

Part 1: Revenue Measures

Table 1: Revenue measures since the 2007-08 MYEFO^(a)

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
	ATTORNEY-GENERAL'S					
	<i>Administrative Appeals Tribunal</i>					
339	Responsible Economic Management – Access Card(b)	-	..	..	..	-
	<i>Australian Customs Service</i>					
6	Customs duty on imported tobacco – revenue protection measure	-	..	..	..	..
22	Excise and customs duty – increased rates on 'other excisable beverages'	2.0	12.0	12.0	12.0	12.0
6	Excise-equivalent goods – coverage by Tariff Concession Orders	-	0.6	0.6	0.6	0.7
	Humanitarian migration program					
252	– additional 500 places for Iraqis in 2008-09(b)	-	..	..	..	..
254	– additional 750 Special Humanitarian Program places from 2009-10(b)	-	-	..	..	0.1
7	Increase in the Passenger Movement Charge	-	106.3	111.2	117.7	124.1
	Migration Program					
257	– 37,500 place increase for 2008-09(b)	-	3.3	6.7	10.1	13.8
258	– additional 6,000 skill stream places for 2007-08(b)	-	0.6	0.6	0.6	0.6
263	Visa places for Iraqi locally engaged employees(b)	-	..	..	..	..
	Portfolio total	2.0	122.8	131.1	141.0	151.3
	BROADBAND, COMMUNICATIONS AND THE DIGITAL ECONOMY					
	<i>Australian Communications and Media Authority</i>					
348	Responsible Economic Management – Do Not Call Register – cost recovery	-	1.1	1.2	1.0	0.8
	<i>Department of Broadband, Communications and the Digital Economy</i>					
369	Responsible Economic Management – Australia Post Special Dividend	-	150.0	-	-	-
	Portfolio total	-	151.1	1.2	1.0	0.8
	FOREIGN AFFAIRS AND TRADE					
	<i>Department of Foreign Affairs and Trade</i>					
8	Increase in Passport Fees	-	6.4	7.4	8.1	8.8
	Portfolio total	-	6.4	7.4	8.1	8.8

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Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
HEALTH AND AGEING						
<i>Department of Health and Ageing</i>						
206	Health and Hospitals Reform – Aged Care – Residential aged care – zero real interest loans(b)	-	1.6	4.9	6.9	6.8
Pharmaceutical Benefits Scheme						
242	– listing of Sensipar® (cinacalcet)(b)	-	nfp	nfp	nfp	nfp
243	– listing of Tysabri® (natalizumab)(b)	-	nfp	nfp	nfp	nfp
9	– maintaining the capacity for listing drugs through cost recovery	-11.1	-1.6	2.9	2.8	2.8
Portfolio total		-11.1	..	7.8	9.7	9.6
IMMIGRATION AND CITIZENSHIP						
<i>Department of Immigration and Citizenship</i>						
Migration Program						
257	– 37,500 place increase for 2008-09(b)	-	96.0	98.4	121.3	124.3
258	– additional 6,000 skill stream places for 2007-08(b)	-	1.5	-	-	-
262	United States of America – Australia Work and Holiday visas – expanded eligibility(b)	-	0.4	1.0	1.6	2.0
10	Visa Application Charge – increase	-	39.1	43.4	46.6	50.2
Portfolio total		-	137.1	142.8	169.5	176.6
INFRASTRUCTURE, TRANSPORT, REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT						
<i>Civil Aviation Safety Authority</i>						
11	Civil Aviation Safety Authority – revision to long-term funding strategy	-	-5.0	-5.0	-5.0	-5.0
Portfolio total		-	-5.0	-5.0	-5.0	-5.0
PRIME MINISTER AND CABINET						
<i>Office of the Renewable Energy Regulator</i>						
117	Tackling Climate Change – Renewable Energy Target – expansion(b)	1.0	2.4	3.2	3.4	3.9
Portfolio total		1.0	2.4	3.2	3.4	3.9
RESOURCES, ENERGY AND TOURISM						
<i>Department of Resources, Energy and Tourism</i>						
19	Crude oil excise – condensate	-13.4	-109.1	-127.7	-127.7	-127.7
Portfolio total		-13.4	-109.1	-127.7	-127.7	-127.7
TREASURY						
<i>Australian Prudential Regulation Authority</i>						
378	Responsible Economic Management – Choice of Superannuation Fund(b)	-	-	-1.1	-1.1	-1.1

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Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
	TREASURY (continued)					
	<i>Australian Taxation Office</i>					
123	Afghanistan – continued funding for Australian Defence Force deployments(b)	-	-10.1	-1.6	-	-
16	Albatrosses and Petrels Conservation Secretariat – tax relief	-	..	..	..	..
	Australian Defence Force					
120	– general medical and dental care(b)	-	0.2	0.9	1.0	1.0
297	– recognition of the service of the Australian Training Support Team in the United Nations Transitional Administration in East Timor(b)	-	-	-	-	-
	Capital gains tax					
16	– cancellation of interests in widely held entities	-	-	-	-	-
17	– demutualisation of health insurers	-	-	-	-	-
17	– extend small business concessions	-	-	-	-	-
18	– modify the scrip for scrip roll-over provisions for corporate restructures	-	*	*	*	*
18	Capital protected borrowings – change to benchmark interest rate	-	10.0	15.0	20.0	25.0
19	Crude oil excise – condensate	107.2	673.1	763.1	753.4	753.4
20	Depreciation of computer software	-	15.0	300.0	681.0	318.0
	Employee share schemes					
20	– election requirements	-	-	31.0	36.0	10.0
21	– removal of double taxation	-	-	-	-	-
21	Entrepreneurs' tax offset – restrict eligibility through an income test	-	-	30.0	30.0	30.0
22	Excise and customs duty – increased rates on 'other excisable beverages'	95.9	628.1	704.0	787.3	880.6
12	Family trusts – savings measure	-	6.0	6.0	6.0	6.0
288	First Home Saver Accounts(b)	-	-5.0	-15.0	-40.0	-65.0
	Fringe benefits tax					
22	– exemption for eligible work-related items	-	50.0	140.0	205.0	255.0
23	– jointly held assets	-	4.0	15.0	15.0	15.0
24	– meal cards	-	110.0	165.0	205.0	250.0
24	GST – relief for charities	*	*	*	*	*
25	GST and international telecommunications – mobile telephone global roaming	-	-	-	-	-
	GST and the sale of real property					
25	– integrity measure	-	90.0	150.0	175.0	205.0
26	– not to proceed with previously announced deferred integrity measure	*	*	*	*	*
	Humanitarian migration program					
252	– additional 500 places for Iraqis in 2008-09(b)	-	1.0	1.1	1.2	1.3
254	– additional 750 Special Humanitarian Program places from 2009-10(b)	-	-	1.9	3.9	6.2

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Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
	TREASURY (continued)					
12	Increased funding for the Australian Taxation Office compliance dividend	-	105.0	295.0	785.0	795.0
26	Increasing the Luxury Car Tax	-	130.0	140.0	140.0	145.0
27	Indirect tax – refund restrictions and four year amendment period	-	*	*	*	*
	International tax					
13	– a final withholding tax on certain distributions of Australian managed investment trusts to foreign residents	-	-60.0	-125.0	-210.0	-235.0
27	– Australia-Japan double tax convention	-	-40.0	-100.0	-100.0	-105.0
28	– Australia-South Africa tax protocol	-	..	..	..	..
126	Iraq – continued funding for stabilisation and reconstruction activities(b)	-	-9.3	-1.1	-	-
28	Managed funds – changes to the eligible investment rules	-	*	*	*	*
	Means-testing of government support					
29	– expanded definitions of income to include certain 'salary sacrificed' contributions to superannuation	-	-	-	23.0	24.0
30	– expanded definitions of income to include net losses from investments	-	-	-	18.0	20.0
31	– expanded definitions of income to include reportable fringe benefits	-	-	-	9.5	9.0
	Migration Program					
257	– 37,500 place increase for 2008-09(b)	-	222.5	474.9	729.2	1,021.8
258	– additional 6,000 skill stream places for 2007-08(b)	-	41.5	47.0	47.7	48.4
	Overseas development assistance					
189	– enhanced Australian Federal Police deployment to Afghanistan(b)	-	-0.4	-0.4	-	-
196	– Pacific Police Development Program(b)	-	-0.7	-0.9	-0.9	-0.9
197	– Timor-Leste Police Development Program(b)	-	-1.4	-3.4	-	-
31	PAYG annual instalments – deferring the 2007-08 Budget measure	-	135.0	-115.0	-	-
	Personal income tax					
32	– exemption for rent assistance paid to Austudy recipients	-	-	-	-	-
32	– increasing the Medicare levy low-income thresholds	-	-65.0	-35.0	-35.0	-35.0
33	– increasing the Medicare levy surcharge thresholds	-	-	-195.0	-235.0	-230.0
33	– tax exemption for Queensland early completion bonuses for apprentices	-	-	-	-	-
34	– tightening eligibility for the dependency tax offsets	-	5.0	27.0	45.0	48.0

Table 1: Revenue measures since the 2007-08 MYEFO^(a) (continued)

Page		2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
	TREASURY (continued)					
14	Personal income tax cuts – tax plan for Australia's future	-	-	1,150.0	2,000.0	2,160.0
	Philanthropy					
34	– additional prescribed private funds	-	-17.0	-5.2	-5.5	-5.7
35	– improving the integrity of prescribed private funds	-	-	-	-	-
35	– updating the list of deductible gift recipients	-	..	-0.2	-0.2	-0.2
15	Political donations – removing tax deductibility	-	-	10.1	10.3	11.0
87	Removal of differential treatment of same-sex couples and their children – law reform(b)	-	-0.4	3.2	-0.8	-1.0
366	Responsible Economic Management – Australian Defence Force – fewer non-operational overseas postings and exchanges(b)	-	0.5	1.6	2.2	2.3
	Superannuation					
36	– access to tax free lump sums for persons with a terminal medical condition	-5.0	-	-	-	-
37	– payment of temporary residents' superannuation to the Australian Government	-	-15.0	5.0	5.0	-
37	Tax exemption for Carer Adjustment Payment	-	-	-	-	-
37	Taxation of Financial Arrangements – extension of transitional arrangements for Upper Tier 2 instruments	-	*	*	*	*
38	Taxation of Financial Arrangements Stages 3 and 4	-	*	*	*	*
128	Timor-Leste – continued funding to help restore peace and stability(b)	-	-13.1	-1.7	-	-
38	Tourist refund scheme – not to proceed with private provider proposal	62.0	56.0	58.0	61.0	63.0
263	Visa places for Iraqi locally engaged employees(b)	-	1.1	1.4	1.4	1.6
	Portfolio total	260.1	2,046.6	3,935.6	6,168.7	6,426.7
	Decisions taken but not yet announced	-	-	1.0	1.1	1.1
	Total impact of revenue measures(c)	238.6	2,352.3	4,097.5	6,369.7	6,646.2

* 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) This statement reports all measures since the 2007-08 MYEFO. All financial impacts are changes since the 2007 Pre-Election Economic and Fiscal Outlook. A minus sign before an estimate indicates a reduction in revenue, no sign before an estimate indicates a gain to revenue.

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

(c) Measures may not add due to rounding.

ATTORNEY-GENERAL'S

Customs duty on imported tobacco — revenue protection measure

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Customs Service	-

The Government will amend the customs legislation to clarify the existing references to 'tobacco content' so that the non-stick excise-equivalent customs duty on tobacco is calculated on the total weight of the goods, as intended. This measure has a negligible ongoing revenue impact. The measure will have effect from the date of Royal Assent of the amending legislation.

Excise-equivalent goods — coverage by Tariff Concession Orders

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Customs Service	-	0.6	0.6	0.6	0.7

The Government will address an unintended outcome where importers are able to avoid paying excise-equivalent customs duties on certain imported products by obtaining a Tariff Concession Order. This measure has an ongoing gain to revenue which is estimated to be \$2.5 million over the forward estimates period. The measure will have effect from the date of registration of the amending regulations.

Excise-equivalent duty is imposed on certain imports to provide consistent treatment with the excise on domestically manufactured goods. Tariff Concession Orders remove the protective tariff from imported goods where no substitutable goods are produced in Australia. Most excise-equivalent goods are currently prevented from being covered by Tariff Concession Orders.

Increase in the Passenger Movement Charge

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Customs Service	-	106.3	111.2	117.7	124.1

The Government will increase the Passenger Movement Charge from 1 July 2008 by \$9, from \$38 to \$47 per passenger. This increase is estimated to raise \$459.3 million over four years. The increase will contribute to offsetting the cost of a range of aviation security initiatives that until now have not been cost recovered. The Passenger Movement Charge also recovers the costs of processing international passengers at international airports and maritime ports, and the cost of issuing short-term visas overseas.

FOREIGN AFFAIRS AND TRADE

Increase in Passport Fees

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Foreign Affairs and Trade	-	6.4	7.4	8.1	8.8

The Government will increase passport fees by 4 per cent, with effect from 1 July 2008. This measure has an ongoing gain to revenue which is estimated to be \$30.7 million over the forward estimates period. The forward estimates already include a provision for the indexation of passport fees, which has offset part of the revenue impact of this measure.

The standard adult passport fee will increase from \$200 to \$208, while the passport fee for children and seniors will increase from \$100 to \$104. All other categories of passport fees will also increase.

HEALTH AND AGEING

Election Commitments

Pharmaceutical Benefits Scheme — maintaining the capacity for listing drugs through cost recovery

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Health and Ageing	-11.1	-1.6	2.9	2.8	2.8
<i>Related expense (\$m)</i>					
<i>Department of Health and Ageing</i>	-	2.5	2.3	2.2	2.2

The Government will provide an additional \$9.2 million over four years for the administration of the Pharmaceutical Benefits Advisory Committee and the system for listing drugs on the Pharmaceutical Benefits Scheme.

Costs associated with evaluating drugs for listing on the Pharmaceutical Benefits Scheme have increased over time as the result of more stringent evaluation requirements and the increased complexity of submissions to list new drugs. The increases will ensure that Australians continue to have reliable, timely and affordable access to effective and safe medicines. The measure includes the increased cost of remunerating Pharmaceutical Benefits Advisory Committee members, conducting pharmaceutical evaluations, and increasing the frequency of updates to Pharmaceutical Benefits Scheme listings from three to twelve times per year.

The additional funding provided under this measure will be recovered through cost-recovery arrangements commencing on 1 July 2008. Companies making submissions to the Pharmaceutical Benefits Advisory Committee will be charged fees, resulting in revenue to offset the additional costs. The cost-recovery arrangements were previously to commence on 1 July 2007 but this has been delayed until 1 July 2008 resulting in a reduction in the revenue estimate for 2008-09. Total additional revenue over four years is expected to be \$7.0 million, resulting in a net cost of this measure of \$2.2 million.

IMMIGRATION AND CITIZENSHIP

Visa Application Charge — increase

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Department of Immigration and Citizenship	-	39.1	43.4	46.6	50.2

The Government will increase the visa application charge for tourist visas by \$25 from \$75 to \$100 per application overseas, and from \$215 to \$240 for all related visa extensions in Australia. The Government will also increase visa application charges for temporary residence visas by \$60 from \$190 to \$250, and residents return visas by \$120 from \$120 to \$240. These increases will be implemented on 1 July 2008.

The measure also includes an increase to the fee for certificate of evidence of residency from \$70 to \$100.

The changes will better reflect visa processing costs, and more closely align Australian visa application charges with other countries international competitors while still maintaining Australia's competitiveness in tourism and skilled migration.

This measure will increase revenue by \$179.4 million over four years.

INFRASTRUCTURE, TRANSPORT, REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT

Civil Aviation Safety Authority — revision to long-term funding strategy

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Civil Aviation Safety Authority	-	-5.0	-5.0	-5.0	-5.0

The Government will not proceed, in 2008-09, with the next phase of the Civil Aviation Safety Authority's (CASA) long-term funding strategy, announced in 2005-06, that included increased fees and a reduction in the excise and customs duty rates applying to aviation gasoline and aviation turbine fuel which were to apply from 1 July 2008. The Government will review CASA's long-term funding strategy later in 2008.

TREASURY

Election Commitments

Family trusts — savings measure

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	6.0	6.0	6.0	6.0

The Government will reduce the scope for family trusts to be used to lower income tax by utilising losses. This measure has an ongoing gain to revenue which is estimated to be \$24.0 million over the forward estimates period.

The Government will change the definition of family in the family trust election rules to limit lineal descendants to children or grandchildren of the test individual or of the test individual's spouse. This will have effect from 1 July 2008.

This measure will also preclude family trusts making a once-off variation to the test individual specified in a family trust election (other than in relation to a marriage breakdown). This will have effect from the 2007-08 income year.

This measure delivers on the Government's election commitment.

Increased funding for the Australian Taxation Office compliance dividend

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	105.0	295.0	785.0	795.0
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	39.0	63.6	76.7	77.6

The Government will provide additional funding of \$256.9 million over four years from 2008-09 to the Australian Taxation Office (ATO) to allow it to enhance compliance activities, particularly for large businesses and high wealth individuals. This additional investment in ATO activities is expected to increase revenue by \$1,980 million over four years.

The increased resources will help ensure greater equity and confidence in the taxation system and provide for increased and better targeted enforcement activity.

This measure delivers on the Government's election commitment.

International tax — a final withholding tax on certain distributions of Australian managed investment trusts to foreign residents

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-60.0	-125.0	-210.0	-235.0

The Government will replace the existing 30 per cent non-final withholding tax applying to distributions of Australian source net income (other than dividends, interest and royalties) of Australian managed investment trusts to foreign residents with a final withholding tax regime. The measure will have effect for fund payments made in relation to the first income year after the date of Royal Assent of the enabling legislation, intended to be the 2008-09 income year. This has an ongoing cost to revenue which is estimated to be \$630.0 million over the forward estimates period.

Residents of jurisdictions with which Australia has effective exchange of information arrangements, to be specified by regulation, will be subject to a non-final withholding tax at the rate of 22.5 per cent for the first income year (intended to be 2008-09); a final withholding tax of 15 per cent for the second income year (intended to be 2009-10); and a final withholding tax of 7.5 per cent for the third (intended to be 2010-11) and later income years.

For the first income year, as an interim measure, such residents will be eligible to claim deductions for expenses relating to their fund payments. These residents will be taxed at a new rate of 22.5 per cent on an amount net of any deductions.

Residents of other jurisdictions will be subject to a 30 per cent final withholding tax.

The new withholding tax regime furthers the Government's objectives to establish Australia as a financial services centre in the Asia-Pacific region. The reduced withholding tax rate will be restricted to residents of information sharing jurisdictions. This safeguards the integrity of the measure and signals Australia's commitment to effective exchange of information to reduce opportunities for international tax evasion and avoidance.

The cost of this measure reflects the estimated revenue loss from reducing the withholding tax rate based on data for distributions from managed funds and observed investor behaviour. The costing does not assume any change in investor behaviour were existing arrangements to remain in place.

This measure delivers on the Government's election commitment.

Personal income tax cuts — tax plan for Australia's future

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	1,150.0	2,000.0	2,160.0

The Government will deliver in full the tax cuts it announced during the 2007 election campaign. These tax cuts included deferring the previously budgeted reductions in the top marginal tax rate for taxpayers on incomes of more than \$180,000 per annum until beyond 2010-11. The savings of \$5.3 billion over the forward estimates period will be diverted to the Government's other spending priorities including the Education Tax Refund, reducing elective surgery waiting lists and to the budget surplus.

The tax cuts will enhance individual incentive and workforce participation. The estimated impact of the tax cuts on participation is to encourage around 65,000 new entrants into the workforce. There will be an estimated overall gain of around 2.5 million hours of work each week. They will also deliver a significant reduction in taxes for all Australian taxpayers and help prepare Australia for its future economic challenges.

Current		From 1 July 2008		From 1 July 2009		From 1 July 2010	
Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)
0 - 6,000	0	0 - 6,000	0	0 - 6,000	0	0 - 6,000	0
6,001 - 30,000	15	6,001 - 34,000	15	6,001 - 35,000	15	6,001 - 37,000	15
30,001 - 75,000	30	34,001 - 80,000	30	35,001 - 80,000	30	37,001 - 80,000	30
75,001 - 150,000	40	80,001 - 180,000	40	80,001 - 180,000	38	80,001 - 180,000	37
150,001 +	45	180,001 +	45	180,001 +	45	180,001 +	45

From 1 July 2008 the 30 per cent threshold will increase from \$30,001 to \$34,001, the 40 per cent threshold will increase from \$75,001 to \$80,001 and the 45 per cent threshold will increase from \$150,001 to \$180,001. In addition, from 1 July 2009 the 30 per cent threshold will increase to \$35,001 and the 40 per cent marginal tax rate will be reduced to 38 per cent. From 1 July 2010, the 30 per cent threshold will increase to \$37,001 and the 38 per cent marginal tax rate will be reduced to 37 per cent.

Low income tax offset

From 1 July 2008, the low income tax offset will increase from \$750 to \$1,200. From 1 July 2009 it will increase further to \$1,350 and from 1 July 2010 to \$1,500. The offset will continue to be withdrawn once income exceeds \$30,000. Those eligible for the full low income tax offset will have an effective tax free threshold of \$14,000 in 2008-09, \$15,000 in 2009-10 and \$16,000 in 2010-11. New withholding schedules will be created so that low and average income earners will receive half of the benefits of the low income tax offset through their regular pay, rather than all of the offset as a lump sum when their income tax returns are assessed.

Senior Australians

The amount of income a senior Australian eligible for the senior Australians tax offset can earn before they incur an income tax liability will increase to \$28,867 for singles and \$24,680 for each member of a couple from 1 July 2008. These income levels will increase to \$29,867 for singles and \$25,680 for each member of a couple from 1 July 2009 and to \$30,685 for singles and \$26,680 for each member of a couple from 1 July 2010. The relevant Medicare levy low-income threshold will be increased to ensure that senior Australians do not pay the Medicare levy until they begin to pay income tax.

Tax aspiration

The Government has also set an aspirational tax goal over six years for a personal income tax system which reduces the number of rates from four to three with a personal income tax scale of 15 per cent, 30 per cent and 40 per cent. The effective tax free threshold for those eligible for the low income tax offset will also increase to \$20,000 by 2012-13, through an increase in the value of the offset. This goal is dependent on national and international economic conditions and maintaining, as a general principle, sound budget surpluses. Provision of \$6 billion in 2011-12 has been made in the forward estimates in preparation for the next step in achieving the Government's tax aspiration.

Political donations — removing tax deductibility

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	10.1	10.3	11.0
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	-	-	-	-	-

The Government will remove the tax deductibility of contributions and gifts made by individuals and businesses to political parties, members and candidates, with effect from 1 July 2008. This measure has an ongoing gain to revenue which is estimated to be \$31.4 million over the forward estimates period.

The Government will ensure that removing income tax deductibility for contributions and gifts to political organisations will not affect existing GST concessions for these groups. The GST component of this measure has no revenue impact. The Government is consulting with the States on the GST component of this measure.

This measure delivers on the Government's election commitment.

Other measures

Albatrosses and Petrels Conservation Secretariat — tax relief

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	-

The Government will provide income tax, customs duty, GST and other Australian Government tax relief to the Secretariat for the Agreement on the Conservation of Albatrosses and Petrels and the Secretariat's non-Australian staff. This relief is in line with that granted to other international organisations in Australia.

Australia will permanently host the Secretariat in Hobart. The measure will have a negligible ongoing revenue impact and will commence from the date of effect of the enabling regulations.

Capital gains tax — cancellation of interests in widely held entities

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	-	-	-

The Government will allow taxpayers to calculate their capital gains or losses using the actual proceeds received where shares or units in widely held entities are cancelled or surrendered, with effect from the 2006-07 income year. This measure has an ongoing unquantifiable revenue impact which has already been accounted for in the forward estimates.

The current tax law provides that when shares or units in widely held entities are cancelled, surrendered or similarly brought to an end, a taxpayer is required to calculate any capital gains tax liability using the asset's market value rather than the proceeds they actually receive.

This measure ensures that for shares or units in widely held entities, any capital gains tax liability will be calculated according to the proceeds that the taxpayer receives, rather than the share or unit's market value at the time of cancellation.

Capital gains tax — demutualisation of health insurers

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	-	-	-

The Government will provide relief from capital gains tax (CGT) to policy holders of health insurers who receive shares when their insurer demutualises, with effect from 1 July 2007. This measure has an ongoing gain to revenue for which a provision of \$4.0 million has already been included in the forward estimates.

The CGT demutualisation relief for non-life and general insurers is currently available for members of the demutualising entity but not for policy holders. This measure ensures consistency between the CGT rules and the requirements of the private health insurance legislation. As part of these changes, pre-CGT policy holders will receive a market value cost base for their shares and post-CGT policy holders will receive a cost base that is based on their share of the health insurer's net tangible assets. Post-CGT policy holders who surrender rights for a cash payment (rather than shares) as part of a demutualisation will also receive a similar 'net tangible assets' based cost base.

Further information can be found in the press release of 26 February 2008 issued by the Assistant Treasurer and Minister for Competition Policy and Consumer Affairs.

Capital gains tax — extend small business concessions

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	-	-	-

The Government will increase access to the small business capital gains tax (CGT) concessions for taxpayers owning a CGT asset used in a business by a related entity and for partners owning a CGT asset used in the partnership business, with effect from the 2007-08 income year. This measure has an ongoing unquantifiable revenue impact, which has already been accounted for in the forward estimates.

Currently, the small business entity test does not cover business structures where the CGT asset is owned by an entity but is used in a related entity which carries on the business. In addition, for partnerships, the small business entity test requires the taxpayer making a capital gain to be a partner in the partnership and for the asset to be an asset of the partnership.

This measure will allow these structures and assets to qualify for the CGT small business concessions.

Capital gains tax — modify the scrip for scrip roll-over provisions for corporate restructures

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	*	*	*	*

The Government will modify the scrip for scrip capital gains tax roll-over provisions to ensure that, for corporate restructures, the acquiring entity's cost base of shares in the target entity reflects the tax costs of the target entity's net assets, with effect from 7.30 pm (AEST) on 13 May 2008. This cost base will also be used in determining the value of the target entity's assets in consolidation if the target entity subsequently joins the acquiring entity's consolidated group. This measure has an ongoing unquantifiable revenue impact.

Under the current provisions, the acquiring entity obtains a market value cost base for the shares it acquires in the target entity. This can result in significant unintended tax benefits arising if, for example, the target entity subsequently joins the acquiring entity's consolidated group. The measure will prevent companies from obtaining unintended tax benefits if they restructure.

Capital protected borrowings — change to benchmark interest rate

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	10.0	15.0	20.0	25.0

The Government will adjust the benchmark interest rate that applies to capital protected borrowing arrangements to increase the capital component of the overall expense, for arrangements entered into from 7.30 pm (AEST) on 13 May 2008. The measure abolishes a tax concession and a tax expenditure. This measure has an ongoing gain to revenue estimated to be \$70.0 million over the forward estimates period.

Under a typical capital protected borrowing arrangement, the investor uses borrowed funds to buy listed shares but is protected from a fall in their price by a capital protection feature. The benchmark interest rate is used to determine how much of the interest on the borrowing is attributable to the cost of this capital protection.

The new benchmark interest rate will be the Reserve Bank of Australia's indicator variable rate for standard housing loans. Interest expense on a capital protected borrowing in excess of this level will be treated as the cost of capital protection and not deductible if on capital account. The current law will continue to apply to existing arrangements for five years or the life of the product, whichever is the shorter.

This delivers on the Government's commitment to responsible economic management.

Crude oil excise — condensate

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	107.2	673.1	763.1	753.4	753.4
Department of Resources, Energy and Tourism	-13.4	-109.1	-127.7	-127.7	-127.7
Total	93.8	564.0	635.4	625.7	625.7
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	<i>80.0</i>	<i>72.3</i>	<i>84.1</i>	<i>85.1</i>	<i>85.1</i>
<i>Department of Resources, Energy and Tourism</i>	<i>-8.9</i>	<i>-72.8</i>	<i>-85.1</i>	<i>-85.1</i>	<i>-85.1</i>
Total	71.1	-0.5	-1.0	-	-

The Government will remove the current exemption of condensate from crude oil excise, with effect from midnight (AEST) on 13 May 2008. This measure has an ongoing gain to revenue, which is estimated to be \$2.5 billion from Budget night and over the forward estimates period. This measure is also estimated to increase net Government expenditure by \$69.6 million over the same period. The measure abolishes a tax concession and a tax expenditure.

Under the new arrangements, condensate production from petroleum fields located in the North West Shelf project area and onshore Australia will be subject to the same excise rates as those applicable to petroleum fields discovered after 18 September 1975. For example, the maximum rate of excise applicable to production from a field in excess of 800 megalitres (around 5 million barrels) per annum will be 30 per cent of the value of production.

Under the crude oil excise arrangements, the first 4,767 megalitres (30 million barrels) of oil produced from a field is exempt. Past production of condensate from a petroleum field will contribute towards meeting this threshold before crude oil excise becomes payable. This threshold means that certain petroleum fields may not pay any crude oil excise as a result of this measure.

This measure results in a reduction in revenue from the offshore petroleum royalty which is shared between the Australian Government (one third) and the Western Australian Government (two thirds). The loss of royalty revenue to the Western Australian Government from 2007-08 to the end of the forward estimates is estimated to be \$337.1 million.

The Australian Government will provide the Western Australian Government with ongoing compensation for the loss of its share of offshore petroleum royalty revenue as a result of the imposition of crude oil excise on condensate, at an estimated cost of \$406.6 million over the forward estimates period. An initial payment of \$80 million will be made to the Western Australian Government in 2007-08, with payments in subsequent years adjusted to equal the impact of removing the condensate exemption on payments to Western Australia relating to the offshore petroleum royalty.

Budget Measures 2008-09

This measure will increase the return to the Australian community for allowing the extraction of non-renewable energy resources located in the North West Shelf project area and onshore.

This delivers on the Government's commitment to responsible economic management.

Depreciation of computer software

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	15.0	300.0	681.0	318.0

The Government will increase the period over which capital expenditure on in-house computer software is depreciated from 2.5 years to 4 years. This will apply to expenditure incurred on or after 7.30 pm (AEST) on 13 May 2008. The measure reduces a tax concession and tax expenditure. This measure has an ongoing gain to revenue which is estimated to be \$1.3 billion over the forward estimates period.

In-house software is computer software, or the right to use computer software, that is acquired, developed or developed by someone else and that is mainly used by the taxpayer in performing the functions for which the software was developed (that is, not for resale). This would include off-the-shelf software acquired for use by a taxpayer. Expenditure on in-house computer software will continue to be depreciated on a straight line basis.

This delivers on the Government's commitment to responsible economic management.

Employee share schemes — election requirements

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	31.0	36.0	10.0

The Government will improve the integrity of employee share schemes to ensure that income from these schemes is correctly reported by taxpayers. The measure will take effect with respect to shares and rights acquired from 1 July 2008. This measure has an ongoing gain to revenue estimated to be \$77.0 million over the forward estimates period.

Currently an employee can elect to be assessed on discounts provided on shares or rights in the year of income the shares or rights are acquired. If an election is not made, taxation of the discount (which includes gains on shares or rights) is deferred until a later time (such as when restrictions on the shares or rights are lifted).

The measure will ensure that the value of the discount (where it exceeds \$1,000) is included in assessable income if a taxpayer elects to be assessed upfront. Where the amount is not included in the employee's tax return, then the employee will be taxed under the deferral option. The Commissioner retains the power to allow a taxpayer an extension of time to make the election.

This delivers on the Government's commitment to responsible economic management.

Employee share schemes — removal of double taxation

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	-	-	-

The Government will remove double taxation that arises in relation to certain employee share schemes (ESS) that use employee share trusts. The changes will apply in relation to capital gains tax (CGT) events occurring from 7.30 pm (AEST) on 13 May 2008. This measure has no estimated revenue impact.

Currently there is no CGT relief for the trustee (or beneficiary) of an employee share trust on the transfer of shares to an employee because shares acquired by an employee as a result of exercising ESS rights are not ESS shares. Double taxation arises because the capital gains made by the trustee while the shares are held in the trust are also assessable to the employee either under ESS provisions or later as a capital gain. This measure will ensure that CGT relief is provided.

Entrepreneurs' tax offset — restrict eligibility through an income test

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	30.0	30.0	30.0

The Government will introduce an income test for the entrepreneurs' tax offset (ETO), with effect from 1 July 2008. The measure reduces the existing concession and tax expenditure through better targeting. This measure has an ongoing gain to revenue which is estimated to be \$90.0 million over the forward estimates period.

The ETO provides a 25 per cent tax offset for small businesses with annual turnover of less than \$75,000, which begins to phase out for turnover greater than \$50,000.

The income test will focus the benefit of the ETO towards genuine small businesses, by restricting eligibility for singles from \$75,000 and families from \$120,000 adjusted taxable income per year.

This delivers on the Government's commitment to responsible economic management.

Excise and customs duty — increased rates on ‘other excisable beverages’

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	95.9	628.1	704.0	787.3	880.6
Australian Customs Service	2.0	12.0	12.0	12.0	12.0
Total	97.9	640.1	716.0	799.3	892.6
<i>Related expense (\$m)</i>					
Department of the Treasury	8.7	57.1	64.0	71.6	80.1

The Government has increased the excise and excise-equivalent customs duty on ‘other excisable beverages not exceeding 10 per cent alcohol by volume’ to the same rate as for full strength spirits, on and from 27 April 2008. This measure has an ongoing gain to revenue which is estimated to be \$3.1 billion from 27 April 2008 and over the forward estimates period. This will help fund increased investment in preventative health. The measure is expected to increase GST payments to the States by \$281.5 million over this period.

These ‘other excisable beverages’, which include ready-to-drink alcoholic beverages, are now subject to excise duty and an equivalent customs duty at \$66.67 per litre of alcohol content. This will be increased in line with movements in the consumer price index. The *ad valorem* customs duty for these goods, in those instances where it applies, has not been changed.

Fringe benefits tax — exemption for eligible work-related items

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	50.0	140.0	205.0	255.0
<i>Related expense (\$m)</i>					
Department of the Treasury	-	5.0	20.0	45.0	50.0

The Government will tighten the current fringe benefit tax (FBT) exemption for certain work-related items (including laptop computers, personal digital assistants and tools of trade) by ensuring the exemption only applies where these items are used primarily for work purposes. The FBT exemption will generally be limited to one item of each type per employee per year. The measure will apply to items purchased after 7.30 pm (AEST) on 13 May 2008. The measure reduces the FBT concession and tax expenditure for work-related items. This measure will have an ongoing gain to revenue which is estimated to be \$650.0 million over the forward estimates period. This measure is also expected to increase GST payments to the States by \$120.0 million over this period.

The measure will ensure consistency with the rules applying to mobile phones, computer software, and protective clothing. The current list of FBT exempt work-related items will also be updated to reflect changes in technology.

The Government will also deny employees depreciation deductions for FBT exempt items (that is, items purchased primarily for work purposes) purchased from 7.30 pm (AEST) on 13 May 2008. For items purchased before that time, employees will be denied depreciation deductions for the 2008-09 and later income years. This measure will ensure that employees are no longer able to gain a double benefit by obtaining an FBT exempt item (such as a laptop computer) from their pre-tax income, and then claim a deduction for depreciation.

This delivers on the Government's commitment to responsible economic management.

Fringe benefits tax — jointly held assets

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	4.0	15.0	15.0	15.0

The Government will amend the fringe benefits tax (FBT) law to ensure that the full value of a benefit that has been provided to both an employee and an associate in relation to a jointly held asset will be subject to FBT. This tax integrity measure will have effect for new arrangements from 7.30 pm (AEST) on 13 May 2008. This measure will have an ongoing gain to revenue which is estimated to be \$49.0 million over the forward estimates period.

The measure will re-establish the principle that income and deductions arising from jointly held assets should be allocated between joint owners according to their legal interests.

Employees who have already entered into salary sacrifice agreements with their employer will be able to utilise existing arrangements until 31 March 2009 (that is, the end of the current FBT year). This will provide time for employers and employees to renegotiate salary packages to avoid incurring a FBT liability.

This delivers on the Government's commitment to responsible economic management.

Fringe benefits tax — meal cards

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	110.0	165.0	205.0	250.0
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	-	15.0	30.0	35.0	40.0

The Government will tighten the fringe benefits tax (FBT) exemption that applies to the private use of business property on an employer's premises by excluding meals under a salary sacrifice arrangement, with effect from 7.30 pm (AEST) on 13 May 2008. The measure reduces the FBT concession and tax expenditure associated with property provided on the employer's business premises. This measure will have an ongoing gain to revenue which is estimated to be \$730.0 million over the forward estimates period. This measure is also expected to increase GST payments to the States by \$120.0 million over this period.

The existing FBT exemption allows employees with a meal card arrangement to purchase meals out of their pre-tax income. The change will ensure equity with other employees who have to purchase meals out of their after-tax income. Existing balances on meal cards as at 7.30 pm (AEST) on 13 May 2008 will remain eligible for the FBT exemption, provided they are used by 31 March 2009. Any supplementation of existing balances after 7.30 pm (AEST) on 13 May 2008 will be subject to FBT.

The measure will not affect subsidised canteens that are provided to all staff and that are not part of a salary sacrifice arrangement.

This delivers on the Government's commitment to responsible economic management.

GST — relief for charities

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	*	*	*	*	*
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	*	*	*	*	*

The Government will not proceed with the package of GST changes for charities and other not-for-profit organisations announced by the previous government. This measure has an ongoing unquantifiable revenue impact.

The package would not have been effective in improving integrity, certainty or in reducing regulatory compliance costs for the sector as a whole.

GST and international telecommunications — mobile telephone global roaming

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	-	-	-
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	-	-	-	-	-

The Government will amend the measure, previously announced in the 2007-08 Budget, that ensures certain telecommunications services would remain GST free, with effect from 1 July 2000, to apply only to mobile telephone global roaming services. This measure has no revenue impact as it is consistent with existing practice.

The measure will ensure that Australia's GST treatment of these global roaming supplies remains consistent with Australia's obligations under the International Telecommunications Regulations (the Melbourne Agreement). Consistent with these obligations, supplies of mobile global roaming services provided to visitors to Australia remain not subject to GST, with effect from 1 July 2000.

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

GST and the sale of real property — integrity measure

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	90.0	150.0	175.0	205.0
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	-	90.0	150.0	175.0	205.0

The Government will ensure that the interactions between a number of provisions in the GST law do not allow real property transactions to be structured to reduce the GST liability. This measure has an ongoing gain to revenue which is estimated to be \$620.0 million over the forward estimates period. This measure is also expected to increase GST payments to the States by \$620.0 million over this period. The measure will have effect from the date of Royal Assent of the enabling legislation.

The GST provisions dealing with real property are intended to ensure that GST is payable on the value added to land once it enters the GST system. The margin scheme achieves this outcome by applying GST to the 'margin', that is, the difference between the purchase price paid by the seller and the price paid by the buyer. This measure provides that, where the margin scheme is used after a GST free or non-taxable supply, the value added by the registered entity which made that supply is included in determining the GST subsequently payable under the margin scheme. The measure will also strengthen the GST anti-avoidance provisions to ensure that they can apply to contrived arrangements entered into to avoid GST.

Budget Measures 2008-09

This measure will include amendments to address a previously announced but deferred tax integrity measure. See the related revenue measure titled *GST and the sale of real property – not to proceed with previously announced deferred integrity measure* in the Treasury portfolio.

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

GST and the sale of real property — not to proceed with previously announced deferred integrity measure

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	*	*	*	*	*
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	*	*	*	*	*

The Government will not proceed with a tax integrity measure previously announced in the 2005-06 Budget and then deferred in the 2006-07 Budget. This measure has an ongoing unquantifiable revenue impact.

This was an integrity measure designed to prevent the interaction of the margin scheme with the GST free going concern and the GST free farmland provisions from inappropriately reducing GST revenue.

Instead, the Government has decided to introduce a better targeted integrity measure – see *GST and the sale of real property – integrity measure* in the Treasury portfolio.

Increasing the Luxury Car Tax

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	130.0	140.0	140.0	145.0

The Government will increase the luxury car tax rate from 25 per cent to 33 per cent, with effect from 1 July 2008. There will be no change to the luxury car tax threshold (currently \$57,123) from which the luxury car tax applies. This measure has an ongoing gain to revenue which is estimated to be \$555 million over the forward estimates period.

Indirect tax — refund restrictions and four year amendment period

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	*	*	*	*
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	-	*	*	*	*

The Government will amend the law to ensure that the GST refund provisions apply even if the transaction for which the tax was paid is found not to be a supply. This will have effect from 1 July 2008. The Government will also restore the intended four year time limit on refunds and liabilities for indirect taxes, with effect from 1 July 2008. This measure has an ongoing unquantifiable revenue impact.

The GST refund provisions are intended to ensure that businesses cannot obtain a refund of overpaid GST unless they have reimbursed affected consumers. Similarly overpaid GST is not generally refundable in business to business transactions where the purchasing business is entitled to input tax credits for the overpaid GST.

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

International tax — Australia-Japan double tax convention

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-40.0	-100.0	-100.0	-105.0

The Government signed a tax treaty to update taxation arrangements with Japan on 31 January 2008. The convention will enter into force 30 days after both countries advise that they have completed their domestic requirements. This has an ongoing cost to revenue which is estimated to be \$345.0 million over the forward estimates period.

The arrangements will reduce withholding tax on certain dividend, interest and royalty payments. The convention will also align capital gains tax treatment more closely with OECD practice and provide for improved integrity measures.

Further information can be found in the press release of 1 February 2008 issued by the Assistant Treasurer and Minister for Competition Policy and Consumer Affairs.

International tax — Australia-South Africa tax protocol

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-

The Government signed a protocol to revise the tax treaty with the Republic of South Africa on 31 March 2008. The convention will enter into force 30 days after both countries advise that they have completed their domestic requirements. This has a negligible ongoing revenue impact.

The protocol introduces new rules to prevent tax discrimination and protects Australian nationals and businesses operating in South Africa and vice versa. The protocol updates the exchange of information rules and also amends the withholding tax rates that are imposed on cross-border flows of dividends, interest and royalties.

Further information can be found in the press release of 1 April 2008 issued by the Assistant Treasurer and Minister for Competition Policy and Consumer Affairs.

Managed funds — changes to the eligible investment rules

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	*	*	*	*

The Government will modify the eligible investment business rules to reduce compliance costs and uncertainty for managed funds, especially property trusts. This measure has an ongoing unquantifiable revenue impact. The measure will have effect from the date of Royal Assent of the amending legislation.

Under the eligible investment rules, managed funds that limit their activities to certain investments, such as investing in land primarily for rent, retain trust taxation treatment rather than being taxed like companies.

The measure will clarify the scope and meaning of investment in land for the purpose of deriving rent, introduce a 25 per cent allowance for non-rental income from investments in land (excluding capital gains), and expand the range of financial instruments that a managed fund may invest in or trade.

Means-testing of government support — expanded definitions of income to include certain ‘salary sacrificed’ contributions to superannuation

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	-	23.0	24.0
<i>Related expense (\$m)</i>					
<i>Australian Taxation Office</i>	-	3.2	-31.7	-26.8	-38.2
<i>Department of Families, Housing, Community Services and Indigenous Affairs</i>	-	2.8	-89.7	-80.1	-80.2
<i>Department of Education, Employment and Workplace Relations</i>	-	0.7	-39.9	-34.8	-34.8
<i>Department of Health and Ageing</i>	-	-	4.6	5.9	7.7
<i>Total</i>	-	6.7	-156.8	-135.8	-145.5
<i>Related capital (\$m)</i>					
<i>Australian Taxation Office</i>	-	1.3	-	-	-

The Government will expand the definition of income that is used to determine eligibility for government support programs, to include certain ‘salary sacrificed’ contributions to superannuation, with effect from 1 July 2009. This measure has an ongoing gain to revenue which is estimated to be \$47.0 million over the forward estimates period. The measure is also expected to decrease Government expenditure by \$430.2 million over this period.

The measure resolves an inconsistency in the treatment of ‘non-wage’ remuneration in the income tax and transfer system that allows individuals and families to access more government support payments than would be possible if their salary sacrificed contributions were paid as salary or wage income. It ensures employees who have access to salary sacrifice arrangements are treated equally as those who do not.

The measure affects government support programs such as income support payments for people below Age Pension age, family assistance, child support, superannuation co-contributions and financial and retirement savings assistance delivered through the tax system.

This is one of several measures designed to make income tests for various tax and transfer programs fairer and better targeted to those in need of government assistance.

Means-testing of government support — expanded definitions of income to include net losses from investments

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	-	18.0	20.0
<i>Related expense (\$m)</i>					
<i>Department of Families, Housing, Community Services and Indigenous Affairs</i>	-	3.8	-2.8	-4.7	-4.7
<i>Department of Education, Employment and Workplace Relations</i>	-	1.2	-0.4	-0.5	-0.5
<i>Australian Taxation Office</i>	-	1.1	..	-1.5	-2.6
<i>Department of Veterans' Affairs</i>	-	0.2	-0.1	-0.1	-0.1
<i>Department of Health and Ageing</i>	-	-	5.0	8.0	10.0
<i>Total</i>	-	11.3	3.7	2.9	3.8
<i>Related capital (\$m)</i>					
<i>Australian Taxation Office</i>	-	0.6	-	-	-
<i>Department of Veterans' Affairs</i>	-	0.1	-	-	-
<i>Total</i>	-	0.7	-	-	-

The Government will expand the definitions of income used to determine eligibility for particular government support programs to include net financial investment losses, and net rental property losses where appropriate, with effect from 1 July 2009. This measure has an ongoing gain to revenue which is estimated to be \$38.0 million over the forward estimates period. The measure is also expected to increase Government expenditure by \$10.8 million over this period.

Currently, net rental property losses are included in adjusted taxable income definitions used for the purposes of family assistance programs, some parental income tests, the Commonwealth Seniors Health Card, child support and loan repayment obligations under the Higher Education Loan Program.

Net financial investment losses are not included in the definition of income for any program, although some financial investment losses would be captured by income definitions that include a concept of net passive business losses.

This measure will expand the adjusted taxable income definitions to include net financial investment losses. The measure will also expand the definition of income used for particular tax programs to include net rental property losses and net financial investment losses. Affected tax programs include the Senior Australians Tax Offset, Medicare levy surcharge and dependency tax offsets.

This is one of several measures designed to make income tests for various tax and transfer programs fairer and better targeted to those in need of government assistance.

Means-testing of government support — expanded definitions of income to include reportable fringe benefits

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	-	9.5	9.0
<i>Related expense (\$m)</i>					
<i>Australian Taxation Office</i>	-	0.1	0.8	0.1	0.1

The Government will expand the definitions of income used to determine eligibility for certain tax offsets to include reportable fringe benefits, with effect from 1 July 2009. This measure has an ongoing gain to revenue which is estimated to be \$18.5 million over the forward estimates period.

Currently, the senior Australians tax offset and pensioner tax offset use taxable income in their income definition. Eligibility for the dependency tax offsets is determined on the basis of the dependant's income.

This measure will expand the income definitions used for the dependency tax offsets, senior Australians tax offset and pensioner tax offset to include reportable fringe benefits.

The Government will provide the Australian Taxation Office with additional funding of \$1.1 million over the forward estimates period to implement this measure.

This is one of several measures designed to make income tests for various tax and transfer programs fairer and better targeted to those in need of government assistance.

PAYG annual instalments — deferring the 2007-08 Budget measure

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	135.0	-115.0	-	-
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	-	35.0	-30.0	-	-

The Government has deferred until 1 July 2009 the measure to align the pay as you go (PAYG) instalments and GST payment and reporting requirements for taxpayers who are voluntarily registered for GST. This measure has a gain to revenue which is estimated to be \$20.0 million over the forward estimates period.

The measure is expected to increase GST payments to the States by \$5.0 million over the forward estimates period.

Personal income tax — exemption for rent assistance paid to Austudy recipients

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	-	-	-

The Government will provide a tax exemption for rent assistance paid to Austudy recipients, with effect from 1 July 2007. This measure has no revenue impact.

Rent assistance has been payable to Austudy recipients from 1 January 2008. This measure will ensure that Austudy recipients will not be required to pay tax on rent assistance amounts. Providing an income tax exemption for rent assistance paid to Austudy recipients is consistent with the tax treatment of rent assistance paid to Youth Allowance, Newstart Allowance and ABSTUDY recipients.

As no specific provision has been made in the forward estimates for anticipated tax revenue from rent assistance paid to Austudy recipients, exempting the payment from income tax has no cost to revenue.

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

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-65.0	-35.0	-35.0	-35.0

The Government will increase the Medicare levy low-income thresholds to \$17,309 for individuals and \$29,207 for individuals who are in families, with effect from 1 July 2007. This measure has an ongoing cost to revenue which is estimated to be \$170.0 million over the forward estimates period.

The additional amount of threshold for each dependent child or student will also increase to \$2,682. 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 \$22,922, with effect from 1 July 2007. 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 — increasing the Medicare levy surcharge thresholds

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	-195.0	-235.0	-230.0
<i>Related expense (\$m)</i>					
<i>Department of Health and Ageing</i>	-	-232.0	-236.5	-245.6	-245.6
<i>Related capital (\$m)</i>					
<i>Department of Health and Ageing</i>	-	0.4	0.1	0.1	0.1

The Government will increase the Medicare levy surcharge (MLS) thresholds for singles from \$50,000 to \$100,000 and for those who are members of a family from \$100,000 to \$150,000, with effect from 1 July 2008. This measure has an ongoing cost to revenue which is estimated to be \$660.0 million over the forward estimates period. In addition, there will be a reduction in Government expenditure on the private health insurance rebate of \$959.7 million over this period.

This measure includes \$0.6 million in capital funding over the four years from 2008-09 to upgrade IT facilities that manage the change in thresholds.

The thresholds, above which MLS is payable if a taxpayer does not have adequate private health insurance, have not been changed since the MLS was introduced on 1 July 1997. This measure will refocus the MLS on those with higher incomes.

The financial impact of premium growth on the forward estimates for the private health insurance rebate is currently allocated to the Contingency Reserve. The savings from this measure relating to projected premium growth have also been allocated to the Contingency Reserve.

Personal income tax — tax exemption for Queensland early completion bonuses for apprentices

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	-	-	-

The Government will provide an income tax exemption of up to \$1,000 to apprentices who receive early completion bonuses in skill shortage occupations from the Queensland Government. The measure will have effect from 1 July 2008. This measure has an ongoing cost to revenue for which a provision of \$3.8 million has already been included in the forward estimates.

Early completion bonuses seek to alleviate skill shortages in industries that are experiencing strong demand growth by providing an incentive for apprentices to complete their apprenticeships early.

Personal income tax — tightening eligibility for the dependency tax offsets

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	5.0	27.0	45.0	48.0
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	0.4	0.1	..	..
<i>Related capital (\$m)</i>					
Australian Taxation Office	-	0.3	-	-	-

The Government will introduce an income threshold of \$150,000 for the claimant to determine eligibility for the Dependent Spouse, Housekeeper, Child Housekeeper, Invalid Relative and Parent/Parent-in-law tax offsets, with effect from 1 July 2008. This measure has an ongoing gain to revenue which is estimated to be \$125.0 million over the forward estimates period.

This measure will better target the benefit provided by these offsets.

From 1 July 2009, the Government will align the definition of income for these offsets with that applying to family assistance payments. In addition, the income threshold of \$150,000 will be indexed from 1 July 2009.

This measure is designed to align the eligibility criteria more closely with those applying to family assistance.

The Government will provide the Australian Taxation Office with additional funding of \$0.9 million over the forward estimates period to implement this measure.

This is one of several measures designed to make income tests for various tax and transfer programs fairer and better targeted to those in need of government assistance.

Philanthropy — additional prescribed private funds

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-17.0	-5.2	-5.5	-5.7

The Government has approved 17 funds for prescription as prescribed private funds (PPFs). This has an ongoing estimated cost to revenue of \$36.8 million over the forward estimates period. Five PPFs were approved prior to the *2007 Pre-Election Economic and Fiscal Outlook*, for which a provision of \$3.4 million has already been included in the forward estimates.

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 — improving the integrity of prescribed private funds

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	-	-	-

The Government will legislate guidelines to improve the integrity of prescribed private funds (PPFs), with effect from 1 July 2009. This integrity measure has no impact on revenue as the measure will initially have greatest impact on new PPFs which are not currently included in the forward estimates until prescription (see, for instance, the measure *Philanthropy – additional prescribed private funds*). The estimated potential savings are expected to be \$20 million in 2010-11 and \$40 million in 2011-12.

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.

This measure will provide the trustees of PPFs with greater certainty as to their philanthropic obligations by amending and legislating the PPF guidelines, including to ensure regular valuation of assets at market rates, to increase the size of compulsory distributions and to give the Australian Taxation Office greater regulatory powers.

This delivers on the Government's commitment to responsible economic management.

Philanthropy — updating the list of deductible gift recipients

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	..	-0.2	-0.2	-0.2

Qualifying gifts of \$2 or more to six organisations admitted to the Register of Harm Prevention Charities have been made tax deductible at a cost of \$0.6 million over the forward estimates period.

Prior to the *2007 Pre-Election Economic and Fiscal Outlook (PEFO)*, qualifying gifts of \$2 or more to the following organisations were made tax deductible. Approving these organisations reduces revenue by \$3.3 million over the forward estimates period, a provision for which was included at PEFO.

- Finding Sydney Foundation, until 30 June 2009;
- Ian Thorpe's Fountain for Youth Limited;
- AE 2 Commemorative Foundation Ltd, until 28 February 2010; and
- Dunn & Lewis Youth Development Foundation Limited, until 31 December 2008.

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In addition, there were also:

- two admissions to the Overseas Aid Gift Deduction Scheme;
- seven admissions to the Register of Environmental Organisations;
- 22 admissions to and eight removals from the Register of Cultural Organisations; and
- one admission to the Register of Harm Prevention Charities.

The list of overseas aid relief funds can be found on the AusAID website at www.ausaid.gov.au. The Register of Environmental Organisations can be found on the environment section of 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 arts section of the Department 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.

Superannuation — access to tax free lump sums for persons with a terminal medical condition

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-5.0	-	-	-	-

The Government will back-date the commencement of the previously announced measure to make superannuation lump sum benefits tax free for people with a terminal medical condition to 1 July 2007. Back-dating this measure has an estimated cost to revenue of \$5.0 million in 2007-08.

Provision for the cost of allowing access to tax free lump sums for persons with a terminal medical condition is already included in the forward estimates on the basis of the original commencement date of 12 September 2007.

Further information can be found in the press release of 13 February 2008 issued by the Minister for Superannuation and Corporate Law.

Superannuation — payment of temporary residents' superannuation to the Australian Government

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-15.0	5.0	5.0	-

The Government will defer the start date for the payment of temporary residents' superannuation to the Australian Government to the date of Royal Assent (expected before the end of 2008). The deferral has an estimated cost of revenue of \$5 million over the forward estimates period.

The payment of temporary residents' superannuation to the Australian Government was announced in the *Mid-Year Economic and Fiscal Outlook 2007-08* with a start date of 1 July 2008. The deferral will allow consultation on administrative and legislative design features of this policy.

Tax exemption for Carer Adjustment Payment

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	-	-	-	-

The Government will provide an income tax exemption for the Carer Adjustment Payment (CAP), with effect from 1 July 2007. The CAP provides financial assistance to families who have a child, aged up to six years, who has suffered a catastrophic event at some point after 1 January 2007. This measure has no revenue impact.

This measure ensures that CAP recipients are not required to pay income tax on these amounts. Providing an income tax exemption for the CAP is consistent with the tax treatment of other one-off payments made to carers in previous income years.

Taxation of Financial Arrangements — extension of transitional arrangements for Upper Tier 2 instruments

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	*	*	*	*

The Government will extend the debt/equity transitional arrangements to 1 July 2008 to ensure that the income tax law preceding the debt/equity tax rules continues to apply to Upper Tier 2 instruments. This measure has an ongoing unquantifiable revenue impact.

Taxation of Financial Arrangements Stages 3 and 4

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	-	*	*	*	*

The Government will amend and reintroduce the Taxation of Financial Arrangements Stages 3 and 4 measures, with effect from 1 July 2009. The measures lapsed when Parliament was prorogued in October 2007. The amendments have an ongoing unquantifiable revenue impact.

The amendments will also address further interactions with other parts of the tax law, remove an elective start date of 1 July 2008 and deal with various technical issues.

Tourist refund scheme — not to proceed with private provider proposal

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11	2011-12
Australian Taxation Office	62.0	56.0	58.0	61.0	63.0
<i>Related expense (\$m)</i>					
<i>Department of the Treasury</i>	<i>61.0</i>	<i>55.0</i>	<i>57.0</i>	<i>60.0</i>	<i>62.0</i>

The Government has decided that it will not proceed with the proposal to allow private providers to offer refunds in relation to the Tourist Refund Scheme (TRS), as announced in the 2007-08 Budget. This measure has an ongoing gain to revenue which is estimated to be \$300.0 million in 2007-08 and over the forward estimates period. The measure is expected to increase GST payments to the States by \$295.0 million over this period.

The Government supports the following previously announced changes which will have effect from the date of registration of the amending legislation:

- extending the period during which travellers can purchase goods and be eligible to claim a refund of GST and wine equalisation tax through the TRS from 30 days to 60 days;
- allowing travellers using the TRS to aggregate multiple invoices from single retailers in order to meet the \$300 threshold for TRS claims; and
- extending the period during which travellers can make tax free purchases through the sealed bag system from 30 days to 60 days.

These measures are subject to the unanimous agreement of the States.