Part 1: Revenue Measures

Table 1: Revenue measures since the 2017-18 MYEFO[(a)]

Page		2017-18 $m	2018-19 $m	2019-20 $m	2020-21 $m	2021-22 $m
	AGRICULTURE AND WATER RESOURCES					
	Department of Agriculture and Water Resources					
69	Agriculture Portfolio — efficiencies(b)	nfp	nfp	nfp	nfp	nfp
7	Agriculture, Food and Biosecurity — biosecurity imports levy	-	-	115.0	120.0	125.0
7	Changes to agricultural production levies(b)	..	-0.5	-0.5	-0.5	-0.5
	Portfolio total	**..**	**-0.5**	**114.5**	**119.5**	**124.5**
	ATTORNEY-GENERAL'S					
	Federal Court of Australia					
9	High Court of Australia Security and Funding Arrangements(b)(c)	-	1.2	1.2	1.2	1.2
	High Court of Australia					
9	High Court of Australia Security and Funding Arrangements(b)(c)	-	0.4	0.4	0.4	0.4
	Various Agencies					
9	Annual Indexation of Court and Tribunal Fees	-	0.4	1.8	0.5	2.1
	Portfolio total	**-**	**2.0**	**3.4**	**2.1**	**3.7**
	EDUCATION AND TRAINING					
	Australian Skills Quality Authority					
85	Australian Skills Quality Authority — full cost recovery(b)(c)	-	5.2	5.5	20.9	21.1
	Department of Education and Training					
86	Combined Lifetime Limit for Tuition Fee Assistance — amendment(b)(c)	-	0.2	0.7	1.1	2.0
10	Higher Education Loan Program — partial cost recovery	-	..	9.8	10.2	10.7
89	Investment in Regional University Campuses — additional study places(b)	-	..	0.2	0.3	0.6
94	Response to the Independent Review into Regional, Rural and Remote Education — additional support for students(b)	-	-	0.1	0.3	0.6
	Tertiary Education Quality and Standards Agency					
95	Tertiary Education Quality and Standards Agency — full cost recovery(b)(c)	-	1.7	5.5	8.7	12.4
	Portfolio total	**-**	**7.2**	**21.7**	**41.5**	**47.4**

Table 1: Revenue measures since the 2017-18 MYEFO[(a)] (continued)

Page		2017-18	2018-19	2019-20	2020-21	2021-22
		$m	$m	$m	$m	$m
	ENVIRONMENT AND ENERGY					
	Bureau of Meteorology					
201	Bureau of Meteorology — improved security and resilience for ICT systems — tranche two(b)(c)	nfp	nfp	nfp	nfp	nfp
	Department of the Environment and Energy					
201	Snowy Hydro Limited Acquisition(b)	-	140.7	248.0	282.8	269.7
	Portfolio total	**-**	**140.7**	**248.0**	**282.8**	**269.7**
	FINANCE					
	Department of Finance					
164	Aboriginal and Torres Strait Islander Land and Sea Future Fund(b)	-	*	*	*	*
176	National Disability Insurance Scheme — continuity of support(b)	..	-0.2	-0.1	-	-
176	National Disability Insurance Scheme Jobs and Market Fund(b)	-	-0.3	-0.1	-	-
	Portfolio total	**..**	**-0.5**	**-0.2**	*****	*****
	FOREIGN AFFAIRS AND TRADE					
	Department of Foreign Affairs and Trade					
11	Timor-Leste Conciliation	-	nfp	nfp	nfp	nfp
	Portfolio total	**-**	**-**	**-**	**-**	**-**
	HEALTH					
	Australian Aged Care Quality Agency					
117	More Choices for a Longer Life — healthy ageing and high quality care(b)(c)	-	-11.0	-11.1	-	-
	Department of Health					
109	Guaranteeing Medicare — improving safety and quality through stronger compliance(b)(c)	-	-	-	-	-
112	Improving Access to Medicines — additional funding for new medicines and improved payment administration(b)	-	-433.1	-809.9	-2,004.1	-2,153.8
115	Improving Access to Medicines — sustainability of the pharmacy approvals process(b)(c)	-	-	2.7	2.8	2.8
117	More Choices for a Longer Life — healthy ageing and high quality care(b)(c)	-	-	1.1	1.3	1.3
121	Pharmaceutical Benefits Scheme — new and amended listings(b)(c)	nfp	nfp	nfp	nfp	nfp
	National Blood Authority					
114	Improving Access to Medicines — strengthening the quality use of healthcare services(b)	-	-0.8	-2.0	-6.4	-6.6
	Portfolio total	**-**	**-444.9**	**-819.2**	**-2,006.4**	**-2,156.3**

Table 1: Revenue measures since the 2017-18 MYEFO[(a)] (continued)

Page		2017-18 $m	2018-19 $m	2019-20 $m	2020-21 $m	2021-22 $m
	HOME AFFAIRS					
	Australian Criminal Intelligence Commission					
129	Criminal Intelligence Checking Capability(b)(c)	-	-	-	-	-
	Department of Home Affairs					
128	Aviation, Air Cargo and International Mail Security Package(b)(c)	-	-	39.7	40.5	41.4
12	Black Economy Package — combatting illicit tobacco(b)(c)	-	10.0	3,275.0	180.0	230.0
13	Customs Duty — growing international collaboration and investment in Australia's medical research industry	-	..	..	..	..
13	New Trans-Pacific Partnership Agreement	-	-	-	-	-
14	Pathway to Permanent Residency for Retirement Visa Holders — establishment(b)(c)	-	4.3	4.3	1.0	0.3
15	Peru-Australia Free Trade Agreement	-	..	..	..	-
15	Skilling Australians Fund Levy — refund and exemption provisions(b)	-	-16.2	-21.3	-31.3	-36.3
134	Visas for General Practitioners — targeting areas of doctor shortages(b)	-	..	..	..	..
	Portfolio total	**-**	**-1.9**	**3,297.7**	**190.2**	**235.4**
	HUMAN SERVICES					
	Department of Human Services					
172	Encouraging Lawful Behaviour of Income Support Recipients(b)(c)	nfp	nfp	nfp	nfp	nfp
	Portfolio total	**-**	**-**	**-**	**-**	**-**
	INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES					
	Department of Infrastructure, Regional Development and Cities					
17	Federal Interstate Registration Scheme Closure(b)	-	-71.0	-71.0	-71.0	-71.0
	National Capital Authority					
146	National Capital Authority — additional funding(b)	-	3.0	3.8	4.7	5.6
	Portfolio total	**-**	**-68.0**	**-67.2**	**-66.3**	**-65.4**
	JOBS AND INNOVATION					
	Department of Industry, Innovation and Science					
18	Fair Fees for National Measurement Institute services — amended charging arrangements	-	-	0.1	0.2	0.4
124	Sport — building a more active Australia(b)(c)	-	1.1	-	-	-
11	Timor-Leste Conciliation	-	nfp	nfp	nfp	nfp
	Portfolio total	**-**	**1.1**	**0.1**	**0.2**	**0.4**

Table 1: Revenue measures since the 2017-18 MYEFO[(a)] (continued)

Page		2017-18 $m	2018-19 $m	2019-20 $m	2020-21 $m	2021-22 $m
	SOCIAL SERVICES					
	Department of Social Services					
175	More Choices for a Longer Life — finances for a longer life(b)(c)	-	-	-	0.7	3.1
	Portfolio total	**-**	**-**	**-**	**0.7**	**3.1**
	TREASURY					
	Australian Prudential Regulation Authority					
27	Full Cost Recovery of Superannuation Activities	-	7.8	7.6	8.0	8.4
188	Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry — further support(b)	-	2.7	-	-	-
	Australian Securities and Investments Commission					
187	North Queensland Home Insurance Comparison Website — additional funding(b)	-	-	nfp	nfp	-
187	Regulation of Company Auditors(b)	-	-	0.6	0.6	0.6
188	Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry — further support(b)	-	5.9	4.7	-	-
	Australian Taxation Office					
19	A firm stance on tax and superannuation debts(b)	-	-	-	-	-
19	Alcohol Taxation — extending support for craft brewers and distillers	-	-	-25.0	-30.0	-30.0
20	Backing Small Business Investment — further extending the immediate deductibility threshold	-	..	-550.0	50.0	150.0
21	Better targeting the research and development tax incentive(b)(c)	-	10.0	305.0	395.0	330.0
12	Black Economy Package — combatting illicit tobacco(b)(c)	-	1.0	5.5	12.0	17.0
22	Black Economy Package — further expansion of taxable payments reporting(b)	-	-	95.0	330.0	365.0
23	Black Economy Package — introduction of an economy-wide cash payment limit	-	-	*	*	*
23	Black Economy Package — new and enhanced ATO enforcement against the Black Economy(b)(c)	-	524.8	736.1	856.3	931.2
24	Black Economy Package — removing tax deductibility of non-compliant payments	-	-	-	*	*
25	Company Tax — improving the integrity of the tax treatment of concessional loans between tax exempt entities	-	-	-	-	-
25	Company Tax — income tax consolidation	-	*	*	*	*
26	Company Tax — significant global entity definition amendment	-	-	-	-	-

Table 1: Revenue measures since the 2017-18 MYEFO[(a)] (continued)

Page		2017-18 $m	2018-19 $m	2019-20 $m	2020-21 $m	2021-22 $m
	TREASURY (continued)					
26	Company Tax — taxation of financial arrangements — regulation reform	*	*	*	*	*
27	Income Tax — exemption for the International Cricket Council for the ICC World Twenty20 in 2020	-	*	*	*	*
28	Indirect Tax Concession Scheme — diplomatic and consular concessions(b)	..	..	..	..	..
28	International Tax — updating the list of information exchange countries	-	-5.0	-15.0	-15.0	-15.0
29	Levelling the playing field for online hotel bookings(b)	-	-	5.0	5.0	5.0
30	Miscellaneous Amendments — ongoing care and maintenance of Treasury portfolio legislation	-	..	..	..	..
175	More Choices for a Longer Life — finances for a longer life(b)(c)	-	-	-	20.0	23.0
30	More Choices for a Longer Life — work test exemption for recent retirees	-	-	-3.0	-3.0	-4.0
14	Pathway to Permanent Residency for Retirement Visa Holders — establishment(b)(c)	-	-0.1	-0.4	-0.8	-1.3
31	Personal Income Tax — ensuring individuals meet their tax obligations(b)(c)	-	217.1	289.7	307.8	307.6
31	Personal Income Tax — income tax exemption for certain Veteran Payments	..	..	..	..	..
32	Personal Income Tax — increasing the Medicare levy low-income thresholds	-	-80.0	-50.0	-50.0	-50.0
32	Personal Income Tax — retaining the Medicare levy rate at 2 per cent	-	-400.0	-3,550.0	-4,250.0	-4,600.0
33	Personal Income Tax Plan	-	-360.0	-4,120.0	-4,420.0	-4,500.0
34	Philanthropy — updates to the list of specifically listed deductible gift recipients	-	..	-0.2	-0.2	-0.2
35	Protecting Your Super Package — capping passive fees, banning exit fees and reuniting small and inactive superannuation accounts(b)(c)	-	-	230.0	90.0	95.0
36	Protecting Your Super Package — changes to insurance in superannuation(b)	-	-	240.0	255.0	275.0
37	Reforms to combat illegal phoenixing(b)	-	*	*	*	*
38	Removing luxury car tax on re-imported cars following refurbishment overseas	-	..	..	..	..
38	Stapled structures — tightening concessions for foreign investors	-	30.0	80.0	125.0	165.0
39	Superannuation — better integrity over deductions for personal contributions(b)	-	90.0	110.0	110.0	120.0

Table 1: Revenue measures since the 2017-18 MYEFO[(a)] (continued)

Page		2017-18 $m	2018-19 $m	2019-20 $m	2020-21 $m	2021-22 $m
	TREASURY (continued)					
40	Superannuation — increasing the maximum number of allowable members in self-managed superannuation funds and small APRA funds from four to six(b)	-	-	-	-	-
40	Superannuation — preventing inadvertent concessional cap breaches by certain employees	-	1.0	1.0	..	..
41	Superannuation — three-yearly audit cycle for some self-managed superannuation funds	-	-	-	-	-
41	Tax Integrity — clarifying the operation of the Division 7A integrity rule	-	-	*	*	*
42	Tax Integrity — deny deductions for vacant land	-	-	-	25.0	25.0
42	Tax Integrity — enhancing the integrity of concessions in relation to partnerships	*	*	*	*	*
43	Tax Integrity — extending anti-avoidance rules for circular trust distributions	-	-	-	10.0	10.0
44	Tax Integrity — improving the taxation of testamentary trusts	-	-	-	*	*
44	Tax Integrity — removing the capital gains discount at the trust level for Managed Investment Trusts and Attribution MITs	-	-	*	*	*
45	Tax Integrity — taxation of income for an individual's fame or image	-	-	*	*	*
46	Tax Integrity — thin capitalisation — valuation of assets and treatment of consolidated entities	-	-	-	120.0	120.0
189	Tax Practitioners Board — funding(b)	-	3.3	4.7	7.1	5.0
11	Timor-Leste Conciliation	-	nfp	nfp	nfp	nfp
134	Visas for General Practitioners — targeting areas of doctor shortages(b)	-	-1.0	-6.0	-11.0	-17.0
	Portfolio total	*****	**47.6**	**-6,204.7**	**-6,053.2**	**-6,264.7**
	VETERANS' AFFAIRS					
	Department of Veterans' Affairs					
175	More Choices for a Longer Life — finances for a longer life(b)(c)	-	-	-	..	0.1
	Portfolio total	**-**	**-**	**-**	**..**	**0.1**
	Decisions taken but not yet announced	**30.0**	**1,174.3**	**909.0**	**764.1**	**76.0**
	Total impact of revenue measures(d)	**30.0**	**857.0**	**-2,497.0**	**-6,724.8**	**-7,726.1**

* The nature of the measure is such that a reliable estimate cannot be provided.
.. Not zero, but rounded to zero.
\- Nil.
nfp not for publication.
(a) A minus sign before an estimate indicates a reduction in revenue, no sign before an estimate indicates a gain in revenue.
(b) These measures can also be found in the expense measures summary table.
(c) These measures can also be found in the capital measures summary table.
(d) Measures may not add due to rounding.

AGRICULTURE AND WATER RESOURCES

Agriculture, Food and Biosecurity — biosecurity imports levy

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Department of Agriculture and Water Resources	-	-	115.0	120.0	125.0

As recommended by the *Intergovernmental Agreement on Biosecurity Review*, the Government will introduce a new levy on sea imports, imposed on port operators from 1 July 2019, to enable the Government to invest in measures that will help it detect, identify and respond to exotic pests and diseases earlier.

This measure will apply a $10.02 levy per twenty foot container (or equivalent) and non-containerised cargo will incur a levy of $1 per tonne. The levy will be payable on a quarterly basis. The levy is estimated to have a gain to revenue of $360.0 million in fiscal balance terms over the forward estimates period. In underlying cash balance terms the measure has a gain of $325.0 million over the forward estimates. The Department of Agriculture and Water Resources will administer the levy.

Existing fees and charges for border and biosecurity services will remain.

Changes to agricultural production levies

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Department of Agriculture and Water Resources	..	-0.5	-0.5	-0.5	-0.5
Related expense ($m)					
Department of Agriculture and Water Resources	*..*	*-0.5*	*-0.5*	*-0.5*	*-0.5*

The Government is making changes to the following agricultural levies and export charges at the request of industry to meet changes in the funding needs of the agricultural sector:

- Macadamias: on 1 April 2018, the Government increased the Emergency Plant Pest Response (EPPR) component of the macadamia levy from zero to 0.2 cents per kilogram of dried macadamia kernels, at the request of the Australian Macadamia Society (AMS). The funds raised will be used to repay the Government for costs incurred on behalf of the AMS in relation to the industry contribution to the response plan for the eradication of the *varroa jacobsoni* mite from Queensland.

- Honey: from 1 July 2018, at the request of the Australian Honey Bee Industry Council, the Government will decrease the EPPR component of the honey levy from 2.9 to 2.7 cents per kilogram of honey and increase the National Residue Survey component from 0.1 to 0.3 cents per kilogram of honey.

- Mushrooms: from 1 July 2018, the Government will decrease the marketing component of the mushroom levy from $3.24 to $2.92 per kilogram of mushroom spawn, at the request of the Australian Mushroom Growers' Association.

ATTORNEY-GENERAL'S

Annual Indexation of Court and Tribunal Fees

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Various Agencies	-	0.4	1.8	0.5	2.1

From 1 July 2018, the Government will apply annual rather than biennial indexation of fees for the federal courts, the National Native Title Tribunal and the Administrative Appeals Tribunal, resulting in an increase in revenue of $4.8 million over four years.

The revenue from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

High Court of Australia Security and Funding Arrangements

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Federal Court of Australia	-	1.2	1.2	1.2	1.2
High Court of Australia	-	0.4	0.4	0.4	0.4
Total — Revenue	-	1.6	1.6	1.6	1.6
Related expense ($m)					
High Court of Australia	-	*1.5*	*1.5*	*1.6*	*1.6*
Related capital ($m)					
High Court of Australia	*0.2*	*2.0*	*1.2*	*1.0*	-

The Government will provide $10.7 million over five years from 2017-18 (including $4.5 million in capital funding) to improve the security of the High Court of Australia.

The cost of this measure will be partially met through additional revenue of $6.4 million over four years from 2018-19 by increasing fees for the High Court of Australia, the Federal Court of Australia and the general division of the Federal Circuit Court of Australia. The increase will not apply to family law fees.

EDUCATION AND TRAINING

Higher Education Loan Program — partial cost recovery

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Department of Education and Training	-	..	9.8	10.2	10.7

The Government will raise $30.7 million over four years from 2018-19 by introducing partial cost recovery arrangements for the *Higher Education Loan Program* (HELP). The arrangements will come into effect from 1 January 2019 and will include an:

- annual charge that is applied to all HECS-HELP and FEE-HELP approved higher education course providers to partially recover the costs associated with administering the HECS-HELP and FEE-HELP programs; and
- application fee that is applied to all higher education course providers seeking approval to offer FEE-HELP loans to recover the costs associated with administering the FEE-HELP application process.

The new arrangements are in accordance with the Australian Government Charging Framework.

FOREIGN AFFAIRS AND TRADE

Timor-Leste Conciliation

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	nfp	nfp	nfp	nfp
Department of Foreign Affairs and Trade	-	nfp	nfp	nfp	nfp
Department of Industry, Innovation and Science	-	nfp	nfp	nfp	nfp
Total — Revenue	-	nfp	nfp	nfp	nfp

The Government has reached agreement with the government of Timor-Leste on the maritime boundary delimitation in the Timor Sea following a conciliation process under the auspices of the Permanent Court of Arbitration.

The financial implications of this measure are not for publication (nfp) due to commercial sensitivities.

Further information can be found in the press release of 6 March 2018 issued by the Minister for Foreign Affairs and her counterparts in Timor-Leste.

HOME AFFAIRS

Black Economy Package — combatting illicit tobacco

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Department of Home Affairs	-	10.0	3,275.0	180.0	230.0
Australian Taxation Office	-	1.0	5.5	12.0	17.0
Total — Revenue	-	11.0	3,280.5	192.0	247.0
Related expense ($m)					
Department of Home Affairs	-	*17.7*	*21.7*	*22.0*	*24.0*
Australian Taxation Office	-	*1.7*	*2.1*	*5.5*	*5.2*
Department of the Treasury	-	*1.0*	*5.5*	*12.0*	*17.0*
Office of the Director of Public Prosecutions	-	-	*0.2*	*0.3*	*0.3*
Total — Expense	-	*20.3*	*29.5*	*39.8*	*46.4*
Related capital ($m)					
Department of Home Affairs	-	*5.6*	*0.2*	*0.1*	*0.1*
Australian Taxation Office	-	-	-	*4.0*	*7.0*
Total — Capital	-	*5.6*	*0.2*	*4.2*	*7.2*

The Government will target the three main sources of illicit tobacco in Australia (smuggling, leakage from licensed warehouses and domestic production). The measure consists of five components:

Collecting tobacco duties and taxes at the border — From 1 July 2019, importers of tobacco will be required to pay all duty and tax liabilities upon importation. This is a change from the current system, where tobacco can be imported and stored in licensed warehouses prior to tax being paid. For tobacco products that are held in licensed warehouses at the commencement of the measure on 1 July 2019, transitional arrangements will apply, allowing eligible affected entities to pay the liability on the warehoused stock within 12 months. Current weekly settlement arrangements will no longer apply to imported tobacco. Although there is currently no licensed commercial tobacco production in Australia, the taxing point for any future domestic manufacture of tobacco will also be changed to be consistent with the new taxing point for tobacco imports.

Creation of the Illicit Tobacco Task Force — From 1 July 2018, a multi-agency Illicit Tobacco Task Force will be formed, comprising members from a number of law enforcement and border security agencies, to increase the resources and capabilities dedicated to combatting illicit tobacco smuggling. The new Task Force, which builds on the successful approach of the Australian Border Force (ABF) Tobacco Strike Team, will have additional powers and capabilities to enhance intelligence gathering and proactively target, disrupt and prosecute serious and organised crime groups at the centre of the illicit tobacco trade.

Additional resources to combat domestic tobacco crops — From 1 July 2018, the ATO will be provided ongoing funding to bolster its capabilities to detect and destroy domestically grown illicit tobacco crops.

Introducing a prohibited import control for tobacco — From 1 July 2019, permits will be required for all tobacco imports (except for tobacco imported by travellers within duty free limits). This will make it easier for the ABF to take enforcement action and seize tobacco where no duty has been paid, increasing the deterrent against illicit tobacco smuggling.

ATO excise systems upgrade — The ATO will upgrade and modernise its excise and excise equivalent goods payment systems beginning 2020-21 to replace the outdated paper lodgement system.

The measure is estimated to have a net gain to the budget of $3.6 billion over the forward estimates period.

Customs Duty — growing international collaboration and investment in Australia's medical research industry

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Department of Home Affairs	-	..	..	..	..

The Government will remove customs tariffs from placebos and clinical trial kits that are imported into Australia from 1 July 2018.

This measure will simplify the import process for clinical trial kits and placebos, removing the need to differentiate between medicines and placebos as both will now be subject to a free rate of duty.

This will lower costs and remove the regulatory burden on companies conducting clinical trials.

This measure is estimated to have a negligible impact on revenue over the forward estimates period.

New Trans-Pacific Partnership Agreement

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Department of Home Affairs	-	-	-	-	-

On 8 March 2018, the governments of Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11). The TPP-11 will deliver major new opportunities for Australian exporters, investors and companies engaged in international business. This measure contributes to the

Government's agenda for delivering more opportunities for Australian businesses globally, as outlined in the 2017 Foreign Policy White Paper.

The cost to revenue of this measure from tariff reductions has already been accounted for in the 2016-17 Budget measure *Trans-Pacific Partnership Agreement*.

Further information can be found in the press releases of 8 and 9 March 2018 issued by the Minister for Trade, Tourism and Investment.

Pathway to Permanent Residency for Retirement Visa Holders — establishment

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Department of Home Affairs	-	4.3	4.3	1.0	0.3
Australian Taxation Office	-	-0.1	-0.4	-0.8	-1.3
Total — Revenue	-	4.2	3.9	0.2	-1.0
Related expense ($m)					
Department of Home Affairs	-	*0.6*	*0.5*	*0.1*	*0.1*
Department of Human Services	-	..	..	..	..
Department of Social Services	-	..	*-0.1*	*-0.1*	*-0.5*
Department of the Treasury	-	*-0.1*	*-0.3*	*-0.5*	*-0.8*
Total — Expense	-	*0.5*	*0.2*	*-0.5*	*-1.3*
Related capital ($m)					
Department of Home Affairs	-	*0.2*	-	-	-

The Government will introduce a pathway to permanent residency for holders of Retirement (subclass 410) and Investor Retirement (subclass 405) visas.

From 2018-19, a portion of the planned parent permanent migration places will be quarantined for retirement visa holders each year. Retirement visa holders in Australia will be eligible to apply onshore for a permanent visa through the Parent (subclass 103) or Contributory Parent (subclass 143) visa streams. Retirement visa holders will be exempted from some parent visa requirements that they would typically be unable to meet, such as having family in Australia. The pathway will remain open until all retirement visa holders who wish to transition to permanent residency have done so.

As part of the establishment of the pathway, the Government will close the subclass 405 visa to new applicants. The subclass 410 visa is already closed to new applicants.

The measure is estimated to have a gain to the budget of $8.2 million over the forward estimates period. The revenue generated from this measure will be redirected by the Government to fund policy priorities within the Home Affairs portfolio.

Peru-Australia Free Trade Agreement

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Department of Home Affairs	-	..	..	..	-

On 12 February 2018, the governments of Australia and Peru concluded the Peru-Australia Free Trade Agreement. The agreement will enable Australian businesses to better access markets in Peru, which is one of the fastest growing economies in South America. This measure contributes to the Government's agenda for delivering more opportunities for Australian businesses globally, as outlined in the 2017 Foreign Policy White Paper.

This measure is estimated to have a negligible cost to revenue from tariff reductions over the forward estimates period.

Further information can be found in the press release of 12 February 2018 issued by the Minister for Trade, Tourism and Investment.

Skilling Australians Fund Levy — refund and exemption provisions

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Department of Home Affairs	-	-16.2	-21.3	-31.3	-36.3
Related expense ($m)					
Department of Home Affairs	-	*0.4*	*0.4*	*0.5*	*0.5*
Department of the Treasury	-	*-16.6*	*-21.7*	*-31.8*	*-36.8*
Total — Expense	-	*-16.2*	*-21.3*	*-31.3*	*-36.3*

The Government will expand the refund provisions for the Skilling Australians Fund levy to allow refunds of the levy in the following scenarios:

- the employer's sponsorship application is approved but the employee's subsequent visa application is refused on health or character grounds;
- the sponsorship and visa applications are approved but the visa holder does not commence work with the employer; or
- a Temporary Skill Shortage (subclass 482) visa holder leaves their employer within the first 12 months of employment where the visa period was for more than 12 months. Refunds will only be available in this scenario for unused full years of the levy.

These provisions are in addition to the existing refund provision for scenarios in which an employer's sponsorship application is refused.

The Government will also exempt religious organisations from paying the Skilling Australians Fund levy when they nominate a foreign skilled worker for a Temporary Skill Shortage (subclass 482) or Employer Nomination Scheme (subclass 186) visa under the Minister of Religion Labour Agreement or a company-specific Labour Agreement, covering bishops, ministers of religion and religious assistants.

This measure is estimated to have a cost to revenue of $105.1 million over the forward estimates period. The Government will provide $1.8 million to the Department of Home Affairs to implement the measure. This will result in an equivalent reduction in the revenue available for payments to the States and Territories through the Skilling Australians Fund.

The commencement of the Skilling Australians Fund levy is subject to the passage of legislation through the Parliament.

INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES

Federal Interstate Registration Scheme Closure

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Department of Infrastructure, Regional Development and Cities	-	-71.0	-71.0	-71.0	-71.0
Related expense ($m)					
Department of the Treasury	*-*	*-71.0*	*-71.0*	*-71.0*	*-71.0*

The Government will close the Federal Interstate Registration Scheme to new entrants and re-registrations by existing heavy vehicle operators from 1 July 2018, and to all heavy vehicle operators engaged in interstate trade from 1 July 2019. Heavy vehicle operators will transition to the national registration scheme for heavy vehicles, which commences on 1 July 2018.

This measure will result in a reduction in revenue of $71.0 million per year from 2018-19 and an equivalent reduction in funding redistributed to the States and Territories.

Further information can be found in the COAG Transport and Infrastructure Council Communiqué of 19 May 2017.

JOBS AND INNOVATION

Fair Fees for National Measurement Institute services — amended charging arrangements

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Department of Industry, Innovation and Science	-	-	0.1	0.2	0.4

The Government will raise additional revenue of $0.8 million over three years from 2019-20 (and $0.7 million ongoing) by amending the cost recovery arrangements for regulatory services provided by the National Measurement Institute.

The amended arrangements will better align fees and charges with the costs of delivering the service, and improve the efficiency of charging arrangements consistent with the Australian Government Charging Framework.

TREASURY

A firm stance on tax and superannuation debts

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	-	-	-
Related expense ($m)					
Department of the Treasury	-	*116.5*	*119.1*	*122.4*	*125.7*
Australian Taxation Office	-	*32.8*	*33.1*	*33.6*	*34.1*
Total — Expense	-	*149.3*	*152.2*	*156.0*	*159.8*

The Government will provide $133.7 million to the ATO to continue to deliver on a range of strategies that sustain both an increase in debt collections and an improvement in the timeliness of debt collections.

This will extend, and roll into ongoing funding, the measure announced in the August 2013 Economic Statement *Addressing the level of unpaid tax and superannuation in the community* that would otherwise terminate on 30 June 2018.

The measure will ensure the ATO is able to continue to target those taxpayers gaining an unfair financial advantage over those who pay their fair share of tax and superannuation.

This measure is estimated to have no revenue impact in fiscal balance terms over the forward estimates period as the debt liabilities have already been recognised. In underlying cash balance terms this measure is estimated to have a gain to the budget of $1.2 billion over the forward estimates period. The measure is estimated to increase GST payments to the States and Territories by $483.7 million over the forward estimates period.

Alcohol Taxation — extending support for craft brewers and distillers

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	-25.0	-30.0	-30.0

The Government will increase the alcohol excise refund scheme cap to $100,000 per financial year and extend the concessional draught beer excise rates to 8 litre or greater kegs, from 1 July 2019.

The alcohol excise refund scheme currently provides eligible domestic alcohol producers a refund of 60 per cent of excise paid up to a cap of $30,000 per financial year. The higher cap of $100,000 will provide additional support to domestic brewers, distillers and producers of other fermented beverages such as non-traditional cider.

Currently, draught beer sold at licensed venues such as pubs and clubs in individual containers exceeding 48 litres is taxed at lower rates compared with beer sold in individual containers up to and including 48 litres. However, the lower rates mainly benefit large breweries, which typically use 50 litre kegs. Extending the concessional draught beer excise rates to 8 litre or greater kegs will allow craft brewers, which typically use smaller sized kegs, to also benefit from the lower rates, levelling the playing field between craft and large breweries.

This measure is estimated to have a cost to revenue of $85.0 million over the forward estimates period.

Backing Small Business Investment — further extending the immediate deductibility threshold

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	..	-550.0	50.0	150.0

The Government will extend the 2015-16 Budget measure *Growing Jobs and Small Business — expanding accelerated depreciation for small businesses* by a further 12 months to 30 June 2019 for businesses with aggregated annual turnover less than $10 million. This initiative is also known as the $20,000 instant asset write-off.

Small businesses will be able to immediately deduct purchases of eligible assets costing less than $20,000 first used or installed ready for use by 30 June 2019. Only a few assets are not eligible (such as horticultural plants and in-house software).

Assets valued at $20,000 or more (which cannot be immediately deducted) can continue to be placed into the small business simplified depreciation pool (the pool) and depreciated at 15 per cent in the first income year and 30 per cent each income year thereafter. The pool can also be immediately deducted if the balance is less than $20,000 over this period (including existing pools).

The current 'lock out' laws for the simplified depreciation rules (these prevent small businesses from re-entering the simplified depreciation regime for five years if they opt out) will continue to be suspended until 30 June 2019.

The measure will improve cash flow for small businesses, providing a boost to small business activity and investment for another year.

This measure is estimated to have a cost to revenue of $350.0 million over the forward estimates period.

The immediate deductibility threshold and the balance at which the pool can be immediately deducted are normally $1,000.

Better targeting the research and development tax incentive

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	10.0	305.0	395.0	330.0
Related expense ($m)					
Department of Industry, Innovation and Science	-	*17.1*	*16.1*	*15.4*	*16.2*
Australian Taxation Office	-	*-325.3*	*-354.0*	*-384.4*	*-405.5*
Total — Expense	-	*-308.2*	*-337.9*	*-369.0*	*-389.3*
Related capital ($m)					
Department of Industry, Innovation and Science	-	*2.3*	*1.5*	*0.3*	*0.3*
Australian Taxation Office	-	*1.7*	-	-	-
Total — Capital	-	*4.1*	*1.5*	*0.3*	*0.3*

The Government will amend the research and development (R&D) tax incentive to better target the program and improve its integrity and fiscal affordability in response to the recommendations of the 2016 *Review of the R&D Tax Incentive*. The changes will apply for income years starting on or after 1 July 2018.

For companies with aggregated annual turnover of $20 million or more, the Government will introduce an R&D premium that ties the rates of the non-refundable R&D tax offset to the incremental intensity of R&D expenditure as a proportion of total expenditure for the year. The marginal R&D premium will be the claimant's company tax rate plus:

- 4 percentage points for R&D expenditure between 0 per cent to 2 per cent R&D intensity;
- 6.5 percentage points for R&D expenditure above 2 per cent to 5 per cent R&D intensity;
- 9 percentage points for R&D expenditure above 5 per cent to 10 per cent R&D intensity; and
- 12.5 percentage points for R&D expenditure above 10 per cent R&D intensity.

The R&D expenditure threshold — the maximum amount of R&D expenditure eligible for concessional R&D tax offsets, will be increased from $100 million to $150 million per annum.

For companies with aggregated annual turnover below $20 million, the refundable R&D offset will be a premium of 13.5 percentage points above a claimant's company tax rate. Cash refunds from the refundable R&D tax offset will be capped at $4 million per annum. R&D tax offsets that cannot be refunded will be carried forward as non-refundable tax offsets to future income years.

Refundable R&D tax offsets from R&D expenditure on clinical trials will not count towards the cap.

The Government will further improve the integrity of the R&D program by implementing stronger compliance and administrative improvements. These improvements include increased resourcing for the Australian Taxation Office and Department of Industry, Innovation and Science, which will be used to undertake greater enforcement activity and provide improved program guidance to participants. Other changes include improving the transparency of the program by enabling the ATO to publicly disclose claimant details and the R&D expenditure they have claimed, limits on time extensions to complete R&D registrations and amendments to technical provisions (such as the feedstock and clawback rules and the general anti-avoidance rules).

The measure is estimated to have a net gain to the budget of $2.4 billion in fiscal balance terms over the forward estimates period. In underlying cash terms, the net gain to the budget is $2.0 billion over the forward estimates period.

Black Economy Package — further expansion of taxable payments reporting

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	95.0	330.0	365.0
Related expense ($m)					
Australian Taxation Office	*-*	*3.8*	*7.6*	*11.4*	*11.4*
Department of the Treasury	*-*	*-*	*40.0*	*55.0*	*55.0*
Total — Expense	*-*	*3.8*	*47.6*	*66.4*	*66.4*

The Government will further expand the taxable payments reporting system (TPRS) to the following industries:

- security providers and investigation services;
- road freight transport; and
- computer system design and related services.

This measure is in response to the Black Economy Taskforce findings that contractors in these industries have been identified by the ATO as being at higher risk of not complying with their tax obligations. The TPRS is an integrity measure and already operates in the building and construction industry. In the 2017-18 Budget, the TPRS was also extended to the cleaning and courier industries commencing from 1 July 2018.

Under the TPRS, businesses are required to report payments to contractors to the ATO. This brings payments to contractors in these industries into line with wages which are reported to the ATO. Businesses will need to ensure that they collect information from

1 July 2019, with the first annual report required in August 2020. A new online form will make the reporting process easier.

The measure will have effect from 1 July 2019 and is estimated to have a net gain to the budget of $605.8 million in fiscal balance terms over the forward estimates period. In underlying cash balance terms, this measure has a net gain of $545.8 million over the forward estimates period.

Black Economy Package — introduction of an economy-wide cash payment limit

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	*	*	*

The Government will introduce a limit of $10,000 for cash payments made to businesses for goods and services from 1 July 2019. As part of implementation the Government will consult on the detail of this measure.

Currently, large undocumented cash payments can be used to avoid tax or to launder money from criminal activity. This measure will require transactions over a threshold to be made through an electronic payment system or cheque. Transactions with financial institutions or consumer to consumer non-business transactions will not be affected. This action was recommended by the Black Economy Taskforce in order to tackle tax evasion and money laundering.

There is no quantifiable estimated impact of this measure in isolation. However, this measure is expected to support the measures on the black economy and associated revenue.

Black Economy Package — new and enhanced ATO enforcement against the Black Economy

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	524.8	736.1	856.3	931.2
Related expense ($m)					
Department of the Treasury	*-*	*106.6*	*191.4*	*241.9*	*273.1*
Australian Taxation Office	*-*	*77.4*	*77.8*	*79.7*	*76.9*
Office of the Director of Public Prosecutions	*-*	*-*	*-*	*1.7*	*3.6*
Total — Expense	*-*	*184.0*	*269.2*	*323.3*	*353.6*
Related capital ($m)					
Australian Taxation Office	*-*	*1.1*	*0.3*	*-*	*-*

The Government will provide $318.5 million over four years to implement new strategies to combat the black economy. The ATO will implement a new and enhanced enforcement strategy that brings together new mobile strike teams and an increased audit presence, a Black Economy Hotline that will allow for the community to report black economy and illegal phoenix activities, improved government data analytics, and educational activities. This strategy will support the new multi-agency Black Economy Standing Taskforce to ensure a more coordinated approach to combatting the black economy behaviours through improved government data analytics and information sharing between enforcement agencies. This measure is estimated to have a gain to revenue of $3.0 billion over the forward estimates period. The underlying cash receipts impact is estimated to be $2.5 billion over the forward estimates period.

The ATO currently receives funding through a terminating program *Black Economy Taskforce: one year extension of funding for ATO audit and compliance activities* which ceases on 30 June 2018. The Black Economy Taskforce found that existing laws to deal with the black economy are ineffective as deterrents if there is low level enforcement and low visibility of enforcement. Feedback from industry, business and community stakeholders supported additional resourcing to the ATO in recognition of the enforcement challenges due to the size and clandestine nature of the black economy. The black economy imposes significant costs on the economy and society creating an unfair commercial environment which penalises honest businesses and individuals.

Black Economy Package — removing tax deductibility of non-compliant payments

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	-	*	*

Businesses will no longer be able to claim deductions for payments to their employees such as wages where they have not withheld any amount of PAYG from these payments, despite the PAYG withholding requirements applying. The Government will also remove deductions for payments made by businesses to contractors where the contractor does not provide an ABN and the business does not withhold any amount of PAYG despite the withholding requirements applying.

PAYG reporting and tax withholding requirements provide integrity to the tax system. The Black Economy Taskforce recommended this action to create a further financial disincentive for businesses to engage in black economy behaviour and ensure greater compliance with tax obligations.

The measure will have effect from 1 July 2019 and is estimated to have a small unquantifiable gain to revenue over the forward estimates period.

Company Tax — improving the integrity of the tax treatment of concessional loans between tax exempt entities

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	-	-	-

Where tax exempt entities become taxable after 8 May 2018, the Government will disallow tax deductions that arise on the repayment of the principal of a concessional loan.

The deductions arise due to the unforeseen complex interaction between the taxation of financial arrangements rules and the rules dealing with deemed market values for tax exempt entities that become taxable.

Under this measure, concessional loans that are entered into by tax exempt entities that become taxable will be required to be valued as if they were originally entered into on commercial terms.

This measure is an integrity measure which protects the revenue base. The measure is estimated to have no revenue impact over the forward estimates period.

Company Tax — income tax consolidation

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	*	*	*	*

This measure simplifies two previously announced tax consolidation integrity measures. These measures have now been enacted.

Announced in the 2013-14 Budget, the *Protecting the corporate tax base from erosion and loopholes — closing loopholes in the consolidation regime* measure contained integrity rules which prevented non-residents from 'churning' assets between consolidated groups to generate double deductions. That measure applied from 14 May 2013. The Government has deferred the start date of one aspect of the measure, which requires grouping of associates when considering whether the integrity rules apply. These grouping rules now apply from the date of introduction of the enabling legislation.

Announced in the 2016-17 Budget, the *Tax Integrity Package — deferred tax liabilities* measure removed adjustments relating to deferred tax liabilities from the consolidation entry and exit tax cost-setting rules. The measure contained complex transitional rules which required taxpayers to determine if any deferred tax liabilities were included in entry tax cost-setting calculations — if so, the measure would not apply.

Following consultation, those complex transitional rules were removed from the final legislation.

Further information can be found in the press release of 22 March 2018 issued by the Minister for Revenue and Financial Services.

This measure is estimated to have a small but unquantifiable cost to revenue over the forward estimates period.

Company Tax — significant global entity definition amendment

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	-	-	-

The Government will broaden the definition of a large multinational (or significant global entity (SGE)) to ensure that Australia's multinational tax integrity rules operate as intended.

The SGE definition identifies entities which are required to prepare Country-by-Country reports and is used to determine entities which may be subject to Australia's multinational tax integrity rules, such as the Multinational Anti-Avoidance Law and the Diverted Profits Tax.

The current definition applies only to an entity which is a member of a group headed by a public company or a private company required to provide consolidated financial statements. The definition will be broadened to include members of large multinational groups headed by private companies, trusts and partnerships. It will also include members of groups headed by investment entities. This measure will also ensure the Commissioner's power to determine an entity to be an SGE parent operates as intended.

The measure will apply to income years commencing on or after 1 July 2018. As this is a revenue protection measure, the revenue impact over the forward estimates is estimated to be nil.

Company Tax — taxation of financial arrangements — regulation reform

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	*	*	*	*	*

The Government has deferred the start date of changes to the taxation of financial arrangements (TOFA) rules announced in the 2016-17 Budget. The *Ten Year Enterprise Tax Plan — business simplification — taxation of financial arrangements — regulation reform* measure will reduce the scope of the TOFA rules, decreasing compliance costs. The measure will now apply to income years commencing on or after the date of Royal Assent of the enabling legislation.

This measure has been deferred to allow additional time to design the simplified rules, to prevent unintended outcomes and to ensure compliance cost savings are realised.

Further information can be found in the press release of 22 December 2017 issued by the Minister for Revenue and Financial Services.

This measure is estimated to have an unquantifiable impact to revenue over the forward estimates period.

Full Cost Recovery of Superannuation Activities

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Prudential Regulation Authority	-	7.8	7.6	8.0	8.4

The Government will raise additional revenue of $31.9 million over four years from 2018-19 by increasing the Financial Institutions Supervisory Levies. This will fully recover the cost of superannuation activities undertaken by the Australian Taxation Office, consistent with the Australian Government Cost Recovery Guidelines.

Income Tax — exemption for the International Cricket Council for the ICC World Twenty20 in 2020

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	*	*	*	*

The Government will provide a five year income tax exemption to a subsidiary of the International Cricket Council for the ICC World Twenty20 to be held in Australia in 2020. This exemption will apply from 1 July 2018 to 30 June 2023. The subsidiary will also be provided an exemption from interest, dividend and royalty withholding tax liabilities for the same period. The exemptions are part of the Government's commitment to support the International Cricket Council to stage the World Twenty20 in Australia. This measure is estimated to have an unquantifiable cost to revenue over the forward estimates period.

Indirect Tax Concession Scheme — diplomatic and consular concessions

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	..	..	..	..	..
Related expense ($m)					
Department of the Treasury	..	..	..	..	..

The Government has granted or extended access to refunds of indirect tax, including GST, fuel and alcohol taxes, under the Indirect Tax Concession Scheme. New access to refunds will be granted to the diplomatic and consular representations of Cote d'Ivoire, Guatemala, Costa Rica and Kazakhstan in Australia. Each of these changes has effect from a time specified by the Minister for Foreign Affairs. This measure is estimated to have a negligible cost to revenue, and a negligible decrease in GST payments to the States and Territories, over the forward estimates period. Consistent with international practice, these concessions are reciprocal and reviewed periodically.

International Tax — updating the list of information exchange countries

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-5.0	-15.0	-15.0	-15.0

The Government will update the list of countries whose residents are eligible to access a reduced withholding tax rate of 15 per cent, instead of the default rate of 30 per cent, on certain distributions from Australian Managed Investment Trusts (MITs). Listed countries are those which have established the legal relationship enabling them to share taxpayer information with Australia. The update will add the 56 jurisdictions that have entered into information sharing agreements since 2012. The updated list will be effective from 1 January 2019.

This measure supports the operation of the MIT withholding tax system by providing the reduced withholding tax rate only to residents of countries that enter into effective information sharing agreements with Australia. These agreements form an important part of Australia's commitment to safeguard against offshore tax avoidance and evasion.

This measure is estimated to have a cost to revenue of $50.0 million over the forward estimates period.

Levelling the playing field for online hotel bookings

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	5.0	5.0	5.0
Related expense ($m)					
Department of the Treasury	-	-	*5.0*	*5.0*	*5.0*

The Government will extend the GST by ensuring that offshore sellers of hotel accommodation in Australia calculate their GST turnover in the same way as local sellers from 1 July 2019.

Currently, unlike GST-registered businesses in Australia, offshore sellers of Australian hotel accommodation are exempt from including sales of hotel accommodation in their GST turnover. This means they are often not required to register for and charge GST on their mark-up over the wholesale price of the accommodation. The exemption was introduced in 2005, when most offshore sales of Australian hotel rooms were to foreigners booking through offshore tour operators, and the online booking market was small.

Both Australian and foreign consumers are increasingly booking Australian hotel rooms through online services based offshore, which are taking advantage of the exemption designed for offshore tour operators. Removing the exemption will level the playing field by ensuring the same tax treatment of Australian hotel accommodation, whether booked through a domestic or offshore company.

The measure will apply to sales made on or after 1 July 2019. Sales that occur before 1 July 2019 will not be subject to the measure even if the stay at the hotel occurs after this date.

This change will require the unanimous agreement of the States and Territories prior to the enactment of legislation.

This measure follows the Government's decision to extend the GST to digital products and other services from 1 July 2017 and to low value imported goods from 1 July 2018.

This measure is estimated to have a gain to revenue of $15.0 million, and an increase in GST payments to the States and Territories of $15.0 million, over the forward estimates period.

Miscellaneous Amendments — ongoing care and maintenance of Treasury portfolio legislation

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	..	..	..	..

The Government will make a series of minor amendments to Treasury portfolio legislation to clarify the law, correct technical or drafting defects, remove anomalies and address unintended outcomes.

The amendments include two changes that will be beneficial for superannuation funds and their members. These are technical amendments to the transition to retirement income stream rules relating to the death of a member and addressing double taxation in respect of deferred annuities purchased by a superannuation fund or retirement savings account.

Further information can be found in the *Explanatory Memorandum to the Treasury Laws Amendment (2018 Measures No. 4) Bill 2018*.

These changes are part of the Government's ongoing commitment to the care and maintenance of Treasury portfolio laws. This measure is estimated to have a negligible impact on revenue over the forward estimates period.

More Choices for a Longer Life — work test exemption for recent retirees

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	-3.0	-3.0	-4.0

The Government will introduce an exemption from the work test for voluntary contributions to superannuation, for people aged 65-74 with superannuation balances below $300,000, in the first year that they do not meet the work test requirements.

The work test exemption will give recent retirees additional flexibility to get their financial affairs in order in the transition to retirement. Currently, the work test restricts the ability to make voluntary superannuation contributions for those aged 65-74 to individuals who self-report as working a minimum of 40 hours in any 30 day period in the financial year.

This measure will take effect from 1 July 2019 and is estimated to have a cost to revenue of $10.0 million over the forward estimates period.

Personal Income Tax — ensuring individuals meet their tax obligations

Revenue ($m)	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	217.1	289.7	307.8	307.6
Related expense ($m)					
Australian Taxation Office	*-*	*30.7*	*31.5*	*31.3*	*30.8*
Related capital ($m)					
Australian Taxation Office	*-*	*6.4*	*-*	*-*	*-*

The Government will provide $130.8 million to the ATO from 1 July 2018 to increase compliance activities targeting individual taxpayers and their tax agents.

The ATO has identified a number of significant compliance issues for individual tax payers, resulting in a significant loss of revenue each year. This measure will continue four income matching programs that would otherwise terminate from 1 July 2018 to allow the ATO to detect incorrect reporting of income, such as foreign source income of high wealth individuals.

The measure will also provide funding for new compliance activities, including additional audits and prosecutions, improving education and guidance materials, pre-filling of income tax returns and improving real time messaging to tax agents and individual taxpayers to deter over-claiming of entitlements, such as deductions by higher risk taxpayers and their agents.

This measure is estimated to have a gain to revenue of $1.1 billion in fiscal balance terms over the forward estimates period. In underlying cash balance terms this measure has a gain to the budget of $685.5 million over the forward estimates period.

Personal Income Tax — income tax exemption for certain Veteran Payments

Revenue ($m)	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	..	..	..	..	..

From 1 May 2018 the Government exempted certain Veteran Payments from income tax.

The Veteran Payment is designed to provide immediate short-term financial assistance to vulnerable people who may be experiencing financial difficulty while their claims for a mental health condition are being assessed. From 1 May 2018 supplementary amounts (such as pension supplement, rent assistance and remote area allowance) of Veteran Payment paid to a veteran, and full payments (including the supplementary component) made to the spouse or partner of a veteran who dies, are exempt from income tax. The new Veteran Payment was introduced in response to the recommendations of the Senate Inquiry Report *The Constant Battle: Suicide by Veterans*.

The *Veterans' Affairs Legislation Amendment (Veteran-centric Reforms No. 1) Bill 2018*, containing these amendments, received Royal Assent on 28 March 2018.

This measure is estimated to have a negligible cost to revenue over the forward estimates period.

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

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-80.0	-50.0	-50.0	-50.0

The Government will increase the Medicare levy low-income thresholds for singles, families, and seniors and pensioners from the 2017-18 income year. The increases take account of recent movements in the CPI so that low-income taxpayers generally continue to be exempted from paying the Medicare levy.

The threshold for singles will be increased from $21,655 to $21,980. The family threshold will be increased from $36,541 to $37,089. For single seniors and pensioners, the threshold will be increased from $34,244 to $34,758. The family threshold for seniors and pensioners will be increased from $47,670 to $48,385. For each dependent child or student, the family income thresholds increase by a further $3,406, instead of the previous amount of $3,356.

This measure is estimated to have a cost to revenue of $230.0 million over the forward estimates period.

Personal Income Tax — retaining the Medicare levy rate at 2 per cent

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-400.0	-3,550.0	-4,250.0	-4,600.0

With the benefit of delivering a strong economy and the Government living within its means, all planned Commonwealth expenditure on the NDIS will be able to be funded through the Budget. This means the Government will not increase the Medicare levy rate from 2.0 to 2.5 per cent of taxable income from 1 July 2019. Consequential changes to other tax rates that are linked to the top personal tax rate, such as the fringe benefits tax rate, will also not proceed.

This measure is estimated to lower the tax burden on Australians by $12.8 billion over the forward estimates period.

See also the related 2017-18 Budget measure *Personal income tax — increase in the Medicare levy — National Disability Insurance Scheme*.

Personal Income Tax Plan

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-360.0	-4,120.0	-4,420.0	-4,500.0

The Government will introduce a seven-year Personal Income Tax Plan. The first step will provide permanent tax relief to low and middle income earners to help with cost of living pressures. The second step will provide relief from bracket creep by increasing the threshold of the 32.5 per cent personal income tax bracket and the third step will simplify and flatten the system by removing the 37 per cent tax personal income tax bracket.

Step 1: Targeted tax relief to low and middle income earners

The Government will introduce the Low and Middle Income Tax Offset, a non-refundable tax offset of up to $530 per annum to Australian resident low and middle income taxpayers. The offset will be available for the 2018-19, 2019-20, 2020-21 and 2021-22 income years and will be received as a lump sum on assessment after an individual lodges their tax return.

The Low and Middle Income Tax Offset will provide a benefit of up to $200 for taxpayers with taxable income of $37,000 or less. Between $37,000 and $48,000, the value of the offset will increase at a rate of three cents per dollar to the maximum benefit of $530. Taxpayers with taxable incomes from $48,000 to $90,000 will be eligible for the maximum benefit of $530. From $90,001 to $125,333, the offset will phase out at a rate of 1.5 cents per dollar. The benefit of the Low and Middle Income Tax Offset is in addition to the existing Low Income Tax Offset.

This first step of the Government's Personal Income Tax Plan will increase disposable incomes to help relieve household budget pressures.

Step 2: Protecting middle income Australians from bracket creep

From 1 July 2018, the Government will increase the top threshold of the 32.5 per cent personal income tax bracket from $87,000 to $90,000.

From 1 July 2022, the Government will increase the Low Income Tax Offset from $445 to $645 and extend the 19 per cent personal income tax bracket from $37,000 to $41,000 to lock in the benefits of Step 1. The increased Low Income Tax Offset will be withdrawn at a rate of 6.5 cents per dollar between incomes of $37,000 and $41,000, and at a rate of 1.5 cents per dollar between incomes of $41,000 and $66,667.

From 1 July 2022, the Government will further increase the top threshold of the 32.5 per cent personal income tax bracket from $90,000 to $120,000.

Together, these tax cuts represent the second step in the Government's Personal Income Tax Plan. The changes will improve the rewards from work and prevent more Australians from moving into higher tax brackets.

Step 3: Ensuring Australians pay less tax by making the system simpler

In the third step of the Personal Income Tax Plan the Government will simplify and flatten the personal tax system by removing the 37 per cent tax bracket entirely.

From 1 July 2024, the Government will extend the top threshold of the 32.5 per cent personal income tax bracket from $120,000 to $200,000, to recognise inflation and wage growth impacts. Taxpayers will pay the top marginal tax rate of 45 per cent from taxable incomes exceeding $200,000 and the 32.5 per cent tax bracket will apply to taxable incomes of $41,001 to $200,000.

This measure has a cost to revenue of $13.4 billion over the forward estimates period.

This measure builds on the 2016-17 Budget measure *Ten Year Enterprise Tax Plan — targeted personal income tax relief*, which extended the 32.5 per cent personal income tax bracket from $80,000 to $87,000 from 1 July 2016.

Philanthropy — updates to the list of specifically listed deductible gift recipients

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	..	-0.2	-0.2	-0.2

Since the 2017-18 MYEFO, the following organisations have been approved as specifically-listed deductible gift recipients (DGRs) for the following dates:

- Paul Ramsay Foundation Limited from 1 July 2018 to 30 June 2020;
- Australian Women Donors Network from 9 March 2018 to 8 March 2023;
- Victorian Pride Centre Limited from 9 March 2018 to 8 March 2023;
- Smile Like Drake Foundation Limited from 9 March 2018 to 8 March 2023;
- Australian Sports Foundation Charitable Fund from 1 July 2018 to 30 June 2023; and
- Q Foundation Trust from 1 January 2018 to 31 December 2022.

Taxpayers may claim an income tax deduction for gifts of money or property to these organisations of $2 or more.

The measure is estimated to have a cost to revenue of $0.6 million over the forward estimates period.

Protecting Your Super Package — capping passive fees, banning exit fees and reuniting small and inactive superannuation accounts

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	230.0	90.0	95.0
Related expense ($m)					
Australian Taxation Office	*-*	*0.6*	*236.5*	*5.7*	*5.3*
Related capital ($m)					
Australian Taxation Office	*-*	*0.3*	*-*	*-*	*-*

The Government will introduce a three per cent annual cap on passive fees charged by superannuation funds on accounts with balances below $6,000 and will ban exit fees on all superannuation accounts.

The Government will also strengthen the ATO-led consolidation regime by requiring the transfer of all inactive superannuation accounts where the balances are below $6,000 to the ATO. The ATO will expand its data matching processes to proactively reunite these inactive superannuation accounts with the member's active account, where possible. This measure will also include the proactive payment of funds currently held by the ATO.

These changes will take effect from 1 July 2019.

This measure is estimated to have a gain to the budget of $166.6 million in fiscal balance terms, and a gain of $1.1 billion in underlying cash balance terms over the forward estimates period. This difference reflects the expected time taken to reunite accounts with members. The fiscal balance impact is lower as it takes into account reunification expected to occur in future years upfront, whereas the underlying cash impact defers some of this until accounts are reunited. The majority of accounts transferred to the ATO will be reunited in the year they are received.

This measure forms part of the Government's *Protecting Your Super Package* which will protect individuals' retirement savings from undue erosion, ultimately increasing Australians' superannuation balances.

Protecting Your Super Package — changes to insurance in superannuation

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	240.0	255.0	275.0
Related expense ($m)					
Department of Social Services	-	-	*14.7*	*24.3*	*25.8*
Department of Human Services	-	-	*1.1*	*1.0*	*1.1*
Department of Jobs and Small Business	-	-	*0.4*	*1.7*	*3.0*
Total — Expense	-	-	*16.2*	*27.0*	*29.8*

The Government will change the insurance arrangements for certain cohorts of superannuation members. Insurance within superannuation will move from a default framework to be offered on an opt-in basis for: members with low balances of less than $6,000; members under the age of 25 years; and members whose accounts have not received a contribution in 13 months and are inactive.

These changes will protect the retirement savings of young people and those with low balances by ensuring their superannuation is not unnecessarily eroded by premiums on insurance policies they do not need or are not aware of. The changes will also reduce the incidence of duplicated cover so that individuals are not paying for multiple insurance policies, which they may not be able to claim on. Importantly, these changes will not prevent anyone who wants insurance from being able to obtain it — low balance, young, and inactive members will still be able to opt-in to insurance cover within super.

The changes will take effect on 1 July 2019 — affected superannuants will have a period of 14 months to decide whether they will opt-in to their existing cover or allow it to switch off.

In addition, the Government will consult publicly on ways in which the current policy settings could be improved to better balance the priorities of retirement savings and insurance cover within super.

This measure is estimated to have a gain to the budget of $697.0 million over the forward estimates period.

This measure forms part of the Government's *Protecting Your Super Package* which will protect individuals' retirement savings from undue erosion, ultimately increasing Australians' superannuation balances.

Reforms to combat illegal phoenixing

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	*	*	*	*
Related expense ($m)					
Department of the Treasury	-	-	*5.0*	*15.0*	*20.0*

The Government will reform the corporations and tax laws and provide the regulators with additional tools to assist them to deter and disrupt illegal phoenix activity. The package includes reforms to:

- introduce new phoenix offences to target those who conduct or facilitate illegal phoenixing;
- prevent directors improperly backdating resignations to avoid liability or prosecution;
- limit the ability of directors to resign when this would leave the company with no directors;
- restrict the ability of related creditors to vote on the appointment, removal or replacement of an external administrator;
- extend the Director Penalty Regime to GST, luxury car tax and wine equalisation tax, making directors personally liable for the company's debts; and
- expand the ATO's power to retain refunds where there are outstanding tax lodgements.

Illegal phoenixing involves the deliberate misuse of the corporate form. It affects all working Australians, including: customers who get scammed by not receiving their paid goods or services; small business and sole-trader creditors through lost payments; employees through lost wages and superannuation entitlements; and ultimately all Australian taxpayers through lost tax revenue. In addition, illegal phoenix operators gain an unfair advantage over their honest competitor businesses, which has a broader economic impact.

In fiscal balance terms, the cost to the budget of extending the Director Penalty Regime is estimated to be $40.0 million over the forward estimates, as existing GST debt is collected and paid to the States and Territories. There is no revenue impact in fiscal balance terms over the forward estimates as the GST and related liabilities have already been recognised. In cash terms, this initiative is estimated to have nil net financial impact on the Commonwealth. The expansion of the ATO's ability to retain refunds is estimated to have a small but unquantifiable gain to revenue over the forward estimates period.

The reforms to combat illegal phoenixing complement and build on the work of the Government's Phoenix, Serious Financial Crime and Black Economy taskforces, and other announced reforms such as a Director Identification Number, a combined black economy and illegal phoenixing hotline, and reforms to address corporate misuse of the Fair Entitlements Guarantee and to tackle non-payment of the Superannuation Guarantee Charge.

Removing luxury car tax on re-imported cars following refurbishment overseas

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	..	..	..	..

The Government will remove luxury car tax on cars re-imported into Australia, following a refurbishment overseas, from 1 January 2019.

Currently, cars that are refurbished in Australia are not subject to luxury car tax. However, cars exported from Australia to be refurbished overseas and then re-imported are subject to the tax where the value of the car exceeds the relevant luxury car tax threshold. The Government will remove the inconsistency in tax treatment of refurbished cars in order to align with Australia's trade obligations with its foreign trading partners. This measure will ensure the same tax treatment applies, regardless of where the car is refurbished.

This measure is estimated to have a negligible cost to revenue over the forward estimates period.

Stapled structures — tightening concessions for foreign investors

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	30.0	80.0	125.0	165.0

The Government will introduce a package of measures to address risks to the corporate tax base posed by stapled structures and similar arrangements. The package will also limit access to concessions for passive income utilised by foreign governments and foreign pension funds.

The key elements of the package are:

- applying a final withholding tax set at the corporate tax rate (currently 30 per cent) to distributions derived from trading income that has been converted to passive income using a Managed Investment Trust (MIT), excluding rent received from third parties. A 15 year exemption is available from this element of the package for new, Government-approved nationally significant infrastructure staples;

- lowering the associate entity threshold under the thin capitalisation rules from 50 per cent to 10 per cent to prevent foreign investors from using multiple layers of flow-through entities (i.e. trusts and partnerships) to convert their trading income into favourably taxed interest income;
- limiting the foreign pension fund withholding tax exemption for interest and dividends to portfolio investments only. As a result interest and dividend income derived by foreign pension funds from non-portfolio investments will be subject to withholding tax;
- creating a legislative framework for the existing tax exemption for foreign governments (including sovereign wealth funds), and limiting the exemption to portfolio investments. As a result, income derived by foreign government investors from non-portfolio investments will be taxed; and
- investments in agricultural land will not be able to access the 15 per cent concessional MIT withholding tax rate.

The thin capitalisation changes will take effect from income years commencing on or after 1 July 2018. The remaining elements of the package will take effect from 1 July 2019. To address concerns over the impact on existing arrangements, a transitional period of at least seven years is available for all the measures in the package except the thin capitalisation changes.

Further information can be found in the press release of 27 March 2018 issued by the Treasurer.

The package is estimated to have a gain to revenue of $400.0 million over the forward estimates period. Moreover, the package protects the revenue base going forward.

Superannuation — better integrity over deductions for personal contributions

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	90.0	110.0	110.0	120.0
Related expense ($m)					
Australian Taxation Office	*0.4*	*0.9*	*0.8*	*0.5*	*0.5*

The Government will provide $3.1 million to the ATO over the forward estimates to improve the integrity of the 'notice of intent' (NOI) processes for claiming personal superannuation contribution tax deductions.

Currently, some individuals receive deductions on their personal superannuation contributions but do not submit a NOI, despite being required to do so. This results in their superannuation funds not applying the appropriate 15 per cent tax to their contribution. As the contribution has been deducted from the individual's income, no tax is paid on it at all.

The additional funding will enable the ATO to develop a new compliance model, and to undertake additional compliance and debt collection activities. The ATO will modify income tax returns to alert individuals to the NOI requirements with a tick box to confirm they have complied. The ATO will also provide guidance to individuals on how to comply if they have not yet done so. This will ensure that any deductible contributions are appropriately taxed by superannuation funds and enable the ATO to deny deductions to individuals who do not comply with the NOI requirements.

This measure will commence from 1 July 2018 and is estimated to have a gain to revenue of $430.0 million over the forward estimates through increased compliance and collections from business owners and other non-employees.

Superannuation — increasing the maximum number of allowable members in self-managed superannuation funds and small APRA funds from four to six

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	-	-	-
Related expense ($m)					
Australian Taxation Office	-	*1.0*	-	-	-

The Government will increase the maximum number of allowable members in new and existing self-managed superannuation funds and small APRA funds from four to six, from 1 July 2019. This will provide greater flexibility for joint management of retirement savings, in particular for large families.

The measure is estimated to have no revenue impact over the forward estimates.

Superannuation — preventing inadvertent concessional cap breaches by certain employees

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	1.0	1.0	..	..

The Government will allow individuals whose income exceeds $263,157 and have multiple employers to nominate that their wages from certain employers are not subject to the superannuation guarantee (SG) from 1 July 2018.

The measure will allow eligible individuals to avoid unintentionally breaching the $25,000 annual concessional contributions cap as a result of multiple compulsory SG contributions. Breaching the cap otherwise results in these individuals being liable to pay excess contributions tax, as well as a shortfall interest charge.

Employees who use this measure could negotiate to receive additional income, which is taxed at marginal tax rates. Due to this, the measure is estimated to have a gain to revenue of $2.0 million over the forward estimates period through the timing of income tax collection, which is collected sooner than excess contributions tax.

Superannuation — three-yearly audit cycle for some self-managed superannuation funds

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	-	-	-

The Government will change the annual audit requirement to a three-yearly requirement for self-managed superannuation funds (SMSFs) with a history of good record-keeping and compliance. This measure will reduce red tape for SMSF trustees that have a history of three consecutive years of clear audit reports and that have lodged the fund's annual returns in a timely manner.

This measure will start on 1 July 2019 and, to ensure smooth implementation, the Government will consult with stakeholders.

The measure is estimated to have no revenue impact over the forward estimates period.

Tax Integrity — clarifying the operation of the Division 7A integrity rule

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	*	*	*

The Government will ensure that unpaid present entitlements come within the scope of Division 7A of the *Income Tax Assessment Act 1936* from 1 July 2019. This will apply where a related private company is made entitled to a share of trust income as a beneficiary but has not been paid that amount, known as an unpaid present entitlement.

Division 7A is an integrity rule that requires benefits provided by private companies to related taxpayers to be taxed as dividends unless they are structured as Division 7A complying loans or another exception applies. This measure will ensure the unpaid present entitlement is either required to be repaid to the private company over time as a complying loan or subject to tax as a dividend.

The Government will also defer the start date of the *Ten Year Enterprise Tax Plan – targeted amendments to Division 7A* measure that was announced in the 2016-17 Budget from 1 July 2018 to 1 July 2019. This will enable all Division 7A amendments to be progressed as part of a consolidated package.

This measure is estimated to have an unquantifiable impact on revenue over the forward estimates period.

Tax Integrity — deny deductions for vacant land

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	-	25.0	25.0

The Government will deny deductions for expenses associated with holding vacant land. This is an integrity measure to address concerns that deductions are being improperly claimed for expenses, such as interest costs, related to holding vacant land, where the land is not genuinely held for the purpose of earning assessable income. It will also reduce tax incentives for land banking, which deny the use of land for housing or other development. This measure will take effect from 1 July 2019.

Denied deductions will not be able to be carried forward for use in later income years. Expenses for which deductions will be denied that would ordinarily be a cost base element (such as borrowing expenses and council rates) may be included in the cost base of the asset for capital gains tax (CGT) purposes when sold. However, denied deductions for expenses that would not ordinarily be a cost base element would not be able to be included in the cost base of the asset for CGT purposes.

This measure will not apply to expenses associated with holding land that are incurred after:

- a property has been constructed on the land, it has received approval to be occupied and is available for rent; or
- the land is being used by the owner to carry on a business, including a business of primary production.

This measure will apply to land held for residential or commercial purposes. However, the 'carrying on a business' test will generally exclude land held for commercial development.

This measure is estimated to have a gain to revenue of $50.0 million over the forward estimates period.

Tax Integrity — enhancing the integrity of concessions in relation to partnerships

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	*	*	*	*	*

From 7:30PM (AEST) on 8 May 2018, partners that alienate their income by creating, assigning or otherwise dealing in rights to the future income of a partnership will no longer be able to access the small business capital gains tax (CGT) concessions in relation to these rights. This measure is estimated to have a small unquantifiable gain to revenue over the forward estimates period.

The small business CGT concessions assist owners of small businesses by providing relief from CGT on the disposal of assets related to their business. However, some taxpayers, including large partnerships, are able to inappropriately access these concessions in relation to their assignment of a right to the future income of a partnership to an entity, without giving that entity any role in the partnership.

There are no changes to the small business CGT concessions themselves. The concessions will continue to be available to eligible small businesses with an aggregated annual turnover of less than $2 million or net assets less than $6 million.

Tax Integrity — extending anti-avoidance rules for circular trust distributions

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	-	10.0	10.0

The Government will extend to family trusts a specific anti-avoidance rule that applies to other closely held trusts that engage in circular trust distributions.

Currently, where family trusts act as beneficiaries of each other in a ‘round robin’ arrangement, a distribution can be ultimately returned to the original trustee — in a way that avoids any tax being paid on that amount. This measure will better enable the ATO to pursue family trusts that engage in these arrangements by extending the specific anti-avoidance rule, imposing tax on such distributions at a rate equal to the top personal tax rate plus the Medicare levy.

This measure will apply from 1 July 2019 and is estimated to have a gain to revenue of $20.0 million over the forward estimates period.

Tax Integrity — improving the taxation of testamentary trusts

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	-	*	*

From 1 July 2019, the concessional tax rates available for minors receiving income from testamentary trusts will be limited to income derived from assets that are transferred from the deceased estate or the proceeds of the disposal or investment of those assets.

Currently, income received by minors from testamentary trusts is taxed at normal adult rates rather than the higher tax rates that generally apply to minors. However, some taxpayers are able to inappropriately obtain the benefit of this lower tax rate by injecting assets unrelated to the deceased estate into the testamentary trust. This measure will clarify that minors will be taxed at adult marginal tax rates only in respect of income a testamentary trust generates from assets of the deceased estate (or the proceeds of the disposal or investment of these assets).

This measure is estimated to have a small unquantifiable gain to revenue over the forward estimates.

Tax Integrity — removing the capital gains discount at the trust level for Managed Investment Trusts and Attribution MITs

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	*	*	*

The Government will prevent Managed Investment Trusts (MITs) and Attribution MITs (AMITs) from applying the 50 per cent capital gains discount at the trust level. This measure will apply to payments made from 1 July 2019. This integrity measure will ensure that MITs and AMITs operate as genuine flow-through tax vehicles, so that income is taxed in the hands of investors, as if they had invested directly. This measure will prevent beneficiaries that are not entitled to the CGT discount in their own right from getting a benefit from the CGT discount being applied at the trust level.

Under the measure, MITs and AMITs that derive a capital gain will still be able to distribute this income as a capital gain that can be discounted in the hands of the beneficiary.

The measure is estimated to have a small but unquantifiable gain to revenue over the forward estimates period.

Tax Integrity — taxation of income for an individual's fame or image

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	*	*	*

The Government will improve integrity in the tax system by ensuring that from 1 July 2019, high profile individuals are no longer able to take advantage of lower tax rates by licencing their fame or image to another entity.

High profile individuals (such as sportspeople and actors) can currently licence their fame or image to another entity such as a related company or trust. Income for the use of their fame or image goes to the entity that holds the licence. This creates opportunities to take advantage of different tax treatments and facilitates misreporting and incorrect tax outcomes.

This measure will ensure that all remuneration (including payments and non-cash benefits) provided for the commercial exploitation of a person's fame or image will be included in the assessable income of that individual.

This measure is estimated to have an unquantifiable gain to revenue over the forward estimates period.

Tax Integrity — thin capitalisation — valuation of assets and treatment of consolidated entities

Revenue ($m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-	-	120.0	120.0

The Government will tighten Australia's thin capitalisation rules by requiring entities to align the value of their assets for thin capitalisation purposes with the value included in their financial statements.

This measure will apply to income years commencing on or after 1 July 2019 and all entities must rely on the asset values contained in their financial statements for thin capitalisation purposes. Valuations that were made prior to 7.30PM (AEST) on 8 May 2018 may be relied on until the beginning of an entity's first income year commencing on or after 1 July 2019.

This change will ensure that asset valuations used to justify debt deductions are robust.

The Government will also ensure that foreign controlled Australian consolidated entities and multiple entry consolidated groups that control a foreign entity are treated as both outward and inward investment vehicles for thin capitalisation purposes. This will apply for income years commencing on or after 1 July 2019. This change will ensure that inbound investors cannot access tests that were only intended for outward investors.

This measure is estimated to have a gain to revenue of $240.0 million over the forward estimates period.