

Part 1: Revenue Measures

Table 1: Revenue measures since the February 2009 UEFO^(a)

| Page | | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|--|---|----------|-------------|-----------------|-----------------|--------------|
| | | \$m | \$m | \$m | \$m | \$m |
| ATTORNEY-GENERAL'S | | | | | | |
| <i>Australian Customs and Border Protection Service</i> | | | | | | |
| 14 | Changing the taxation definition of beer and wine | - | 10.0 | 10.0 | 10.0 | 10.0 |
| | Migration Program | | | | | |
| 338 | – reduction in skill stream places for 2008-09(b) | - | -3.4 | -3.4 | -3.4 | -3.4 |
| 339 | – allocation of places for 2009-10(b) | - | -4.3 | -7.7 | -12.0 | -15.5 |
| <i>Insolvency and Trustee Service Australia</i> | | | | | | |
| 107 | Insolvency and Trustee Service Australia – maintaining service standards(b) | - | 6.2 | 8.7 | - | - |
| | Portfolio total | - | 8.5 | 7.6 | -5.4 | -8.9 |
| BROADBAND, COMMUNICATIONS AND THE DIGITAL ECONOMY | | | | | | |
| <i>Australian Communications and Media Authority</i> | | | | | | |
| 116 | Australian Communications Consumer Action Network – additional support(b) | - | 1.2 | 2.0 | 2.1 | 2.1 |
| 118 | Do Not Call Register- eligibility extension(b) | - | 1.5 | 0.7 | 0.7 | 0.7 |
| | Portfolio total | - | 2.7 | 2.7 | 2.8 | 2.8 |
| CROSS PORTFOLIO | | | | | | |
| <i>Various Agencies</i> | | | | | | |
| 7 | Carbon Pollution Reduction Scheme – revised implementation | - | - | -7,450.0 | -2,990.0 | 988.0 |
| | Portfolio total | - | - | -7,450.0 | -2,990.0 | 988.0 |
| EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS | | | | | | |
| <i>Department of Education, Employment and Workplace Relations</i> | | | | | | |
| An Innovation and Higher Education System for the 21st Century | | | | | | |
| 143 | – conditional funding and revised indexation arrangements(b) | - | - | .. | 0.5 | 2.2 |
| 144 | – demand-driven funding for higher education(b) | - | - | .. | 0.4 | 1.8 |
| 150 | – increase in the maximum annual student contribution amount for education and nursing(b) | - | - | 0.2 | 0.8 | 2.0 |
| 152 | – remove the loan fee on OS-HELP loans(b) | - | -1.6 | -4.3 | -5.0 | -5.5 |
| 163 | Expansion of income contingent loans to state-subsidised students in vocational education and training(b) | - | - | 1.3 | 2.8 | 4.5 |
| 164 | Expansion of VET FEE-HELP for full-fee students(b) | - | 21.8 | 31.7 | 43.1 | 55.7 |
| | Portfolio total | - | 20.3 | 28.9 | 42.6 | 60.7 |

Table 1: Revenue measures since the February 2009 UEFO^(a) (continued)

| Page | | 2008-09 \$m | 2009-10 \$m | 2010-11 \$m | 2011-12 \$m | 2012-13 \$m |
|------|---|----------------|----------------|----------------|----------------|----------------|
| | FAMILIES, HOUSING, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS | | | | | |
| | <i>Department of Families, Housing, Community Services and Indigenous Affairs</i> | | | | | |
| 242 | Secure and sustainable pensions – increase to pension payments(b) | - | - | - | - | - |
| | Portfolio total | - | - | - | - | - |
| | FINANCE AND DEREGULATION | | | | | |
| | <i>Department of Finance and Deregulation</i> | | | | | |
| 8 | Medibank Private Limited – conversion to a 'for profit' government business enterprise | nfp | nfp | nfp | nfp | nfp |
| | Portfolio total | - | - | - | - | - |
| | FOREIGN AFFAIRS AND TRADE | | | | | |
| | <i>Department of Foreign Affairs and Trade</i> | | | | | |
| 257 | Hosting the 35th Antarctic Treaty Consultative Meeting(b) | - | - | - | .. | - |
| | Portfolio total | - | - | - | .. | - |
| | HEALTH AND AGEING | | | | | |
| | <i>Department of Health and Ageing</i> | | | | | |
| 298 | National Joint Replacement Registry – cost recovery(b) | - | 1.6 | 1.6 | 1.7 | 1.7 |
| | Pharmaceutical Benefits Scheme | | | | | |
| 306 | – listing of Avastin® (bevacizumab)(b) | - | nfp | nfp | nfp | nfp |
| 307 | – listing of Sutent® (sunitinib)(b) | - | nfp | nfp | nfp | nfp |
| 307 | – minor new listings(b) | nfp | nfp | nfp | nfp | nfp |
| | Portfolio total | - | 1.6 | 1.6 | 1.7 | 1.7 |
| | IMMIGRATION AND CITIZENSHIP | | | | | |
| | <i>Department of Immigration and Citizenship</i> | | | | | |
| 9 | Citizenship and Resident Return visas – increased application fees | - | 3.3 | 3.2 | 3.7 | 3.7 |
| 337 | Migration Agents Registration Authority – operational reforms(b) | - | 4.0 | - | - | - |
| | Migration Program | | | | | |
| 338 | – reduction in skill stream places for 2008-09(b) | - | -4.8 | - | - | - |
| 339 | – allocation of places for 2009-10(b) | - | 19.3 | 19.8 | 27.1 | 27.7 |
| 343 | Sale of underutilised land(b) | - | - | - | - | - |
| 9 | Visa Application Charge – increase | - | 86.0 | 95.6 | 106.6 | 114.1 |
| | Portfolio total | - | 107.7 | 118.5 | 137.4 | 145.6 |
| | TREASURY | | | | | |
| | <i>Australian Prudential Regulation Authority</i> | | | | | |
| 379 | Australian Prudential Regulation Authority – continuation of the National Claims and Policies Database(b) | - | 1.3 | 0.7 | 0.7 | 0.7 |

Table 1: Revenue measures since the February 2009 UEFO^(a) (continued)

| Page | | 2008-09 \$m | 2009-10 \$m | 2010-11 \$m | 2011-12 \$m | 2012-13 \$m |
|------|---|----------------|----------------|----------------|----------------|----------------|
| | TREASURY (continued) | | | | | |
| | <i>Australian Securities and Investments Commission</i> | | | | | |
| 11 | ASIC fees – annual indexation | - | - | 14.3 | 27.8 | 42.2 |
| | <i>Australian Taxation Office</i> | | | | | |
| 10 | Amendments to the assistance in collection provisions | - | - | - | - | - |
| 10 | Amendments to the Australian Business Register | - | - | - | - | - |
| 361 | An Innovation and Higher Education System for the 21st Century – Research and Development Tax Credit(b) | - | - | 55.0 | 400.0 | 400.0 |
| 89 | Australian Federal Police – contribution to the United Nations Mission in Sudan(b) | - | -0.3 | -0.4 | .. | - |
| | Border protection | | | | | |
| 93 | – combating people smuggling – enhancing Australian Federal Police and regional capability(b) | - | 1.4 | 1.9 | - | - |
| 333 | – combating people smuggling – initiative to address irregular population flows(b) | - | -0.1 | -0.1 | - | - |
| 95 | – combating people smuggling – international engagement to prevent and disrupt maritime people smuggling(b) | - | 0.3 | 0.4 | 0.1 | - |
| | Capital gains tax | | | | | |
| 11 | – extension of capital loss roll-over for complying superannuation fund mergers | * | * | * | - | - |
| 12 | – further amendments to the small business concessions | * | * | * | * | * |
| 12 | – limited roll-over for fixed trusts | - | * | * | * | * |
| | Carbon Pollution Reduction Scheme | | | | | |
| 13 | – GST treatment of units | - | - | - | - | - |
| 13 | – income tax treatment of units (technical changes) | * | * | * | * | * |
| 14 | Changing the taxation definition of beer and wine | - | 20.0 | 20.0 | 20.0 | 25.0 |
| 98 | China – Australian Customs and Border Protection Service – continuation(b) | - | -0.1 | -0.2 | -0.2 | -0.2 |
| 14 | Entrepreneurs' tax offset – defer the application of the income test | - | -35.0 | -3.0 | - | - |
| 105 | Fighting terrorism at its source(b) | - | -0.2 | -0.2 | -0.2 | -0.2 |
| 15 | Financial Claims Scheme – amendments to taxation laws | * | * | * | * | * |
| 15 | Fringe benefits tax – exemption for donations to deductible gift recipients | * | * | * | * | * |
| 137 | Global terrorism – enhancing Australia's commitment to Afghanistan(b) | - | -53.3 | -5.1 | - | - |
| | GST | | | | | |
| 16 | – Government response to Board of Taxation report: GST administration | - | * | * | * | * |
| 16 | – representatives of incapacitated entities | - | .. | .. | .. | .. |

Table 1: Revenue measures since the February 2009 UEFO^(a) (continued)

| Page | | 2008-09 \$m | 2009-10 \$m | 2010-11 \$m | 2011-12 \$m | 2012-13 \$m |
|------|---|----------------|----------------|----------------|----------------|----------------|
| | TREASURY (continued) | | | | | |
| 17 | GST and cross-border transport supplies | - | - | -2.0 | -2.0 | -2.0 |
| | Improving fairness and integrity in the tax system | | | | | |
| 18 | – better targeting the concessions for Employee Share Schemes | - | 10.0 | 90.0 | 60.0 | 40.0 |
| 19 | – better targeting the income tax exemption for employment income earned by Australians working overseas | - | - | 215.0 | 225.0 | 235.0 |
| 19 | – extending the tax file number withholding arrangements to closely held trusts | - | - | 50.0 | 50.0 | 50.0 |
| 20 | – tightening access to non-commercial business losses | - | - | 330.0 | 240.0 | 130.0 |
| 21 | – tightening the non-commercial loan rules | - | .. | 10.0 | 10.0 | 10.0 |
| 21 | Indirect Tax Concession Scheme – diplomatic and consular concessions | .. | .. | .. | .. | .. |
| | International tax | | | | | |
| 22 | – Australia – Isle of Man taxation agreement | - | - | .. | .. | .. |
| 22 | – changes to the thin capitalisation regime for approved authorised deposit taking institutions | - | - | - | - | - |
| 23 | – review of the foreign source income anti-tax-deferral (attribution) regimes | - | - | * | * | * |
| | Iraq | | | | | |
| 137 | – Australian Defence Force embedded personnel commitment in Iraq – cessation(b) | - | -0.1 | - | - | - |
| 138 | – Australian Defence Force security detachment – funding(b) | - | -1.8 | -0.2 | - | - |
| 24 | Life insurance – immediate annuity business | .. | * | * | * | * |
| 365 | Liquified Petroleum Gas (LPG) Vehicle Scheme – reduced rebate for post-factory conversions(b) | - | -8.0 | -17.2 | -21.9 | -22.8 |
| 24 | Managed investment trusts – election to allow capital gains tax to be the primary code for disposals of shares, units and real property | - | * | * | * | * |
| 8 | Medibank Private Limited – conversion to a 'for profit' government business enterprise Migration Program | nfp | nfp | nfp | nfp | nfp |
| 338 | – reduction in skill stream places for 2008-09(b) | - | -109.5 | -120.1 | -128.2 | -136.7 |
| 339 | – allocation of places for 2009-10(b) | - | -138.0 | -304.3 | -487.8 | -695.0 |
| 25 | Off-market share buy-backs – implementing the Board of Taxation recommendations | - | * | * | * | * |
| 263 | Overseas development assistance – Regional Assistance Mission to Solomon Islands – continuation(b) | - | -6.3 | -10.0 | -8.1 | -7.2 |
| 236 | Paid Parental Leave(b) | - | - | 74.3 | 224.3 | 229.3 |
| 26 | Pay As You Go (PAYG) Instalments – cash flow relief for small business | - | -720.0 | 720.0 | - | - |

Table 1: Revenue measures since the February 2009 UEFO^(a) (continued)

| Page | | 2008-09 \$m | 2009-10 \$m | 2010-11 \$m | 2011-12 \$m | 2012-13 \$m |
|------|---|----------------|----------------|----------------|----------------|----------------|
| | TREASURY (continued) | | | | | |
| | Personal Income Tax | | | | | |
| 26 | – exemption of income recovery subsidy payments for Australian disasters | - | - | - | - | - |
| 27 | – increasing the Medicare levy low-income thresholds | - | -85.0 | -40.0 | -40.0 | -40.0 |
| 27 | Petroleum resource rent tax – extension of the offshore exploration incentive | - | - | - | * | * |
| | Philanthropy | | | | | |
| 28 | – additional prescribed private funds | - | -4.4 | -1.9 | -4.4 | -2.1 |
| 28 | – Australian disaster relief funds | - | - | - | - | - |
| 29 | – reforming the 'in Australia' requirements that apply to tax exempt entities | - | * | * | * | * |
| 29 | – triennial review of the deductible gift recipient registers | - | * | * | * | * |
| 30 | – updating the list of deductible gift recipients | - | -76.9 | -2.3 | -1.2 | -1.3 |
| 310 | Private health insurance – fair and sustainable support for the future(b) | - | - | - | 70.0 | 75.0 |
| 239 | Reform of family payments – pause to indexation of upper income thresholds of FTB-A, FTB-B and Baby Bonus(b) | - | - | 1.0 | 3.0 | 5.0 |
| 31 | Repeal of certain unlimited amendment periods in the income tax laws | - | .. | .. | .. | .. |
| | Secure and sustainable pensions | | | | | |
| 242 | – increase to pension payments(b) | - | 11.0 | 15.0 | 22.0 | 32.0 |
| 245 | – social security agreements with Latvia, the Czech Republic and the Slovak Republic(b) | - | - | .. | .. | .. |
| 31 | Small Business and General Business Tax Break – additional assistance to small business and enhancements | - | -30.0 | -63.0 | -47.0 | -2.0 |
| 32 | Special Disability Trusts – changes to the taxation of unexpended income and the capital gains tax main residence exemption | .. | -1.0 | -1.0 | -1.0 | -1.0 |
| | Strategic compliance | | | | | |
| 388 | – continuing to address the abuse of tax havens(b) | - | - | 61.0 | 56.0 | 48.0 |
| 389 | – managing taxation compliance risks related to Australia's economic recovery(b) | - | 105.0 | 175.0 | 470.0 | 525.0 |
| 390 | – promoting a level playing field for small business(b) | - | 59.5 | 72.2 | 87.2 | 94.5 |
| 390 | – supporting businesses and other taxpayers in financial distress(b) | - | 5.0 | 17.0 | 3.0 | 4.0 |
| | Superannuation | | | | | |
| 33 | – account-based pensions – drawdown relief for retirees for 2008-09 | -2.0 | -8.0 | - | - | - |
| 33 | – account-based pensions – further drawdown relief for retirees | - | -3.0 | -9.0 | - | - |

Table 1: Revenue measures since the February 2009 UEFO^(a) (continued)

| Page | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|--|-------------|---------------|-----------------|----------------|----------------|
| | \$m | \$m | \$m | \$m | \$m |
| TREASURY (continued) | | | | | |
| Superannuation | | | | | |
| 34 | - | * | * | * | * |
| | | | | | |
| 35 | - | 625.0 | 640.0 | 720.0 | 825.0 |
| 35 | - | - | 187.3 | 39.2 | 11.5 |
| 36 | - | - | 0.6 | 2.1 | 4.8 |
| 140 | - | 3.4 | - | - | - |
| 37 | - | -3.1 | -3.2 | -0.3 | -0.3 |
| 141 | - | -10.6 | -2.3 | - | - |
| 37 | * | * | * | * | * |
| <i>Department of the Treasury</i> | | | | | |
| 17 | * | * | * | * | * |
| Portfolio total | | | | | |
| | -2.0 | -452.7 | 2,165.3 | 1,988.1 | 1,876.3 |
| VETERANS' AFFAIRS | | | | | |
| <i>Department of Veterans' Affairs</i> | | | | | |
| 394 | - | 1.5 | 2.5 | 3.1 | 3.5 |
| Portfolio total | | | | | |
| | - | 1.5 | 2.5 | 3.1 | 3.5 |
| Decisions taken but not yet announced | | | | | |
| | - | - | - | - | - |
| Total impact of revenue measures(c) | | | | | |
| | -2.0 | -256.1 | -4,990.0 | -630.7 | 3,220.0 |

* 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) Measures may not add due to rounding.

CROSS PORTFOLIO

Carbon Pollution Reduction Scheme — revised implementation

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|------------------------------|---------|---------|----------|----------|---------|
| Various Agencies | - | - | -7,450.0 | -2,990.0 | 988.0 |
| <i>Related expense (\$m)</i> | | | | | |
| Various Agencies | - | - | -5,800.0 | -3,495.0 | 103.0 |

The Government will delay the start date of the Carbon Pollution Reduction Scheme (the scheme) by one year, to 1 July 2011, to help Australian businesses manage the impacts of the global recession. The measure is expected to be broadly budget neutral (with a cost of \$260.0 million over three years from 2010-11). The financial impact of this measure reflects both the impact of the revised implementation and changes in economic parameters since the release of the February 2009 *Updated Economic and Fiscal Outlook*.

To support jobs and assist businesses, a fixed price of \$10 per tonne of CO₂-e will apply to emissions in 2011-12. The market will set the price of Australian Emissions Units dated 2012-13 onwards.

Previously announced industry and household assistance will be delayed until the scheme is introduced in 2011-12.

- On commencement of the scheme, emissions-intensive trade-exposed assistance and the Electricity Sector Adjustment Scheme will be delivered in a way that provides assistance equivalent to the assistance that would have been received if the price were flexible (but the price at acquittal of liability were \$10 per tonne of CO₂-e).
- In 2011-12, household assistance will be proportionately adjusted to align the level of assistance with the lower estimated cost of living impacts resulting from an initial \$10 fixed carbon price. In 2012-13, household assistance will be provided on the basis of the estimated cost of living impacts of a flexible carbon price. Each year, the adequacy of this assistance will be reviewed in the context of the Budget.
- Fuel tax transitional arrangements will be deferred by one year, with all other elements kept in place, and calibrated to the expected carbon price.

Provision for this measure has been made in the contingency reserve.

Further information can be found in the press releases of 4 May 2009 issued by the Prime Minister, Treasurer and Minister for Climate Change and Water.

FINANCE AND DEREGULATION

Medibank Private Limited — conversion to a 'for profit' government business enterprise

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|--|---------|---------|---------|---------|---------|
| Department of Finance and Deregulation | nfp | nfp | nfp | nfp | nfp |
| Australian Taxation Office | nfp | nfp | nfp | nfp | nfp |
| Total | - | - | - | - | - |

The Government will convert Medibank Private Limited (MPL) to a 'for profit' Government-owned business enterprise in early 2009-10. This will improve the competitive neutrality between MPL and 'for profit' competitors by making MPL liable for company tax and dividends, which will help drive future efficiency gains. These payments have not been published due to their commercial nature.

The Government remains committed to keeping MPL in public hands.

IMMIGRATION AND CITIZENSHIP

Citizenship and Resident Return visas — increased application fees

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---|---------|---------|---------|---------|---------|
| Department of Immigration and Citizenship | - | 3.3 | 3.2 | 3.7 | 3.7 |

The Government will increase the application fees for citizenship by around 10 per cent from 1 July 2009. For example, the general citizenship application fee, for people born outside Australia, will be \$260 (previous cost \$240).

Various fees apply to different citizenship applications and a full list of the fees is available on the Department of Immigration and Citizenship website — www.immi.gov.au.

The change will more closely align Australian citizenship fees to those levied by key comparator countries, such as the United States, United Kingdom and New Zealand.

This measure is expected to increase revenue by \$13.8 million over four years.

Visa Application Charge — increase

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---|---------|---------|---------|---------|---------|
| Department of Immigration and Citizenship | - | 86.0 | 95.6 | 106.6 | 114.1 |

From 1 July 2009, the Government will increase a number of visa application charges by 20 per cent for, instead of by the increase in the Consumer Price Index (CPI). The changes will help offset the wider costs associated with the operation of the migration and temporary entrant program.

Visa application charges that will not be subject to a 20 per cent increase include: tourist visas and other visas that were increased in the measure *Visa Application Charge — increase* announced in the 2008-09 Budget; second instalment contributory parent visa application charges (which are increased in line with health, aged care and social security costs instead of the 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 \$402.3 million over four years.

TREASURY

Amendments to the assistance in collection provisions

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | - | - | - | - |

The Government has amended the assistance in collection provisions to overcome a number of technical problems that could have prevented the Commissioner of Taxation from fulfilling Australia's existing and future treaty obligations, with effect from 26 March 2009. This measure has no revenue impact.

The assistance in collection provisions give effect to Australia's obligations under certain tax treaties which require each country to assist the other in the collection of outstanding tax debts.

The amendments have expanded the types of payments that can be remitted by the Commissioner to a foreign country and have clarified the operation and role of the foreign claims register.

Amendments to the Australian Business Register

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | - | - | - | - |

The Government will improve the integrity and efficiency of the Australian Business Register by providing the Registrar of the Australian Business Register with enhanced powers of administration, with effect from the date of Royal Assent of the enabling legislation. This measure has no direct revenue impact.

The changes will allow the Registrar to achieve and maintain an accurate register and will introduce objection rights for a range of decisions of the Registrar.

The measure was introduced into Parliament on 19 March 2009.

Annual indexation of ASIC fees

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|--|---------|---------|---------|---------|---------|
| Australian Securities and Investments Commission | - | - | 14.3 | 27.8 | 42.2 |

The Government will index fees and charges collected by the Australian Securities and Investments Commission (ASIC) to the Consumer Price Index from 2010-11. This measure is estimated to raise \$84.3 million over three years to 2013-14. The last significant increase in the fees charged by ASIC occurred in June 2004.

Capital gains tax — extension of capital loss roll-over for complying superannuation fund mergers

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | * | * | * | - | - |

The Government has enhanced the optional capital gains tax loss roll-over for complying superannuation fund mergers announced on 23 December 2008 to further remove impediments to fund mergers. These enhancements have an ongoing unquantifiable but small revenue impact.

The roll-over will be extended by one year to 30 June 2011 so that superannuation funds will have more time to use the roll-over.

The measure will now also apply to mergers involving pooled superannuation trusts where the continuing entity has at least five members and to mergers involving the complying superannuation business of life insurance companies.

The measure will permit merging superannuation entities in a net capital loss position to elect to roll over assets with accrued capital gains as well as assets with accrued capital losses.

In addition, the roll-over will be expanded to permit the transferring superannuation entity's previously realised net capital losses to be transferred to the continuing superannuation entity and the roll-over or transfer of revenue losses to the continuing entity.

Capital gains tax — further amendments to the small business concessions

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | * | * | * | * | * |

The Government will make several changes to the small business capital gains tax (CGT) concessions provisions so that they operate flexibly and as intended. This measure has an ongoing unquantifiable revenue impact.

A transitional rule will extend the time for taxpayers to choose to access the concessions where the choice arises from changes to the concessions announced in the 2008-09 Budget and the 2008-09 Mid-Year Economic and Fiscal Outlook. This extension of time will apply from Royal Assent of the amending legislation.

Access to the concessions for assets acquired on the death of an individual will be extended to cover assets that have passed to a testamentary trust where the individual would have been able to access the concessions at the time of their death. This extension will apply to CGT events happening in the 2006-07 income year and later income years.

The provisions which treat certain distributions to entities connected with a private company as dividends will be excluded from applying to the small business CGT retirement exemption. This exclusion will apply from Royal Assent of the amending legislation.

This measure was introduced into Parliament together with the previously announced changes to the concessions on 19 March 2009.

Capital gains tax — limited roll-over for fixed trusts

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | * | * | * | * |

The Government will provide a limited capital gains tax (CGT) roll-over for assets transferred between trusts that have the same beneficiaries with the same entitlements and no material discretionary elements (typically referred to as fixed trusts), with effect from 1 November 2008. This measure has an ongoing unquantifiable revenue impact.

Typically, the transfer of assets from one trust to another would trigger a CGT taxing point.

As a result of this measure, trustees of eligible trusts will be able to defer the CGT consequences of the asset transfer until the receiving trust subsequently deals with the asset. This will allow eligible trusts to restructure without immediate CGT consequences. The measure will be accompanied by appropriate integrity rules.

Carbon Pollution Reduction Scheme — GST treatment of units

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|-----------------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | - | - | - | - |
| <i>Related expense (\$m)</i> | | | | | |
| <i>Department of the Treasury</i> | - | - | - | - | - |

The Government will amend the GST law to further clarify the GST treatment of the Carbon Pollution Reduction Scheme (CPRS), with effect from the introduction of the CPRS. This measure has no revenue impact.

The changes ensure consistent GST treatment for all units recognised under the CPRS by treating eligible international units and all Kyoto units as personal property rights and not rights within the meaning of real property in the GST law.

Further details can be found in the commentary to the exposure draft of the CPRS legislation released on 10 March 2009 and in the White Paper titled *Carbon Pollution Reduction Scheme: Australia's Low Pollution Future* released on 15 December 2008.

Carbon Pollution Reduction Scheme — income tax treatment of units (technical changes)

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | * | * | * | * | * |

With effect from the introduction of the Carbon Pollution Reduction Scheme (CPRS) all Kyoto units registered in Australia will be subject to the Scheme's proposed tax treatment, whether or not a unit can be surrendered to meet an Australian emissions liability. Any income that is derived from units registered in Australia will be treated as having an Australian source and, therefore, as assessable in Australia (subject to Australia's Double Tax Treaties). Units held by a taxpayer will be valued at historical cost unless they elect the alternative market value method. This measure has an ongoing unquantifiable revenue impact.

Further details can be found in the commentary to the exposure draft of the CPRS legislation released on 10 March 2009 and in the White Paper titled *Carbon Pollution Reduction Scheme: Australia's Low Pollution Future* released on 15 December 2008.

Changing the taxation definition of beer and wine

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|--|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | 20.0 | 20.0 | 20.0 | 25.0 |
| Australian Customs and Border Protection Service | - | 10.0 | 10.0 | 10.0 | 10.0 |
| Total | - | 30.0 | 30.0 | 30.0 | 35.0 |

The Government will alter the taxation definitions of beer and wine to ensure that beer and wine-based products that attempt to mimic spirit based products are taxed as a spirit product, with effect from 1 July 2009. This measure has an ongoing gain to revenue which is estimated to be \$125 million over the forward estimates period.

The definition of beer will be changed to ensure that beer has a certain level of bitterness, and to clarify that the addition of sugar, artificial sweeteners and spirits may result in the resultant product being taxed as a spirit based product.

The definition of grape wine products will be changed to exclude products that add the flavour of any alcoholic beverage, other than wine. Other changes to the definition of grape wine products will act to provide certainty as to the circumstances where alcohol can be added to a grape wine product.

Entrepreneurs' tax offset — defer the application of the income test

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | -35.0 | -3.0 | - | - |

The Government will defer the application of the income test for the entrepreneurs' tax offset (ETO) announced in the 2008-09 Budget for 12 months. This measure has a cost to revenue which is estimated to be \$38 million over the forward estimates period.

The deferral ensures that the timing and nature of the income test is consistent with the Government's broader income testing reforms. The Government will consult on the form of the income test, which will apply from the 2009-10 financial year.

Financial Claims Scheme — amendments to taxation laws

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | * | * | * | * | * |

The Government will ensure that payments made by the Australian Prudential Regulation Authority (APRA) or by a liquidator under the Financial Claims Scheme are treated for tax purposes in the same manner as if they had been paid by an institution to which the scheme applies. This measure will only apply if the Financial Claims Scheme is activated, with effect from the date of Royal Assent of the amending legislation. This measure has an ongoing unquantifiable revenue impact.

The Financial Claims Scheme allows APRA to pay depositors in failed financial institutions some part of their deposit, or claimants in relation to policies of failed general insurers, part of the amount they are entitled to under the policy, subject to a global limit determined by the Treasurer when the scheme is activated in a particular case. The scheme legislation did not include the consequential amendments of the tax law needed to ensure appropriate tax outcomes in relation to the scheme.

This measure was introduced into Parliament on 19 March 2009.

Fringe benefits tax — exemption for donations to deductible gift recipients

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | * | * | * | * | * |

The Government will amend the fringe benefits tax (FBT) law to ensure that donations to deductible gift recipients (DGRs) made under salary sacrifice arrangements do not result in an employer incurring an FBT liability, with effect from the 2008-09 FBT year. This measure has an ongoing unquantifiable revenue impact.

The changes will align the tax outcome of donations to DGRs made under salary sacrifice arrangements with donations made personally by employees or under Workplace Giving arrangements.

Further information can be found in the media release of 24 February 2009 issued by the Assistant Treasurer and Minister for Competition Policy and Consumer Affairs.

GST — Government response to Board of Taxation report: GST administration

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|-----------------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | * | * | * | * |
| <i>Related expense (\$m)</i> | | | | | |
| <i>Department of the Treasury</i> | - | * | * | * | * |

The Government will implement most of the Board of Taxation’s (Board’s) recommendations from its review of the legal framework for the administration of the goods and services tax (GST), with most significant changes taking effect from 1 July 2010. This measure is expected to have an ongoing unquantifiable revenue impact and is also expected to have an unquantifiable impact on GST payments to the States.

The package of reforms will reduce the compliance costs of the GST, achieve greater standardisation between the GST and income tax regimes, reduce anomalies and streamline the GST administrative framework.

In addition, the Treasury will review the ‘margin scheme’ GST provisions affecting property transactions and the GST financial services provisions to determine if reforms can be made to simplify the provisions whilst maintaining the intended effect of current policy. The Government has also asked the Board to review the cross-border provisions of the GST law with a view to simplifying the current law and reducing the number of non-residents required to register for GST.

Those components of the package that are a change to the GST base are subject to the unanimous agreement of the States and Territories.

GST — representatives of incapacitated entities

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|-----------------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | .. | .. | .. | .. |
| <i>Related expense (\$m)</i> | | | | | |
| <i>Department of the Treasury</i> | - | .. | .. | .. | .. |

The Government will restore the intent of the GST law by ensuring that a representative appointed over an incapacitated entity is liable for, or entitled to, the GST consequences that arise from actions the representative undertakes during its appointment. The measure has effect from 1 July 2000 and will have an ongoing negligible impact on revenue as it is generally consistent with existing practice.

The Government will also ensure that the activities of a representative are treated as activities of the incapacitated entity for the purposes of determining the GST consequences for the representative.

The intention of the current GST law is that representatives of incapacitated entities are liable for the GST payable, and for other requirements of the law, during the period of their appointment. However, a recent Federal Court decision held that the current law does not achieve this intention.

Further information can be found in the press release of 6 February 2009 issued by the Assistant Treasurer and Minister for Competition Policy and Consumer Affairs.

GST and cross-border transport supplies

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|-----------------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | - | -2.0 | -2.0 | -2.0 |
| <i>Related expense (\$m)</i> | | | | | |
| <i>Department of the Treasury</i> | - | - | -2.0 | -2.0 | -2.0 |

The Government will amend the GST law to reduce GST compliance costs for businesses involved in the domestic transport of exported and imported goods, with effect from 1 July 2010. This measure has an ongoing cost to revenue which is estimated to be \$6.0 million over the forward estimates period and is also expected to decrease GST payments to the States by \$6.0 million over this period.

The changes to the law will ease compliance costs for domestic transporters and non-residents, improve consistency in the GST treatment of postal and non-postal containerised goods, and assist sub-contracted transport suppliers with GST compliance.

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

Guarantee of state and territory borrowing

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Department of the Treasury | * | * | * | * | * |

The Government has announced a guarantee over eligible borrowings undertaken by states and territories. This initiative is designed to maintain states' access to funding during the global financial crisis.

The guarantee will be available for both new and existing securities. A fee will be payable for access to the guarantee, set at 30 basis points for new issuances by AAA (Aaa) rated states and 35 basis points for new issuances by AA+ (Aa1) rated states. A lower fee will apply to any existing stock a state elects to have covered by the guarantee. The fee for stock will be set at 15 basis points for AAA rated states and 20 basis points for AA+ rated states.

The amount of revenue collected from the guarantee fee cannot be quantified at this time. Revenue collections will depend on the duration of the guarantee and the level of uptake.

This measure creates a remote and unquantifiable contingent liability. For further information see Budget Statement 8.

Improving fairness and integrity in the tax system — better targeting the concessions for Employee Share Schemes

Revenue (\$m)

| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | 10.0 | 90.0 | 60.0 | 40.0 |

The Government will better target eligibility for the employee share scheme tax concessions to employees with an adjusted taxable income of less than \$60,000. The measure will take effect with respect to shares and rights acquired after 7:30pm (AEST) on 12 May 2009. This measure will have an ongoing gain to revenue which is estimated to be \$200.0 million over the forward estimates period.

The measure forms part of a package of measures to improve fairness and integrity in the tax system.

Currently an employee can elect to be assessed on discounts provided on shares or rights in the income year the shares or rights are acquired. If no election is made, the discount (which includes gains on shares or rights) is taxed at a later time (such as when restrictions on the shares or rights are lifted). If an employee elects to be taxed upfront they receive a tax exemption of up to \$1,000 on the discount.

The measure will remove the existing election and assess discounts provided on shares or rights in the income year the shares or rights are acquired. Removing the tax deferral option will ensure that remuneration in the form of share discounts is taxed at an appropriate time and rate, and reduces tax avoidance opportunities.

The measure will also limit access to the upfront concession to employees with an adjusted taxable income of less than \$60,000. This ensures that the concessions encourage a better take-up and availability of employee share arrangements by low and middle-income employees.

Improving fairness and integrity in the tax system — better targeting the income tax exemption for employment income earned by Australians working overseas

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | - | 215.0 | 225.0 | 235.0 |

The Government will better target the income tax exemption for foreign employment income, with effect from 1 July 2009. The exemption will apply to income earned as an aid worker, a charitable worker, under certain types of government employment or on projects that are in the national interest. This measure will have an estimated gain to revenue of \$675.0 million over the forward estimate period.

The measure forms part of a package of measures to improve fairness and integrity in the tax system.

Currently, certain foreign employment income earned by Australians working overseas for a continuous period of 91 days or more is exempt from income tax. The original intent of this measure was to relieve double taxation, however, in practice little foreign tax may actually be paid on the foreign income concerned.

Instead, foreign employment income will generally become taxable and taxpayers will be entitled to a foreign income tax offset for foreign tax paid on the foreign employment income. This will relieve double taxation for those individuals.

Improving fairness and integrity in the tax system — extending the tax file number withholding arrangements to closely held trusts

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | - | 50.0 | 50.0 | 50.0 |

The Government will extend the tax file number (TFN) withholding arrangements to closely held trusts, including family trusts, with effect from the 2010-11 income year. This measure has an estimated revenue impact of \$150 million over the forward estimates period.

The measure forms part of a package of measures to improve fairness and integrity in the tax system.

The measure will ensure that assessable distributions to beneficiaries of closely held trusts align with the amounts included by these beneficiaries in their tax returns. The measure will not apply to income upon which tax is directly payable by the trustee of the trust, such as the income assessable to minors. Individuals who have tax withheld by trustees can claim a credit for that tax in their tax return.

The measure also aligns with the Government's commitment to ensure a high level of compliance with existing taxation laws by improving the efficiency and effectiveness of the Australian Taxation Office's income matching system.

Improving fairness and integrity in the tax system — tightening access to non-commercial business losses

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | - | 330.0 | 240.0 | 130.0 |

The Government will tighten the application of the rules on the use of non-commercial losses to prevent high income individuals from offsetting excess deductions from non-commercial business activities against salary and other income. The measure has effect from the 2009-10 income year. The measure will have an ongoing gain to revenue which is estimated to be \$700.0 million over the forward estimates period.

The measure forms part of a package of measures to improve fairness and integrity in the tax system.

The measure will ensure excess deductions from unprofitable business activities cannot be used to reduce salary and wage income of high income earners. Taxpayers with an adjusted taxable income of over \$250,000 will instead have excess deductions quarantined to the business activity. The existing rules will continue to apply to taxpayers with an adjusted taxable income of \$250,000 or less. The new test for taxpayers with adjusted taxable income greater than \$250,000 will restrict the ability of such taxpayers to claim losses for non-commercial activities that are more likely to be in the nature of lifestyle choices or hobbies.

Taxpayers will still have the ability to apply to the Commissioner of Taxation for relief from the rules if there are exceptional circumstances or because the nature of the activities means that a taxpayer is temporarily carrying on an uncommercial business but the activities they are undertaking are nonetheless independently assessed as commercially viable.

Improving fairness and integrity in the tax system — tightening the non-commercial loan rules

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | .. | 10.0 | 10.0 | 10.0 |

The Government will ensure that benefits provided by a private company to its shareholders or their associates are taxed by tightening the rules that prevent shareholders and their associates avoiding tax on distributions and benefits they receive from private companies. The measure has effect from 1 July 2009. This measure will have an estimated revenue impact of \$30 million over the forward estimates period.

The measure forms part of a package of measures to improve fairness and integrity in the tax system.

The measure extends the non-commercial loan rules to include payments by way of a licence or right to use real property and chattels. This reduces the scope for private companies to allow their shareholders or associates to use company assets such as real estate, cars and boats for free, or at less than their arm's length value.

The measure will provide greater equity in treatment between the shareholders of private companies on the one hand and employees more generally. In kind benefits provided by employers to an employee are generally subject to fringe benefits tax.

Other technical amendments will be made to strengthen Division 7A, including to ensure that corporate limited partnerships cannot be used to circumvent its operation.

Indirect Tax Concession Scheme — diplomatic and consular concessions

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|-----------------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | .. | .. | .. | .. | .. |
| <i>Related expense (\$m)</i> | | | | | |
| <i>Department of the Treasury</i> | .. | .. | .. | .. | .. |

The Government has provided indirect tax refunds (including for GST) for certain countries' diplomatic and consular representation under the Indirect Tax Concession Scheme, with effect from the time specified in implementing determinations issued by the Minister for Foreign Affairs. This measure has a negligible ongoing revenue impact, and a negligible ongoing impact on GST payments to the States.

Six countries have received new or upgraded concessions for their diplomatic representation (Brazil, Egypt, France, Libya, Nepal, Vietnam) and nine countries have received new or upgraded concessions for their consular representation (Brazil, France, Egypt, Eritrea, Iraq, Oman, Paraguay, Vietnam, Former Yugoslav Republic of Macedonia).

International tax — Australia — Isle of Man taxation agreement

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | - | .. | .. | .. |

The Government signed the Australia-Isle of Man Taxation Agreement which will allocate taxing rights over certain income derived by individuals between the two jurisdictions, with effect from 1 July 2010. This measure has an ongoing negligible gain to revenue.

The Agreement will apply to income from pensions, annuities, government service and to certain payments made to visiting students and business apprentices. The Agreement will also establish an administrative mechanism to help resolve transfer pricing disputes.

The Agreement was signed in conjunction with a tax information exchange agreement between Australia and the Isle of Man, which will provide for bilateral cooperation to prevent tax avoidance and evasion. Jointly, the two agreements will promote greater economic and administrative cooperation.

Further information can be found in the press release of 30 January 2009 issued by the Assistant Treasurer and Minister for Competition Policy and Consumer Affairs.

International tax — changes to the thin capitalisation regime for approved authorised deposit taking institutions

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | - | - | - | - |

The Government will change the thin capitalisation regime for approved authorised deposit taking institutions, with effect from 1 January 2009. This measure has no revenue impact.

The changes will clarify how treasury shares, the previous insurance asset known as excess market value over net assets and capitalised software costs, will be recognised under the thin capitalisation provisions.

The thin capitalisation regime is an integrity measure designed to ensure Australian and foreign owned multi-national entities do not allocate an excessive amount of debt to their Australian operations.

International tax — review of the foreign source income anti-tax-deferral (attribution) regimes

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | - | * | * | * |

The Government will reform Australia's anti-tax-deferral (attribution) regimes which ensure that residents can not accumulate income offshore and thereby defer, or even avoid, Australian tax, with effect for income years on or after Royal Assent to the legislation. This measure will have an ongoing unquantifiable revenue impact.

These changes implement most of the recommendations of the Board of Taxation review of the attribution regimes.

To implement the Board's recommendations, the Government will:

- modernise the controlled foreign company (CFC) provisions and rewrite them into the *Income Tax Assessment Act 1997*;
- repeal and replace the foreign investment fund (FIF) provisions with a specific narrowly defined anti-avoidance rule;
- repeal the deemed present entitlement rules; and
- amend the transferor trust rules to enhance their effectiveness and improve their integrity.

The operation of these regimes has, over time, become inefficient, and in light of growing global interactions, poorly targeted. The compliance costs imposed are disproportionate to the integrity risk to the revenue. The reforms will reduce compliance costs for affected businesses and help ensure that Australia's managed funds remain competitive in global financial markets.

The Government will consult on the implementation of these reforms.

Life insurance — immediate annuity business

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | .. | * | * | * | * |

The Government will introduce legislation to confirm that the non-assessable non-exempt income of life insurance companies includes income from assets supporting immediate annuity policies that satisfy the pre-July 2000 immediate annuity conditions, with effect from 1 July 2002. The immediate annuity conditions will not apply to immediate annuity policies that are superannuation income streams, with effect from the 2007-08 income year. This measure has a negligible impact.

This measure will reduce compliance costs for life insurance companies by confirming that the immediate annuity conditions did not change when they were transferred to the *Income Tax Assessment Act 1997*.

In addition, from the 2007-08 income year, the approved annuity conditions will not apply to immediate annuity policies issued by life insurance companies that are superannuation income streams. This will ensure that all providers of superannuation income streams are taxed consistently.

Managed investment trusts — election to allow capital gains tax to be the primary code for disposals of shares, units and real property

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | * | * | * | * |

The Government will allow Australian managed investment trusts (MITs), except those that are taxed like companies, to make an irrevocable election to apply the capital gains tax (CGT) regime as the primary code for taxing certain disposals of assets, with effect from the 2008-09 income year. This measure has an ongoing unquantifiable revenue impact.

This measure implements the interim advice of the Board of Taxation review of taxation of MITs.

This measure will ensure that the taxation treatment of disposals of assets (primarily shares in a company, units in a unit trust and real property investments) by MITs is consistent with the taxation treatment of disposals of similar investments by complying superannuation funds, subject to appropriate integrity rules including that the investments meet the eligible investment business rules in Division 6C of the *Income Tax Assessment Act 1936*.

MITs that can elect into the regime will be required to make an irrevocable election to apply the CGT regime to all disposals of eligible investments in the first income year that commences on or after the 2008-09 income year. Currently, gains and losses on disposal of investments by MITs may be on capital or revenue account, depending upon the characterisation of the investment activities concerned.

This measure furthers the Government's commitment to promote Australia as a financial services hub and will ensure that Australian managed funds remain competitive in global financial markets.

Off-market share buy-backs — implementing the Board of Taxation recommendations

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | * | * | * | * |

The Government will implement the recommendations of the Board of Taxation to improve the taxation treatment of off-market share buy-backs, with effect from the date of Royal Assent of the amending legislation. The measure has an ongoing unquantifiable revenue impact.

Off-market share buy-backs are a mechanism for companies to return surplus capital to shareholders, and therefore facilitate the optimal allocation of capital across the economy.

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

- establish a self-executing specific provision to debit the franking account of a company that undertakes an off-market share buy-back to cancel the tax benefit of streaming imputation credits from non-resident to resident shareholders;
- deny notional losses to shareholders that participate in off-market share buy-backs conducted by listed companies;
- modify the income tax law to specify the basis for determining the capital/dividend split, extend the period of lodgement for a distribution statement for a company conducting an off-market share buy-back, and confirm that certain integrity rules do not apply to tender style off-market share buy-backs; and
- transfer the share buy-back provisions from the *Income Tax Assessment Act 1936* to the *Income Tax Assessment Act 1997*.

The Government also endorses the Board recommendation that the Australian Taxation Office remove the '14 per cent administrative cap' on the level of discount for off-market share buy-backs undertaken by listed companies.

This measure will increase certainty and flexibility for companies undertaking off-market share buy-backs and their shareholders.

Pay As You Go (PAYG) Instalments — cash flow relief for small business

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | -720.0 | 720.0 | - | - |

The Government will provide cash flow relief for small business by reducing Pay As You Go (PAYG) instalments for the 2009-10 income year for all taxpayers who pay quarterly PAYG instalments based on their previous year's tax adjusted by GDP growth. This measure will have no net revenue impact over the forward estimates period.

For the 2009-10 income year, the Government will reduce the GDP adjustment factor for calculating quarterly instalments under the GDP adjustment method from around 9 per cent to 2 per cent. This aligns it with the expected increase in the Consumer Price Index for 2009-10, as forecast in the February 2009 *Updated Economic and Fiscal Outlook*.

This reduction will provide cash flow benefits to around 1.5 million eligible small businesses, individuals, trusts and small superannuation funds, by ensuring that their PAYG instalment amounts for the 2009-10 income year more closely approximate their actual income tax liability for that income year.

Further information can be found in the press release of 28 March 2009 issued by the Treasurer and the Minister for Small Business, Independent Contractors and the Service Economy.

Personal Income Tax — exemption of income recovery subsidy payments for Australian disasters

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | - | - | - | - |

The Government has made the income recovery subsidy payments for the Victorian bushfires and for the North Queensland floods of January and February 2009 exempt from income tax. These payments will also be excluded from the calculation of separate net income, which is used to determine entitlement to certain tax offsets. This measure has no revenue impact.

The income recovery subsidy payment will provide financial assistance to employees, small business owners and farmers who can demonstrate they have experienced a loss of income as a direct result of the 2009 Victorian bushfires or North Queensland floods.

Personal Income Tax — increasing the Medicare levy low-income thresholds

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | -85.0 | -40.0 | -40.0 | -40.0 |

The Government will increase the Medicare levy low-income thresholds to \$17,794 for individuals and \$30,025 for individuals in families, with effect from 1 July 2008. This measure has an ongoing cost to revenue which is estimated to be \$205.0 million over the forward estimates period.

The additional amount of threshold for each dependent child or student will also increase to \$2,757. 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 pensioners below Age Pension age to \$25,299, with effect from 1 July 2008. 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.

Petroleum resource rent tax — extension of the offshore exploration incentive

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | - | - | * | * |

The Government will extend the offshore exploration incentive in the petroleum resource rent tax (PRRT) by one year.

The incentive allows a 150 per cent uplift on PRRT deductions for exploration expenditure incurred in designated offshore frontier areas (DFAs). DFAs must be more than 100 kilometres from an existing commercialised oil discovery, and must not be adjacent to an area designated in the previous year's acreage volume. DFAs may constitute up to 20 per cent of exploration permits issued in a year. This measure has applied to the annual offshore acreage releases for 2004 to 2008.

This will enable this incentive to apply to the 2009 annual offshore acreage release. The revenue impact is nil in the first two years of the forward estimates period, and a small unquantifiable cost in the third and fourth years of the forward estimates period. There will be an ongoing small cost to revenue, as an exploration permit has a maximum life of 16 years.

Philanthropy — additional prescribed private funds

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | -4.4 | -1.9 | -4.4 | -2.1 |

Since the *Mid Year Economic and Fiscal Outlook 2008-09* (MYEFO), the Government has approved 17 funds for prescription as prescribed private funds (PPFs), and one fund has been declared no longer to be a PPF. Funds approved as PPFs since MYEFO have an ongoing estimated cost to revenue of \$33.3 million over the forward estimates period. This represents an increase of \$12.8 million over the forward estimates since the *Updated Economic and Fiscal Outlook 2008-09*.

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

Philanthropy — Australian disaster relief funds

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | - | - | - | - |

The Government has extended the general deductible gift recipient (DGR) category for Australian disaster relief funds to allow a Treasury minister to declare an event to be a disaster for tax purposes. In addition, public benevolent institutions, which must normally operate for direct relief efforts, will also be able to establish Australian disaster relief funds for longer-term recovery and community reconstruction efforts. This measure has no revenue impact.

Taxpayers may claim an income tax deduction for certain gifts of money or property to DGRs.

Further information can be found in the press releases from 24 February and 27 March 2009 issued by the Assistant Treasurer and Minister for Competition Policy and Consumer Affairs.

Philanthropy — reforming the 'in Australia' requirements that apply to tax exempt entities

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | * | * | * | * |

The Government will amend the 'in Australia' requirements in Division 50 of the *Income Tax Assessment Act 1997* to ensure that Parliament retains the ability to fully scrutinise those organisations seeking to pass money to overseas charities and other entities. This measure has an ongoing unquantifiable revenue impact and will have effect from the date of Royal Assent of the amending legislation.

A recent High Court of Australia decision held that charities may be pursuing their objectives principally 'in Australia' even where they merely pass funds within Australia to another charitable institution that conducts its activities overseas.

The measure will reverse the decision that charities and other income tax exempt entities can direct funds to overseas projects outside the current restrictions. The measure will reinstate the principles underlying the current integrity rules.

Philanthropy — triennial review of the deductible gift recipient registers

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | * | * | * | * |

The Government will provide a mechanism to conduct a triennial review of the guidelines for, and organisations on, the four deductible gift recipient (DGR) registers, with effect from the 2009-10 income year. The reviews will provide a mechanism for the Government to ensure the continued relevance and benefits of the Government's policy objectives for the registers. The review is designed to bring the governance of the registers in line with those DGRs that are endorsed and accountable to the Australian Taxation Office. This measure has an ongoing unquantifiable revenue impact.

The registers list those eligible cultural organisations, environmental organisations, harm prevention charities and overseas aid organisations which can receive tax deductible donations, and are jointly administered by the Minister of the relevant department and a Treasury Minister.

The Government will also make a minor change to the taxation secrecy disclosure rules to ensure that participating agencies can share any necessary information in support of the reviews.

Philanthropy — updating the list of deductible gift recipients

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | -76.9 | -2.3 | -1.2 | -1.3 |

Since the *Mid-Year Economic and Fiscal Outlook 2008-09*, the following organisations have been approved as deductible gift recipients (DGRs):

- ACT Region Crime Stoppers Limited;
- Australasian College of Emergency Medicine;
- Diplomacy Training Program Limited;
- Leeuwin Ocean Adventure Foundation Limited;
- Royal Institution of Australia;
- Yachad Accelerated Learning Project Limited, until 30 June 2009;
- PWR Melbourne 2009 Limited (Parliament of the World’s Religions), until 1 January 2010;
- Bunbury Diocese Cathedral Rebuilding Fund, until 19 December 2010;
- St George’s Cathedral Restoration Fund, until 31 December 2010;
- Grattan Institute, until 5 March 2011; and
- 2009 Victorian Bushfire Appeal Trust Account, until 6 February 2014.

In addition, there were also:

- 25 admissions to the Register of Environmental Organisations;
- 71 admissions to, and 10 removals from, the Register of Cultural Organisations;
- 4 admissions to the Register of Harm Prevention Charities; and
- 5 admissions to the Overseas Aid Gift Deduction Scheme.

Taxpayers may claim an income tax deduction for certain gifts of money or property to DGRs. This measure has an estimated ongoing cost to revenue of \$91.8 million over the forward estimates period. This represents an increase of \$81.7 million over the forward estimates since the *Updated Economic and Fiscal Outlook 2008-09*.

The Register of Environmental Organisations can be found on the Department of the Environment, Water, Heritage and the Arts website at www.environment.gov.au. The Register of Cultural Organisations can be found on the Department of the Environment, Water, Heritage and the Arts website at www.arts.gov.au. The Register of Harm Prevention Charities can be found on the Department of Families, Housing, Community Services and Indigenous Affairs website at www.fahcsia.gov.au. The list of developing country relief funds on the Overseas Aid Gift Deduction Scheme can be found on the AusAID website at www.ausaid.gov.au.

Repeal of certain unlimited amendment periods in the income tax laws

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | .. | .. | .. | .. |

The Government will provide more certainty for taxpayers and simplify the tax law by repealing certain provisions that provide unlimited amendment periods, with effect from the date of Royal Assent of the enabling legislation. This measure has an ongoing negligible cost to revenue.

The Government considers that for these provisions the Commissioner of Taxation has sufficient time under the general amendment period provisions to review an assessment.

Small Business and General Business Tax Break — additional assistance to small business and enhancements

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | -30.0 | -63.0 | -47.0 | -2.0 |

The Government will expand the Small Business and General Business Tax Break announced in the *February 2009 Updated Economic and Fiscal Outlook* to provide additional assistance to small businesses. A bonus deduction of 50 per cent will be available to small businesses that acquire an eligible asset between 13 December 2008 and 31 December 2009 and install it ready for use by 31 December 2010. The previously announced 30 per cent and 10 per cent bonuses will continue to apply to all other businesses. This expansion will have an estimated cost to revenue of \$141 million over the forward estimates period.

The Government has also enhanced the Tax Break for all businesses since it was announced on 3 February 2009. A taxpayer can now aggregate their investment in assets that are substantially identical, or that form a set, to meet the threshold. Where assets are jointly held, a taxpayer can recognise all other business interests in the asset for the purpose of meeting the threshold, but will only be able to claim the Tax Break on their interest in the asset. Where a taxpayer has met the investment threshold for an asset, they can claim additional investment in the assets as part of the Tax Break. These enhancements have an unquantifiable but small revenue impact.

Special Disability Trusts — changes to the taxation of unexpended income and the capital gains tax main residence exemption

Revenue (\$m)

| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | .. | -1.0 | -1.0 | -1.0 | -1.0 |

The Government will ensure that the unexpended income of a Special Disability Trust is taxed at the relevant beneficiary's personal income tax rates rather than automatically at the top personal tax rate plus Medicare Levy, with effect from the 2008-09 income year.

The Government will also extend the capital gains tax main residence exemption to include a residence that is owned by a Special Disability Trust and used by the relevant beneficiary as their main residence, with effect from the 2009-10 income year.

This measure has an ongoing cost to revenue which is estimated to be \$4.0 million over the forward estimates period.

The measure delivers on the Government's commitment to help support people with severe disability, their families and carers. It will further assist immediate family members and carers to make private financial provision for the care and accommodation needs of people with severe disability.

Superannuation — account-based pensions — drawdown relief for retirees for 2008-09

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---|---------|---------|---------|---------|---------|
| Australian Taxation Office | -2.0 | -8.0 | - | - | - |
| <i>Related expense (\$m)</i> | | | | | |
| Centrelink | 2.2 | .. | - | - | - |
| <i>Department of Families, Housing, Community Services and Indigenous Affairs</i> | 10.9 | - | - | - | - |
| <i>Total</i> | 13.1 | 0.0 | - | - | - |

The Government has provided relief for retirees by halving the minimum payment amounts for 2008-09. This measure has an estimated cost to revenue of \$10.0 million over two years. The measure is also expected to increase Government expenditure by \$11 million in 2008-09 through higher pension outlays. The measure also includes additional funding for Centrelink services of \$2.0 million.

A minimum payment must be made from an account-based pension at least annually. Minimum payments are determined by age and vary between 4 per cent and 14 per cent of the value of the pension account balance at 1 July each year. This rule is designed so that retirees draw down on their superannuation savings over the course of their retirement.

This change addresses concerns that the minimum payment requirement for 2008-09 was based on account balances at 1 July 2008, when equity values were higher. The measure reduces the need for account-based pension holders to sell assets at a loss in order to meet the minimum payment requirement.

Further details can be found in the joint press release of 18 February 2009 issued by the Treasurer and the Minister for Superannuation and Corporate Law.

Superannuation — account-based pensions — further drawdown relief for retirees

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | -3.0 | -9.0 | - | - |
| <i>Related expense (\$m)</i> | | | | | |
| <i>Department of Families, Housing, Community Services and Indigenous Affairs</i> | - | 15.0 | - | - | - |

The Government will halve the minimum payment amounts for account-based pensions for 2009-10. This measure has an estimated cost to revenue of \$12.0 million over two years. The measure is also expected to increase Government expenditure by \$15.0 million in 2009-10 through higher pension outlays.

Reducing the minimum payment amounts for account-based pensions will assist pension account balances to recover from capital losses from the global recession.

This measure extends the pension drawdown relief provided by the Government for 2008-09 (see the related revenue measure *Superannuation – account-based pensions – drawdown relief for retirees for 2008-09*).

The reduction in the minimum payment amounts applies to account-based, allocated and market-linked (term allocated) pensions.

Superannuation — amendments to the general unclaimed money regime and other amendments resulting from the temporary residents' superannuation measure

Revenue (\$m)

| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | * | * | * | * |

The Government has amended the general unclaimed money regime relating to superannuation to align a superannuation provider's obligations under the general regime with the obligations under the temporary resident unclaimed superannuation regime. The amended regime will apply to payments of unclaimed money due after 1 July 2009. The measure has an ongoing unquantifiable revenue impact.

Currently, superannuation providers are required to work out if they have unclaimed money in respect of a half year and report and pay these amounts to the Commissioner of Taxation by a set statement date. The new regime will require superannuation providers to work out their unclaimed money on a date set by the Commissioner of Taxation and pay and report these amounts on a date also set by the Commissioner of Taxation. This will ensure consistency with the new temporary resident unclaimed money arrangements and facilitate more efficient administration.

Superannuation — contributing to sustainable retirement income reform by reducing the concessional contributions caps

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|------------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | 625.0 | 640.0 | 720.0 | 825.0 |
| <i>Related expense (\$m)</i> | | | | | |
| Australian Taxation Office | - | 4.9 | 16.5 | 16.4 | 17.4 |

The Government will improve equity in the superannuation system by reducing the concessional contributions cap to \$25,000 per annum (indexed), with effect from the 2009-10 financial year. The transitional concessional contributions cap (applicable to individuals aged 50 and over for the 2009-10, 2010-11 and 2011-12 financial years) will be reduced to \$50,000 per annum. This measure contributes to sustainable retirement income reform. This measure will have an ongoing gain to revenue which is estimated to be \$2.810 billion over the forward estimates period. The measure also includes an increase in resourcing for the ATO of \$55.3 million over this period.

'Grandfathering' arrangements will apply to certain members with defined benefit interests as at 12 May 2009 whose notional taxed contributions would otherwise exceed the reduced cap. Similar arrangements were applied when the concessional contributions cap was first introduced.

The annual cap on non-concessional contributions is \$150,000 per annum for the 2008-09 financial year and will remain at that level in 2009-10. In the future, the cap will be calculated as six times the level of the (indexed) concessional contributions cap.

Superannuation — payment of small and insoluble lost accounts to unclaimed monies

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|------------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | - | 187.3 | 39.2 | 11.5 |
| <i>Related expense (\$m)</i> | | | | | |
| Australian Taxation Office | - | - | 3.6 | 3.1 | 1.8 |

The Government will improve the efficiency of the superannuation system by requiring superannuation providers to transfer lost accounts which have balances less than \$200, or which have been inactive for five years and for which there are insufficient records to identify the owner of the account, to unclaimed monies. Former holders of these lost accounts will still be able to reclaim their money from the ATO at any time.

This measure will have effect from the 2010-11 income year and result in a gain to revenue which is estimated to be \$238.0 million over the forward estimates period. The measure is also expected to increase government expenditure by \$8.4 million over this period.

Lost account balances are currently only paid to unclaimed monies when a member reaches age 65 and cannot be found by a fund trustee, or when a member dies and the trustee cannot ensure the benefit is received by the person entitled to receive the benefit.

The measure will assist in rationalising the Lost Members Register and reduce the number of small or inactive accounts that funds are required to administer and apply the costly member protection rules to. It will also improve equity where costs are currently apportioned across other fund members in applying the member protection rules.

Superannuation — trans-Tasman retirement savings portability scheme

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | - | 0.6 | 2.1 | 4.8 |

The Government has agreed in principle to the signing of a memorandum of understanding with New Zealand to establish a trans-Tasman retirement savings portability scheme. The scheme will have effect from a date set in accordance with the memorandum of understanding. The final details of the scheme are currently being settled with New Zealand. This measure has an ongoing gain to revenue estimated to be \$7.5 million over the forward estimates period.

The trans-Tasman portability scheme will permit transfers of superannuation savings between certain Australian superannuation funds and New Zealand KiwiSaver funds. Currently, members of Australian superannuation funds may only transfer their retirement savings within the Australian superannuation system.

The introduction of the scheme will facilitate the free movement of people, potentially removing an impediment to trans-Tasman labour market mobility. It will also enable individuals to streamline and consolidate their personal retirement savings (where split across the two countries) which will reduce their exposure to multiple sets of fees and charges.

The establishment of the scheme is consistent with, and supports, the movement toward a single economic market between Australia and New Zealand.

Tax exemption for certain grants to small businesses and primary producers affected by the Victorian bushfires

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | - | -3.1 | -3.2 | -0.3 | -0.3 |

The Government will exempt from tax the Clean-up and Restoration Grants paid to small businesses and primary producers affected by the Victorian bushfires, with effect from 1 July 2008. This measure has an ongoing cost to revenue which is estimated to be \$6.9 million over the forward estimates.

On 18 February 2009, the Commonwealth and Victorian governments announced a Clean-up and Restoration Grant of up to \$25,000. This was part of a \$51 million package to assist small businesses and primary producers affected by the Victorian bushfires.

Business related expenses that are funded by using the grant would generally be deductible.

Uniform capital allowance regime — technical changes

| Revenue (\$m) | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------|---------|---------|---------|---------|---------|
| Australian Taxation Office | * | * | * | * | * |

The Government will make a number of technical amendments to the uniform capital allowance regime to correct deficiencies and improve certainty for taxpayers. This measure has an ongoing unquantifiable revenue impact.

