper Tier 2 instruments issued before 1 July 2001.

Further information can be found in the press release of 20 April 2011 issued by the Assistant Treasurer and Minister for Financial Services and Superannuation.

Excise and excise-equivalent customs duty — refunds, remissions and drawbacks

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	15.0	16.0	18.0	19.0	20.0
Australian Customs and Border Protection Service	9.7	12.1	13.4	14.1	15.1
Total	24.7	28.1	31.4	33.1	35.1

The Government will not proceed with the 2007-08 Budget measure to expand access to refunds, remissions and drawbacks of duty for particular excisable goods.

In developing the legislation, compliance and administration issues emerged, raising concern that the proposed legislative amendments would impose unforseen compliance and administration costs.

Not proceeding with this measure will save $152.4 million over five years (including $24.7 million in 2010-11).

Extension of the temporary loss relief for superannuation funds mergers by three months

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	*	*	*

The Government has extended the end date of the temporary loss relief for complying superannuation fund mergers by three months, from 30 June 2011 until 30 September 2011, to provide additional time for mergers in progress to be completed. This extension has an unquantifiable but small revenue impact.

The additional three months will allow affected funds to complete their merger transactions in an orderly manner. It will also reduce the risk of inadvertent breaches of the eligibility requirements for the current loss relief that may potentially prevent the merging funds from accessing the loss relief.

Further information about the extension can be found in the press release of 3 May 2011 issued by the Assistant Treasurer and Minister for Financial Services and Superannuation.

Farm Management Deposits — early access for primary producers suffering natural disasters and improved administration arrangements

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	*	*	*	*

The Government will allow primary producers affected by natural disasters to access their farm management deposits (FMDs) within 12 months of making a deposit while retaining concessional tax treatment under the scheme. This measure provides the same taxation relief as provided to primary producers affected by severe drought to those who are affected by other types of natural disaster. This measure has an ongoing unquantifiable revenue impact.

The Government will also make some minor changes to the administration of the FMD scheme which will require more timely and frequent reporting from authorised deposit taking institutions holding FMDs and allow primary producers to hold FMDs with more than one financial institution. The Government will also amend the unclaimed monies provisions of the *Banking Act 1959* so that FMD accounts that have not been operated for at least seven years are only treated as unclaimed monies if the financial institution is unable to contact the FMD holder following reasonable efforts to do so.

Fringe benefits tax — exemption for Australian residents working in remote areas overseas under fly-in fly-out arrangements

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	-	-	-

The Government will extend the fringe benefits tax (FBT) exemption for domestic fly-in fly-out arrangements to cover Australian residents working in remote areas overseas. This measure will apply from 1 July 2009 and has no revenue impact.

Currently, transport from an employee's usual place of residence to their usual place of employment for employees working in remote areas of Australia under fly-in fly-out arrangements is exempt from FBT.

In line with the current arrangements, the expanded exemption will only apply where employees cannot live anywhere other than in employer-provided accommodation at or near the work site, and no reasonable alternative accommodation is available.

Fringe benefits tax — reform of the car fringe benefit rules

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	5.0	30.0	140.0	335.0	460.0
Related expense ($m)					
Department of the Treasury	-	*5.0*	*10.0*	*15.0*	*20.0*
Department of Families, Housing, Community Services and Indigenous Affairs	-	*-1.4*	*-5.4*	*-11.2*	*-15.9*
Total	-	*3.6*	*4.6*	*3.8*	*4.1*

The Government will reform the current 'statutory formula' method for determining the taxable value of car fringe benefits by replacing the current statutory rates with a single rate of 20 per cent that applies regardless of the distance travelled. This reform will remove the current incentive for people to drive salary-sacrificed and employer-provided vehicles further to increase their tax concession. This reform will apply to new contracts entered into after 7:30pm (AEST) on 10 May 2011, and will be phased in over four years.

Under the current statutory formula method, the calculated car fringe benefit decreases as the distance travelled by the vehicle increases. People can therefore increase their tax concession by driving their vehicle further. This reform will remove the unintended tax incentive for people to drive more to access higher concessions.

This measure has an ongoing gain to revenue estimated to be $970 million over the forward estimates. This measure is also expected to increase GST payments to the States by $50 million over this period and decrease Government expenditure by $33.9 million over that same period.

This reform implements another recommendation of the Australia's Future Tax System Review, and continues the process of tax reform started in May last year with the release of the Government's *Stronger, Fairer, Simpler* package of reforms.

Functional currency rules — extending the range of entities that can use a functional currency

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	*	*	*	*	*

The Government will allow certain trusts and partnerships that keep their accounts solely or predominantly in a particular foreign currency to calculate their net income by reference to that currency. This measure will take effect from the date of Royal Assent of the amending legislation and has an ongoing unquantifiable but small revenue impact.

General interest charge — ensuring its continuous operation

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	-	-	-

The Government will rectify a technical deficiency with the law relating to the general interest charge (GIC) that prevents the ongoing imposition of the GIC in some circumstances. The amendments will have effect from 1 July 2010. This measure has no revenue impact.

The tax law imposes an interest charge, known as the GIC, for the late payment of income tax and shortfall interest charge (SIC) liabilities. However, a deficiency arose from the rewrite and transfer of the GIC rules from the *Income Tax Assessment Act 1936* to the *Income Tax Assessment Act 1997* in 2010. The current transitional rules do not impose GIC on income tax and SIC liabilities due on or after 1 July 2010 which relate to financial years ending on 30 June 2010 or earlier.

GST — treatment of new residential premises

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	20.0	10.0	10.0	10.0	10.0
Related expense ($m)					
Department of the Treasury	*15.0*	*10.0*	*10.0*	*10.0*	*10.0*

The Government will amend the goods and services tax (GST) law to protect the GST revenue base and to ensure the law applies appropriately to supplies of new residential premises. This measure results in an ongoing gain to GST revenue which is estimated to be $60 million over the forward estimates period, with cash receipts from this measure paid to the States and Territories. This results in additional payments of $55 million to the States and Territories over the forward estimates period, with the difference between payments due to a timing delay between the accrual of GST revenue and cash collections.

This measure restores the policy intent of the law following a recent Federal Court decision (*Commissioner of Taxation v Gloxinia Investments (Trustee)* [2010] FCAFC 46) which found that the sale by developers of certain newly constructed residential premises to owner-occupiers and investors was input taxed rather than taxable. The measure ensures that GST applies to the value added to real property by developers constructing new residential premises.

The amendments will ensure that:

- from 3 October 2007, new residential premises constructed under development lease arrangements are treated as taxable supplies;

- from 1 July 2000, the granting of individual strata lot leases over newly constructed residential premises is not sufficient by itself to make future supplies of the premises input taxed; and
- from 1 July 2000, any change in property title arrangements will not result in the premises once again becoming new residential premises.

Transitional arrangements will apply to ensure that taxpayers who entered into arrangements on a basis consistent with the Court's findings, prior to the Government's announcement on 27 January 2011, are not disadvantaged.

Further information can be found in the press release of 27 January 2011 issued by the Assistant Treasurer and Minister for Financial Services and Superannuation.

GST — treatment of property in possession of a mortgagee

Revenue ($m)	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	-	-	-
Related expense ($m)					
Department of the Treasury	-	-	-	-	-

The Government will amend the goods and services tax (GST) law in relation to the mortgage lending sector to clarify its operation and reduce compliance costs, with effect from 1 July 2012. This measure has no revenue impact.

The measure will clarify that Division 105 of the GST Act operates to the exclusion of Division 58 of the GST Act where a mortgagee in possession or control sells the property of a corporation. This will provide certainty and reduce compliance costs for entities in the mortgage lending sector by allowing mortgagees in possession or control of property of corporations to continue to report and account for their GST obligations under a single registration.

GST — certain supplies to health insurers

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	-	-	-
Related expense ($m)					
Department of the Treasury	-	-	-	-	-

The Government will amend the goods and services tax (GST) law to ensure that certain supplies made to health insurers in the course of settling health insurance claims will be GST-free with effect from 1 July 2000. This follows the decision of the Full Federal Court in *Commissioner of Taxation v Secretary to the Department of Transport (Victoria)* [2010] FCAFC 84. This measure will have no revenue impact and no impact on GST payments to the States and Territories, as the legislative amendment restores the status quo.

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

GST — Government response to Board of Taxation report: minor changes

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	*	*	*	*
Related expense ($m)					
Department of the Treasury	-	*	*	*	*

The Government will defer the start date for a number of components of the 2009-10 Budget measure implementing recommendations of the Board of Taxation's review of the legal framework for the administration of the goods and services tax (GST) that were to commence from 1 July 2011. The revised start date will be the first quarterly tax period after Royal Assent, or, where appropriate, a later quarterly tax period after Royal Assent. This measure will have an unquantifiable revenue impact and an unquantifiable impact on GST payments to the States and Territories.

The revised start dates will apply to the following components of the 2009-10 Budget measure:

- adopt the income tax self assessment regime for indirect taxes and refresh the period of review;
- reform the change of use adjustments;
- allow adjustments for pre-registration acquisitions;
- clarify the treatment of tax law partnerships;

- simplify the GST grouping membership rules, including grandfathering of current membership rules, and allowing grouping of non-operating holding companies and trusts;
- amending indirect tax sharing agreement provisions; and
- introduce a reverse charge for supplies of going concerns and farmland.

This measure will allow additional time for the development of these components in consultation with taxpayers.

The Government will also not proceed at this stage with the component of the 2009-10 Budget measure to provide an option to treat certain business-to-business supplies as taxable, which was scheduled to take effect on 1 July 2010. The deferral will enable more extensive consideration of the possible wider use of reverse charging or GST-free business-to-business transactions.

GST — providing businesses in a net refund position with access to the GST instalment system

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	*	*	*
Related expense ($m)					
Department of the Treasury	-	-	*	*	*

The Government will extend the current goods and services tax (GST) instalment system to allow access for small businesses that are in a net refund position. The measure will come into effect following Royal Assent of the enabling legislation. This measure will have an ongoing unquantifiable but minimal revenue impact and an ongoing unquantifiable but minimal impact on payments to the States and Territories.

The current legislation does not allow a business that is in a net refund position to pay GST by instalments. A business is in a net refund position when it is entitled to receive more input tax credits on its purchases than it is required to pay GST on its sales.

This measure will allow small businesses in a net refund position to choose to access the GST instalments system, with an instalment amount each quarter of zero. Any refunds or liability due to the taxpayer will be reconciled in their annual GST return.

Improvements to the company loss recoupment rules

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	*	*	*	*

The Government will improve the operation of the company loss recoupment rules by making it easier for companies to satisfy the continuity of ownership test in certain circumstances, with effect from the 2011-12 income year. The measure will have an ongoing unquantifiable but minimal cost to revenue.

A company can deduct prior year losses if it satisfies the continuity of ownership test or the same business test. This measure will modify the continuity of ownership test so that ownership does not need to be traced through certain superannuation entities. It will also remove technical deficiencies in the modified rules for widely held entities where:

- an entity is interposed between certain stakeholders and the loss company in certain circumstances;
- an interposed entity demerges;
- an interposed foreign entity issues bearer depository receipts; or
- a corporate change arising from the issue of new shares happens.

This measure will also ensure that all membership interests held in an entity are treated as a single asset for the purpose of applying the low value asset exclusions under the loss integrity rules.

Income tax — expanding the definition of exploration to include geothermal energy

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	-	-5.0	-5.0

The Government will incorporate geothermal exploration into the wider definition of exploration, with effect from 1 July 2012.

This measure is consistent with advice on this matter from the Policy Transition Group (PTG). The PTG was established to advise on the development of the technical design of the Minerals Resource Rent Tax and the transition of existing petroleum projects to the Petroleum Resource Rent Tax regime.

Geothermal energy is an emerging energy source with significant potential to provide emissions free energy in Australia. Geothermal exploration requires deep drilling and exploration which involves relatively high capital costs. Currently, geothermal exploration expenditure does not attract the same tax treatment as applies to traditional hydrocarbon energy sources that require exploration and drilling.

This measure is expected to cost $10 million over the forward estimates period.

See also the related revenue measure titled *Minerals Resource Rent Tax — adoption of recommendations of the Policy Transition Group.*

Income tax relief for water reforms

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	*	*	*	*

The Government will ensure that income tax, including capital gains tax (CGT), does not discourage State and Territory reforms to streamline governance arrangements applying to private water supply and drainage systems. This measure has an unquantifiable but small revenue impact over the forward estimates period.

This measure will provide CGT and capital allowance roll-overs to ensure that taxation is not an impediment to water reforms implemented by State and Territory governments. These State and Territory government reforms provide greater certainty to taxpayers about the application of the federal *Water Market Rules 2009*, remove unnecessary regulation and give water users flexibility to reconfigure their water delivery systems.

This measure will apply to income tax assessments for the 2009-10 income year and later income years.

Infrastructure — enhanced loss utilisation for designated projects

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	-	*	*

The Government will uplift project losses associated with designated infrastructure projects at the government bond rate and exempt those losses from the continuity of ownership test and the same business test, with effect from the date of Royal Assent of the enabling legislation. This measure has a small unquantifiable revenue impact over the forward estimates period given the lead times in building and earning income from infrastructure.

Infrastructure projects often experience long lead times between incurring deductible expenditure and earning income leading to tax losses being incurred in the early stages of the project. Under current arrangements, this leads to the erosion of the real value of tax deductions over time. Further, investors face a risk that a change in ownership of an infrastructure project and change in business operation, means future owners will not be able to access previous years' losses.

A decision maker will be empowered to confer designated infrastructure project status on privately financed public infrastructure of national significance based on a range of criteria, including a global capital expenditure cap of $25 billion over the period from Royal Assent of the enabling legislation to 30 June 2017.

This measure improves certainty for investors by ensuring that the value of losses will be maintained through time and making it more likely they will be able to utilise their tax losses.

This reform is consistent with the recommendations of the Australia's Future Tax System Review, and continues the process of tax reform started in May last year with the release of the Government's *Stronger, Fairer, Simpler* package of reforms.

See also the related expense measure titled *Infrastructure Australia — expansion.*

International tax — Interim Investment Manager Regime

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	*	*	*	*

The Government will introduce interim Investment Manager Regime (IMR) arrangements to address uncertainty regarding the taxation arrangements for certain portfolio investment income of foreign managed funds. This measure will have an unquantifiable but small cost to revenue over the forward estimates period.

Under this measure, the Government will amend the law so that where a foreign managed fund has never lodged an Australian tax return, the Australian Taxation Office will generally not raise an assessment in respect of certain portfolio investment income of the fund for the 2010-11 or prior income years. This measure, which was initially announced on 17 December 2010 to apply for the 2009-10 and prior income years, has been extended to 2010-11 as part of this Budget. The Government's actions will improve investor certainty in relation to the treatment of past transactions of foreign managed funds.

The Government will also amend the law to provide that to the extent relevant investment income of a foreign managed fund is taxed only because the fund is taken to have a 'permanent establishment' in Australia, such income will be exempt from tax (except for the arm's length fee for services provided by Australian investment advisors). This will remove an impediment to foreign funds engaging Australian investment advisers to manage primarily offshore assets, and will apply to the 2010-11 and later income years.

Further details can be found in the press releases issued by the Assistant Treasurer and Minister for Financial Services and Superannuation of 17 December 2010 and 19 January 2011.

International tax — tax information exchange agreements

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	*	*	*	*	*

The Government has signed tax information exchange agreements with Montserrat and Mauritius, which entered into force on 1 July 2010 and 1 January 2011 respectively. This measure is expected to have an ongoing unquantifiable but small increase in revenue.

This measure allows for the full exchange of information in relation to Australia's federal taxes and the taxes of Montserrat and Mauritius.

Since the beginning of 2010 the Government has signed tax information exchange agreements with 16 countries.

International tax — update to the list of countries that have effective exchange of information arrangements with Australia

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-15.0	-20.0	-22.0	-24.0

The Government will update the list of countries reported in the *Taxation Administration Regulations 1976* whose residents are eligible to access a reduced rate of withholding tax on certain distributions from Australian managed investment trusts. This measure has an ongoing cost to revenue, estimated at $81 million over the forward estimates period.

The reduced withholding tax rate is restricted to residents of countries with which Australia has effective exchange of information arrangements and which are listed in the Regulations. This requirement safeguards the integrity of the managed investment trust withholding tax system and signals Australia's commitment to using effective exchange of information to reduce opportunities for international tax evasion and avoidance.

This measure updates the list to include Belize; the Cayman Islands; the Commonwealth of the Bahamas; the Principality of Monaco; the Republic of San Marino; the Republic of Singapore; St Christopher and Nevis; and St Vincent and the Grenadines.

Look-through treatment for instalment warrants and similar arrangements

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	..	..	..	..	..

The Government will extend the look-through treatment of instalment warrants for income tax purposes, with effect for income tax assessments for the 2007-08 income year and later income years. This measure has an ongoing negligible revenue impact.

This measure will extend look-through treatment beyond single exchange traded securities to instalment warrants and receipts over direct and indirect interests in listed securities, as well as unlisted securities in widely held entities and bundles of these assets. This will confirm the practice of treating an investor in an instalment warrant or instalment receipt over specified assets as the owner of the security for income tax purposes. As a result, there will be no capital gains tax applicable at the time the last instalment is paid for instalment warrants over these types of assets.

Further information can be found in the press release of 17 January 2011 issued by the Assistant Treasurer.

Luxury car tax — tax-free importation of cars by public museums

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-0.5	-0.5	-0.5	-0.5

The Government will amend the luxury car tax legislation to allow eligible entities, such as endorsed public museums and art galleries, to import cars free from the luxury car tax. The change will apply from the date of Royal Assent of the enabling legislation and will cost $2 million over the forward estimates period.

This measure will ensure consistent treatment of imports by these entities which are currently able to import works of art or collectors' pieces free from Customs duty and goods and services tax. Allowing imports of museum pieces by these entities to be free of all import taxes will bring Australia fully into line with our international treaty obligations.

Minerals Resource Rent Tax — adoption of recommendations of the Policy Transition Group

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	..	..	..

The Government will adopt the recommendations of the Policy Transition Group (PTG) as the basis of the detailed design for Australia's new resource tax arrangements.

The PTG was established to advise on the development of the technical design of the Minerals Resource Rent Tax (MRRT) and the transition of existing petroleum projects to the Petroleum Resource Rent Tax (PRRT) regime. The PTG made 94 recommendations on the new resource tax arrangements relating to the MRRT and the PRRT extension and four additional recommendations on exploration.

With respect to the MRRT, key PTG recommendations cover issues regarding the taxing point, starting base and starting base losses, deductions and test for deductibility, a phased extension of the $50 million threshold and transferability of expenditure and project losses.

Overall the PTG recommendations are estimated to have no net impact on the Budget over the forward estimates.

See also the related revenue measure titled *Income tax – expanding the definition of exploration to include geothermal energy.*

Natural Disaster Recovery and Rebuilding — exempting Disaster Income Recovery Subsidy (flood relief) payments from income tax

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	-	-	-

The Government has made the Disaster Income Recovery Subsidy payments for the recent floods in Australia and for Cyclone Yasi exempt from income tax.

The Disaster Income Recovery Subsidy provides financial assistance to employees, small business owners and farmers who have experienced a loss of income as a direct consequence of the flooding that commenced on 29 November 2010, or Cyclone Yasi.

The Government has also made the ex-gratia payments to New Zealand non-protected special category visa holders affected by the 2010-11 disasters in Australia exempt from income tax. These ex-gratia payments are equivalent to the tax-exempt Australian Government Disaster Recovery Payment (AGDRP) and provide assistance to New Zealanders who would have been eligible for AGDRP, but for their visa status.

This measure has no revenue impact.

This measure is one of a range of actions taken by the Government to support individuals, businesses and local communities affected by natural disasters in 2010-11 to recover and rebuild.

Natural Disaster Recovery and Rebuilding — tax treatment of clean up and recovery business assistance grants

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-55.0	-30.0	-10.0	-3.0

The Government will provide an income tax exemption for certain Category C clean up and recovery grants paid to small businesses and primary producers under the Natural Disaster Relief and Recovery Arrangements. The exemption will apply where the grants relate to flooding that occurred in Australia on or after 29 November 2010, and those small businesses and primary producers affected by Cyclone Yasi. The payments will be made non-assessable non-exempt income.

This measure has a cost to revenue estimated at $98 million over the forward estimates period.

This measure is one of a range of actions taken by the Government to support individuals, businesses and local communities affected by natural disasters in 2010-11 to recover and rebuild.

Natural Disaster Recovery and Rebuilding — Temporary flood and cyclone reconstruction levy

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	1,500.0	225.0	-	-
Related expense ($m)					
Australian Taxation Office	*2.8*	*7.4*	*7.0*	*2.9*	-
Related capital ($m)					
Australian Taxation Office	*1.1*	-	-	-	-

The Government will introduce a temporary flood and cyclone reconstruction levy from 1 July 2011 to contribute towards the cost of rebuilding flood and cyclone affected regions. This measure will apply only for the 2011-12 income year. This measure has a gain to revenue estimated to be $1.725 billion over the forward estimates period.

Those taxpayers with a taxable income in 2011-12 of $50,000 or less will not pay the levy. Taxpayers with taxable income between $50,001 and $100,000 will pay 0.5 per cent of their taxable income above $50,000. Taxpayers with taxable income over $100,000 will pay 0.5 per cent of their taxable income between $50,001 and $100,000 and 1.0 per cent of their taxable income over $100,000.

The Government has also provided some specific exemptions from the levy to anyone who:

- received an Australian Government Disaster Recovery Payment (AGDRP) for a disaster event in 2010-11;
- is directly affected by a National Disaster Recovery and Relief Arrangements (NDRRA) declared disaster in 2010-11 and would have met the AGDRP criteria; or
- is a New Zealand non-protected special category visa holder who received an ex-gratia payment from the Australian Government in relation to a disaster that occurred in 2010-11.

There will be a related expense of $19.9 million over the forward estimates period for the Australian Taxation Office to administer this measure.

Capital funding of $1.1 million will be provided to the Australian Tax Office.

This measure is one of a range of actions taken by the Government to support individuals, businesses and local communities affected by natural disasters in 2010-11 to recover and rebuild.

New tax system for managed investment trusts — clarifying the 2010-11 Budget measure

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	50.0	20.0	5.0

The Government will defer the start date and clarify aspects of the new tax system for managed investment trusts (MITs) announced on 7 May 2010.

This measure will defer by 12 months the start date of the new tax system for MITs to 1 July 2012. This will provide MITs and other parts of the financial services industry with sufficient time to make any necessary trust deed amendments and systems changes to operate effectively within the new tax system.

In addition, the measure will make two minor changes to the new tax system for MITs to facilitate the entry of MITs into the new tax system and to reduce compliance costs for MITs and beneficiaries.

This measure has a gain to revenue estimated to be $75 million over the forward estimates period.

Further information can be found in the press release of 8 April 2011 issued by the Assistant Treasurer and Minister for Financial Services and Superannuation.

Not-for-profit sector reforms — better targeting of not-for-profit tax concessions

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	-	-	-

The Government will reform the tax concessions provided to not-for-profit (NFP) entities to ensure they are targeted only at those activities that directly further a NFP's altruistic purposes. The new arrangements will commence on 1 July 2011 and will initially affect only new unrelated commercial activities that commence after 10 May 2011.

Under this measure, the NFP income tax concessions will only apply to profits generated by unrelated commercial activities that are directed back to a NFP entity to carry out its altruistic work. This means NFP entities will pay income tax on profits from their unrelated commercial activities that are not directed back to their altruistic purpose (that is, the earnings they retain in their commercial undertaking).

NFP entities, in respect of their unrelated commercial activities, will also not have access to the fringe benefits tax exemptions or rebate, goods and services tax concessions, or deductible gift recipient support in relation to those activities.

Commercial activities that further a NFP entity's altruistic purposes, and small-scale and low-risk unrelated commercial activities, will not be affected by the reforms.

NFP entities with existing unrelated commercial activities will initially be able to continue to use their tax concessions to support these activities. The Government will consult on transitional arrangements for these existing activities, with the intention of phasing these out over time.

NFP entities that have entered into a government service delivery contract as at 10 May 2011 will be allowed to use their tax concessions in support of that contract. Likewise, the 50,000 National Rental Affordability Scheme allocations will be unaffected by the tax changes.

See also the related expense measure titled *Not-for-profit sector reforms — Australian Charities and Not-for-profits Commision — establishment,* and the related revenue measure titled *Not-for-profit sector reforms — introducing a statutory definition of 'charity'.*

Not-for-profit sector reforms — introducing a statutory definition of 'charity'

Revenue ($m)	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	-	-	-
Related expense ($m)					
Australian Taxation Office	-	-	*0.7*	*1.6*	*0.6*

The Government will consult on and introduce a statutory definition of 'charity' for all Commonwealth laws to take effect from 1 July 2013. It will be based on the 2001 *Report of the Inquiry into the Definition of Charities and Related Organisations*, taking account of the findings of recent judicial decisions, such as *Aid/Watch Incorporated v Commissioner of Taxation*. This measure is not expected to have an impact on revenue.

The Government will also consult with the states and territories with the intention of developing and introducing a definition of 'charity' that can be adopted by all jurisdictions. The adoption of a consistent definition across all jurisdictions would considerably assist the sector.

The Government will provide the proposed Australian Charities and Not-for-profits Commission with $2.9 million over four years to develop new guidance for the sector, implement system changes, and re-assess the charitable status of entities on the basis of the new statutory definition.

This measure is part of the Government's commitment to *Not-for-profit sector reforms,* which aim to deliver smarter regulation, reduce red tape and improve transparency and accountability of the sector.

This reform progresses another recommendation of the Australia's Future Tax System Review, and continues the process of tax reform started in May last year with the release of the Government's *Stronger, Fairer, Simpler* package of reforms.

See also the related expense measure titled *Not-for-profit sector reforms – Australian Charities and Not-for-profits Commission – establishment,* and the related revenue measure titled *Not-for-profit sector reforms – better targeting of not-for-profit tax concessions.*

Pacific Seasonal Worker Pilot Scheme — improved tax treatment

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-0.8	-	-	-

The Government will reduce the bottom marginal tax rate for non-resident individuals participating in the Pacific Seasonal Worker Pilot Scheme (the Scheme) to 15 per cent. This rate will apply from the first dollar of income up to $37,000, with effect from the 2011-12 income year. The measure will have a cost to revenue of $0.8 million.

Currently, scheme participants face a marginal tax rate of 29 per cent from the first dollar of income up to $37,000. The 15 per cent rate is more appropriate to the circumstances of participants in the Scheme and, by improving remittance outcomes, will also strengthen the development and strategic objectives of the Scheme.

The 15 per cent rate reflects the marginal tax rate that would usually apply to Australian residents earning a similar level of income to participants in the Scheme. However, workers qualifying for the reduced rate will not have access to the tax free threshold or low income tax offset.

Pay As You Go (PAYG) instalment taxpayers — reduction in the gross domestic product (GDP) adjustment factor

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-700.0	700.0	-	-

The Government will reduce the GDP adjustment factor for PAYG instalment taxpayers who use the GDP adjustment method, from 8 per cent (which is the rate that would apply for the 2011-12 income year under the current law) to 4 per cent for the 2011-12 income year. This measure is estimated to be revenue neutral over the forward estimates period.

The GDP adjustment factor for the PAYG instalment taxpayers increases the previous year’s adjusted taxable income by the previous year’s nominal GDP growth, to determine the tax instalments to be paid in the income year.

The GDP adjustment method is used by the overwhelming majority of taxpayers required to pay quarterly income tax instalments, mainly small businesses, but also some individual investors, certain trustees and small superannuation funds. This measure provides a significant cash flow benefit to such tax payers who are required to remit less income tax instalments in 2011-12. The measure also smooths the transition from the two per cent GDP adjustment that has applied for the last two years as the economy recovered from the GFC.

Personal income tax — disallow deductions against government assistance payments

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	-	-	-

The Government will amend the tax law to prevent deductions being claimed against all government assistance payments, with effect from 1 July 2011, in response to the 2010 High Court decision in *Commissioner of Taxation v Anstis*.

This measure will maintain the integrity of the deductions system and provide certainty as to the scope of eligible deductions. As it seeks to restore the previous policy intent, and because the impact of the High Court decision for income years 2010-11 and earlier has already been incorporated into the Budget, this measure has no revenue impact over the forward estimates period.

Commencing the measure from 1 July 2011 will allow individuals who receive Youth Allowance (Student) to claim a deduction for expenses incurred in gaining their payment for the 2010-11 income year. This is to ensure individuals who have maintained records of their expenditure following the High Court decision are not precluded from claiming a deduction. For each of the years 2006-07 to 2009-10, the Commissioner of Taxation has determined that he will administer the law to allow eligible taxpayers to receive an automatic deduction of $550 or make potentially higher claims if expenses can be substantiated.

Further details can be found in the press release of 17 December 2010 issued by the Assistant Treasurer and Minister for Financial Services and Superannuation.

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

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-50.0	-25.0	-25.0	-25.0

The Government will increase the Medicare levy low income thresholds to $18,839 for individuals and $31,789 for families, with effect from 1 July 2010. This measure has an ongoing cost to revenue which is estimated to be $125 million over the forward estimates period.

The additional amount of threshold for each dependent child or student will also increase to $2,919. The increase in these thresholds takes into account movements in the Consumer Price Index and ensures that low income families and individuals are not liable to pay the Medicare levy.

The Government will also increase the Medicare levy threshold for single pensioners below Age Pension age to $30,439, with effect from 1 July 2010. This increase will ensure that pensioners below Age Pension age do not pay the Medicare levy when they do not have an income tax liability.

Personal income tax — removing minors' eligibility for low income tax offset on unearned income

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	240.0	250.0	250.0

The Government will remove the ability of minors (children under 18 years of age) to access the low income tax offset (LITO) to reduce tax payable on their unearned income, such as dividends, interest, rent, royalties and other income from property, with effect from 1 July 2011.

This measure will discourage income splitting between adults and children.

Income earned by minors from work will still be eligible for the full benefit of the LITO. Unearned income of minors who are orphans or disabled, as well as compensation payments and inheritances received by minors, will not be affected by this measure.

This measure has an ongoing gain to revenue, estimated at $740 million over the forward estimates period.

Petroleum Resource Rent Tax — clarifying the taxing point

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	-	-	-

The Government will amend the tax law to provide greater certainty around how the taxing point is calculated for the purposes of the Petroleum Resource Rent Tax (PRRT), with effect from 1 July 1990. This measure will confirm existing application of the PRRT in relation to the taxing point and will provide greater certainty for PRRT taxpayers.

The location of the taxing point within a PRRT project is used in determining PRRT liabilities, and was the central issue recently considered by the Federal Court in *Esso Australia Resources Pty Ltd v The Commissioner of Taxation*.

The amendments will provide further statutory support for the Court's judgment, and will be consistent with the established application of the PRRT law. As such, this measure has no revenue impact.

Philanthropy — updating the list of specifcally listed deductible gift recipients

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-0.7	-	-	-

Since the *Mid-Year Economic and Fiscal Outlook 2010-11*, the following organisations have been approved as deductible gift recipients (DGRs):

- The Christchurch Earthquake Appeal Trust, from 22 March 2011 to 22 March 2013.

Taxpayers may claim an income tax deduction for certain gifts of money or property to DGRs. This measure has an estimated cost to revenue of $0.7 million in 2011-12.

Reduction in the minimum payment amounts for account-based pensions in 2011-12

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-2.0	-5.0	-	-
Related expense ($m)					
Department of Families, Housing, Community Services and Indigenous Affairs	-	*9.0*	-	-	-

The Government will phase out the pension drawdown relief that has been provided over the last three years. Minimum payment amounts for account-based, allocated and market linked (term allocated) pensions will be reduced by 25 per cent for 2011-12 and will return to normal in 2012-13. This measure has an estimated cost to revenue of $7 million over two years. The measure is also expected to increase Government expenditure by $9 million in 2011-12 through higher pension outlays.

Reducing the minimum payment amounts for account-based pensions will assist holders of these products to recoup capital losses incurred as a result of the global financial crisis. The Government previously provided pension drawdown relief in the 2008-09, 2009-10 and 2010-11 years by halving the minimum payment amounts.

Securities lending arrangements tax rules — extending the scope to address insolvency issues

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	*	*	*	*

The Government will amend the tax rules for securities lending arrangements to ensure that the lender under a securities lending arrangement is treated as not having disposed of the lent securities where:

- the borrower does not return the securities, or identical securities, within 12 months due to the borrower's insolvency; and
- no later than 30 days after the resulting default (or within such longer period that the Commissioner of Taxation allows), the lender restores their original position prior to the securities lending arrangement by using the collateral received under the arrangement to purchase identical securities.

The amendments will apply to securities lending arrangements in existence as at 1 July 2008 and those arrangements entered on or after that date. This measure has an ongoing unquantifiable but small revenue impact.

The Government will also consult on whether and, if so, what changes are required to address the suspension of securities on a stock exchange.

Small business depreciation — accelerated initial deduction for motor vehicles

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	-	-200.0	-150.0

The Government will allow small businesses to claim up to $5,000 as an immediate deduction for motor vehicles, with effect for vehicles acquired from the 2012-13 income year. The remainder of the motor vehicle value will be pooled in the general small business pool (depreciated at 15 per cent in the first year and then 30 per cent). This measure is estimated to have a cost to revenue of $350 million over the forward estimates period.

Under the existing simplified depreciation rules for small business, motor vehicles are pooled in the general small business pool and depreciated at 30 per cent (15 per cent in the first year).

The Government has previously announced that any new business asset worth less than $5,000 can be written off immediately from the 2012-13 income year.

Motor vehicles, like cars and vans, are major assets used by many small businesses. Small businesses will benefit from accelerated depreciation for motor vehicles through increased cash flow and a reduction in tax payable, which will allow them to reinvest in their businesses' growth and expansion.

This reform is consistent with the recommendations of the Australia's Future Tax System Review, and continues the process of tax reform started in May last year with the release of the Government's *Stronger, Fairer, Simpler* package of reforms.

Superannuation — greater use of tax file numbers

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	*	*	*	*

The Government will allow superannuation fund trustees and retirement savings account (RSA) providers to make greater use of tax file numbers (TFNs) to locate member accounts and to facilitate the consolidation of multiple member accounts. This measure has an ongoing unquantifiable but minimal cost to revenue.

This measure will improve superannuation industry administration by removing the existing requirement for fund trustees and RSA providers to use other methods of identification to locate accounts before TFNs can be used, with effect from 1 July 2011. It will also assist fund trustees and RSA providers to carry out more efficient consolidation of multiple member accounts, with effect from 1 January 2012, if not proclaimed earlier.

This measure delivers on the Government's election commitment.

Superannuation — refund of excess concessional contributions

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-0.8	-13.6	-3.3	-2.2
Related expense ($m)					
Australian Taxation Office	-	*3.1*	*4.3*	*5.1*	*3.2*

The Government will provide eligible individuals with the option to have excess concessional contributions taken out of their superannuation fund and assessed as income at their marginal rate of tax, rather than incurring excess contributions tax.

The measure will apply where an individual has made excess concessional contributions of up to $10,000 (not indexed) in a particular year and is only available for breaches in respect of 2011-12 or later years, and only for the first year, commencing from 2011-12, in which a breach occurs.

Excess contributions tax is incurred where an individual exceeds their concessional contributions cap. Concessional contributions include compulsory superannuation guarantee payments, salary sacrifice contributions, and other deductible contributions. Excess concessional contributions are taxed at 31.5 per cent, in addition to 15 per cent tax when contributions are made to the fund.

This measure makes the super system fairer by allowing those who have breached the cap for the first time, by $10,000 or less, the option to have these contributions refunded and taxed at their potentially lower marginal tax rate rather than the 46.5 per cent effective excess contributions tax rate.

This measure is expected to reduce revenue by $19.9 million over the forward estimates period. The Australian Taxation Office will be provided with $15.6 million to administer this measure.

Superannuation — securing super

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	..	..	..

The Government will ensure that employees receive information on their payslips about the amount of superannuation actually paid into their account; and employees and employers will receive quarterly notification from their superannuation fund if regular payments cease, with effect from 1 July 2012.

This measure will help employees to keep track of their employer's contributions, and take action where there is a shortfall.

This measure has an ongoing negligible revenue impact.

This measure delivers on the Government's election commitment.

Superannuation contribution caps — operation of the higher cap for over 50s

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	-	65.0	90.0

The Government will set the higher concessional superannuation contributions cap for eligible individuals aged 50 and over with total superannuation balances of less than $500,000, due to apply from 1 July 2012, to $25,000 above the general concessional cap. This measure clarifies the operation of the higher cap for the over 50s which was introduced in the 2010-11 Budget, and means those eligible Australians over 50 will be able to contribute $25,000 more per year than other workers.

The general concessional contribution cap is set at $25,000. When it increases due to indexation, the higher cap will increase by the same dollar amount.

This measure will have an ongoing gain to revenue estimated to be $155 million over the forward estimates period, reflecting that the previous forward estimates contained different indexation assumptions.

Tax Breaks for Green Buildings — deferral

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	15.0	100.0	180.0
Related expense ($m)					
Department of Climate Change and Energy Efficiency	*-1.9*	*-1.0*	*0.3*	*0.7*	*2.0*

The Government has deferred the start date of the Tax Breaks for Green Buildings measure to 1 July 2012 in order to allow more time to consider stakeholder proposals on the most effective way to implement the program. While this deferral is estimated to save $295 million in revenue over the forward estimates period, overall support provided by this measure will be maintained at $1 billion.

Tax compliance — countering fraudulent phoenix activities by company directors

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	10.0	60.0	95.0	95.0
Related expense ($m)					
Australian Taxation Office	*0.6*	*5.8*	*7.5*	*4.4*	*3.8*

The Government will strengthen the tax law to counter fraudulent phoenix activity, which involves a company intentionally accumulating debts to improve cash flow or wealth and then liquidating to avoid paying the debt. The business is then continued as another corporate entity, controlled by the same person or group and free of their previous debts and liabilities.

With effect from 1 July 2011:

- the director penalty regime will be extended to superannuation guarantee amounts, making directors personally liable for their company's failure to pay employee superannuation;
- the Australian Taxation Office (ATO) will be given the power to commence recovery against directors under the director penalty regime, without providing a 21 day grace period, for certain unpaid company liabilities that remain unreported after three months of becoming due; and

- in certain circumstances directors and associates of directors will be prevented from obtaining credits for withheld amounts in their individual tax returns where the company has failed to pay withheld amounts to the ATO.

This measure is estimated to result in an additional $260 million in revenue in fiscal balance terms over the forward estimates period. There is a related increase in ATO departmental expenses of $22.1 million over the same period. In underlying cash terms, the estimated increase in receipts is $245 million over the forward estimates period.

This measure delivers on the Government's election commitment.

Tax compliance — enhanced refund fraud detection and management

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	63.9	67.2	59.3	42.2
Related expense ($m)					
Australian Taxation Office	*-*	*14.4*	*15.1*	*14.3*	*12.6*

The Government will provide $56.4 million over four years to the Australian Taxation Office (ATO) to address fraudulent tax refund claims.

Refund fraud is a compliance risk with the potential to undermine community confidence in the integrity of the tax system. These increased resources will help ensure greater equity and confidence in the tax system.

This measure is estimated to result in an additional $232.6 million in revenue in fiscal balance terms over four years. In underlying cash terms, the estimated increase in receipts is $225.6 million over four years.

This measure delivers on the Government's election commitment.

Tax compliance — reporting Government grants and payments

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	21.8	46.2	46.2	46.2
Related expense ($m)					
Australian Taxation Office	*-*	*6.7*	*12.3*	*12.1*	*12.2*

The Government will provide $43.3 million over four years to the Australian Taxation Office (ATO) to allow it to monitor the accurate accounting of government grants and payments.

This increased funding will enable the ATO to collect payment information from government agencies across all three levels of government, and will provide for sophisticated data-matching techniques to examine compliance by the recipients of such payments. This will help ensure greater equity and tax compliance.

This measure is estimated to result in an additional $160.4 million in revenue in fiscal balance terms over four years. In underlying cash terms, the estimated increase in receipts is $137.8 million over four years.

This measure delivers on the Government's election commitment.

Tax compliance — reporting taxable payments

Revenue ($m)	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	7.9	217.0	288.1
Related expense ($m)					
Australian Taxation Office	*-*	*3.6*	*8.8*	*17.2*	*15.4*
Department of the Treasury	*-*	*-*	*7.9*	*16.5*	*17.2*
Total	*-*	*3.6*	*16.7*	*33.7*	*32.6*
Related capital ($m)					
Australian Taxation Office	*-*	*-*	*1.4*	*-*	*-*

The Government will require certain businesses to report annually on payments made to contractors in the building and construction industry, with effect from 1 July 2012. The reporting regime will require businesses to report information that they should already collect under existing tax arrangements.

This measure, which will improve voluntary compliance, also includes an increase in funding for the Australian Taxation Office (ATO) of $46.4 million over the forward estimates period which will allow the ATO to undertake data matching, reviews of contractors' tax liabilities and targeted audits. The funding for the Australian Taxation Office will also be used to provide further assistance and education to industry. This will create a more level playing field for businesses and improve tax fairness within the building and construction industry.

This measure is expected to result in an additional $513.0 million in revenue over the forward estimates period. This amount includes $41.6 million over four years in underlying cash GST collections that will be paid to the States and Territories.

The Government will also consult publicly on options to introduce a similar reporting regime for payments to contractors in the commercial cleaning industry.

Tax laws — minor amendments

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	*	*	*	*	*

The Government will make minor amendments to the tax laws to:

- provide the Commissioner of Taxation with a discretion to extend the two-year ownership period in which the trustee of a deceased estate or beneficiary of such an estate must dispose of their interest in the deceased's dwelling to access a full capital gains tax main residence exemption (or a more generous partial exemption);
- ensure that taxpayers can have a non-zero direct small business participation percentage in situations where:
  - shares in a company are held jointly by taxpayers; and
  - a discretionary trust has not made a distribution in an income year where the trust had a tax loss or no net income for that year; and
- the superannuation legislation so that where the trustee of a self managed superannuation fund is a body corporate, a parent or guardian may be director of the body corporate in place of a member that is a minor.

This measure has an ongoing unquantifiable but small revenue impact.

Tax treatment of payments made under the Sustainable Rural Water Use and Infrastructure Program

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-10.0	-45.0	-5.0	30.0
Related expense ($m)					
Department of Sustainability, Environment, Water, Population and Communities	*-*	*-10.0*	*-30.0*	*-20.0*	*30.0*

The Government will amend the tax law to eliminate the timing difference between when payments under the Sustainable Rural Water Use and Infrastructure Program (SRWUIP) are taxed and when deductions are available for amounts spent under program agreements, with effect from 1 April 2011. This measure has no net cost to the Budget over the forward estimates period. The estimated cost to revenue of $30 million over this period will be offset by corresponding changes to expenditure under the SRWUIP.

Taxation of Financial Arrangements — amendments to tax hedging rules

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	*	*	*	*	*

The Government will amend the Taxation of Financial Arrangements (TOFA) tax hedging rules to ensure that the rules operate as intended and to provide further certainty and reduce compliance costs for affected taxpayers.

The amendments will apply from the start of the income year in which the TOFA Stages 3 and 4 rules start to apply to the particular taxpayer. This measure is estimated to have an ongoing unquantifiable but small revenue impact.

The amendments will ensure that for taxpayers who have elected to apply both the TOFA tax hedging rules and the TOFA reliance on financial reports tax timing method, only the effective portion of the gains and losses from hedging financial arrangements will be subject to the TOFA tax hedging treatment.

The amendments will also clarify that gains and losses from hedging financial arrangements that hedge a risk or risks in relation to a firm commitment (as defined in the accounting standards) are brought to account for tax purposes when gains, losses or other amounts in relation to the assets or liabilities arising out of the cessation of the firm commitment are recognised for tax purposes.

Taxation of Financial Arrangements — minor amendments to ease the transition into Stages 3 and 4

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	*	*	*	*	*

The Government will amend the Taxation of Financial Arrangements (TOFA) Stages 3 and 4 transitional election provisions to give the Commissioner of Taxation a discretion to allow taxpayers further time, under certain circumstances, for the notification of the transitional election to apply the TOFA Stages 3 and 4 rules to their existing financial arrangements.

The amendments will apply from the start of the income year in which the TOFA Stages 3 and 4 rules start to apply to the taxpayer. This measure is estimated to have an ongoing unquantifiable but small revenue impact.

The Government will also make regulations to allow taxpayers additional time to comply with certain tax hedging documentation requirements. Affected taxpayers will be given until 30 June 2011 to comply with tax hedging documentation requirements relating to the tax allocation of gains and losses.

Further information can be found in the press release of 29 November 2010 issued by the Assistant Treasurer and Minister for Financial Services and Superannuation.

Trust taxation — income averaging and farm management deposits

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	-	-	-	-

The Government will amend the income tax law to ensure that trust beneficiaries can continue to use the primary production averaging and farm management deposits provisions in a loss year, with effect from 1 July 2010. This measure has no revenue impact.

The measure will continue the position that existed before the High Court's decision in *Commissioner of Taxation v Bamford* (2010) 240 CLR 481 (Bamford) and the Australian Taxation Office's (ATO) consequent withdrawal of Taxation Ruling TR 95/29 (about the availability of income averaging to a beneficiary of a trust, the trustee of which carries on a business of primary production). Before Bamford, the ATO accepted that a beneficiary could be taken to carry on a primary production business that was actually carried on by the trustee, in a year where the trust had a loss for trust law purposes. Following Bamford, the ATO no longer took that view and on 30 June 2010 withdrew Taxation Ruling TR 95/29.

Further information can be found in the press release of 16 December 2010 issued by the Assistant Treasurer and Minister for Financial Services and Superannuation.

Trust taxation — interim changes to improve the taxation of trust income

Revenue ($m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Australian Taxation Office	-	*	*	*	*

The Government will implement the recommendations of the Board of Taxation to take interim steps to improve the trust income tax provisions, with effect from 1 July 2010. These interim steps are necessary to provide certainty while the Government updates and rewrites the trust income tax provisions in Division 6 of Part III of the *Income Tax Assessment Act 1936*. The measure is expected to have a small unquantifiable revenue impact over the forward estimates period.

To implement the Board's recommendations, the Government will introduce legislation to:

- enable the streaming of capital gains and franked distributions; and
- target the use of low tax entities, especially exempt entities, to reduce the tax payable on the taxable income of a trust.

The measure will provide increased certainty and will reduce opportunities for taxpayers to manipulate their tax liabilities.

Further information can be found in the press release of 13 April 2011 issued by the Assistant Treasurer and Minister for Financial Services and Superannuation.