3: TAX EXPENDITURES

3.1 Introduction

This chapter provides information on all Australian Government tax expenditures. Details include a description of the tax expenditure, its commencement date and (where applicable) its expiry date, legislative references for the tax expenditure and estimates of the annual benefit derived by the recipients of the tax expenditure, including the reliability of those estimates (where quantified).

3.2 Notes on the estimates

Unless otherwise indicated, tax expenditure estimates are calculated on an individual basis and do not take account of potential overlaps with other tax expenditures.

Tax expenditure estimates are separated into estimates (for historical years) and projections (for future years). The estimates for 2010-11 are preliminary and subject to revision upon receipt of further tax data.

The tax expenditure estimates are prepared on the same revenue recognition basis as the budget estimates. Further detail on the revenue recognition basis used in the TES is provided in Chapter 2.

3.3 Benchmarks used in the TES estimates

To provide a clear structure for reporting tax expenditures, the TES benchmarks are divided into two major components reflecting Australia's taxation arrangements.

- The income tax benchmark describes the standard taxation arrangements applying to personal and business income, superannuation, fringe benefits and capital gains.
- The indirect taxes benchmark describes the standard taxation arrangements that apply either directly or indirectly to consumption; namely the supply of goods and services to consumers, tobacco, fuel, types of alcoholic beverages, motor vehicles, natural resources, customs duty, taxation or other revenue-raising arrangements imposed to recover the external costs of particular activities, and other indirect taxes.

3.4 Summary of tax expenditures by benchmark

Tax expenditures are grouped according to the benchmark against which they are estimated and by the broad subject category to which they relate. The table below provides details of how this chapter is organised.

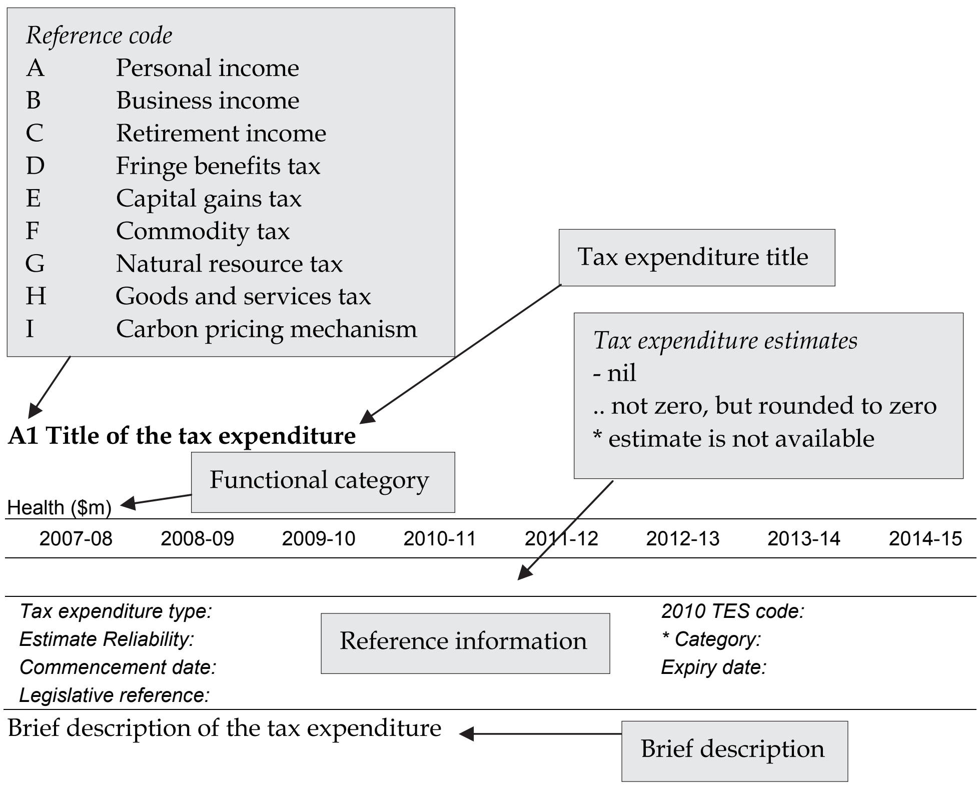
Benchmark	Specific benchmark category	Subject category	TES reference code
Income Tax	Personal income (A)	Tax expenditures for general public services	A1-A6
		Tax expenditures for defence	A7-A15
		Tax expenditures for education	A16-A19
		Tax expenditures for health	A20-A26
		Tax expenditures for social security and welfare	A27-A30
		Tax concessions for certain taxpayers	A31-A40
		Tax exemptions for certain government income support payments	A41-A47
		Tax expenditures for housing and community amenities	A48-A51
		Tax expenditures for recreation and culture	A52-A53
		Tax expenditures for transport and communications	A54
		Tax expenditures for other economic affairs	A55-A67
		Concessions under the substantiation provisions for employment-related expenses	A68-A70
		Miscellaneous tax expenditures	A71-A74
	Business income (B)	Tax expenditures for general public services	B1-B4
		International tax expenditures	B5-B19
		Tax expenditures for defence	B20
		Tax expenditures for health	B21-B22
		Tax expenditures for social security and welfare	B23-B25
		Tax concessions for certain taxpayers	B26-B29
		Tax exemptions for certain government income support payments	B30
		Tax expenditures for housing and community amenities	B31
		Tax expenditures for recreation and culture	B32-B34
		Tax expenditures relating to prepayments and advance expenditures	B35-B38
		Tax expenditures for agriculture, forestry and fishing	B39-B46
		Tax expenditures for manufacturing and mining	B47-B48
		Tax expenditures for transport and communications	B49-B51

Benchmark	Specific benchmark category	Subject category	TES reference code
Income Tax (continued)	Business income (B) (continued)	Tax expenditures for other economic affairs	B52-B75
		Tax expenditures relating to capital expenditure, effective life and depreciation	B76-B109
		General consumption tax expenditures	B110
		Miscellaneous tax expenditures	B111-B113
	Retirement savings (C)	Tax expenditures for social security and welfare	C1-C16
		Tax concessions for certain taxpayers	C17
		Tax expenditures for other economic affairs	C18-C19
	Fringe Benefits Tax (D)	Tax expenditures for public order and safety	D1-D3
		Tax expenditures for general public services	D4
		Tax expenditures for defence	D5-D7
		Tax expenditures for education	D8
		Tax expenditures for health	D9-D11
		Tax expenditures for social security and welfare	D12-D14
		Tax expenditures for housing and community amenities	D15
		Tax expenditures for recreation and culture	D16-D17
		Tax expenditures for other economic affairs	D18-D51
	Capital Gains Tax (E)	Tax expenditures for defence	E1
		Tax expenditures for health	E2
		Tax expenditures for social security and welfare	E3
		Tax expenditures for housing and community amenities	E4-E8
		Tax expenditures for recreation and culture	E9
		Tax expenditures for other economic affairs	E10-E35
Indirect Taxes	Commodity and other indirect taxes (F)	Tax expenditures for agriculture, forestry and fishing	F1
		Tax expenditures for transport and communications	F2-F6
		Fuel	F7-F10
		Tobacco	F11
		Alcohol	F12-F20
		Motor vehicles	F21
		General consumption tax expenditures	F22-F24
	Natural resources taxes (G)	Tax expenditures for manufacturing and mining	G1-G5
		Petroleum	G6-G13

Benchmark	Specific benchmark category	Subject category	TES reference code
Indirect Taxes (continued)	Goods and Services Tax (H)	Tax expenditures for general public services	H1-H6
		International tax expenditures	H7-H15
		Tax expenditures for education	H16
		Tax expenditures for health	H17-H21
		Tax concessions for certain taxpayers	H22-H25
		Tax expenditures for manufacturing and mining	H26
		Tax expenditures for transport and communications	H27
		Tax expenditures for other economic affairs	H28-H29
	Carbon Pricing Mechanism (I)	Tax concessions for certain taxpayers	I1-I4
		Tax expenditures for agriculture, forestry and fishing	I5
		Tax expenditures for manufacturing and mining	I6

3.5 Guide to tax expenditure descriptions

The descriptions of tax expenditures included in this chapter present a range of information about each identified tax expenditure item. The following example illustrates the information included for a given tax expenditure.



The reference information provides details of:

- the type of expenditure, for instance a tax exemption, deduction or tax offset;
- the year a tax expenditure commenced;
- the year a tax expenditure will cease to operate (if applicable);
- the legislative provisions implementing the tax expenditure;
- the 2010 Tax Expenditures Statement reference code for a tax expenditure that is not new;
- an assessment of the reliability of estimates for a tax expenditure where estimates are available; and
- a category classification for a tax expenditure for which estimates are not available, indicating an order of magnitude range for the likely size of the tax expenditure.

Tax expenditures by functional categories are summarised in Table 1.5. The functional categories are based on an international standard classification of functions of government that is incorporated into the Government Finance Statistics framework.

The 'tax expenditure type' in the reference information classifies tax expenditures according to the way in which they are delivered, for instance, by way of a tax exemption, tax deduction, tax offset, concessional tax rate or deferral of a tax liability.

In the case of fringe benefits tax, tax expenditures may also be delivered through a reduction in taxable value, discounted valuation or record keeping exemption. A reduction in taxable value is a tax expenditure that arises where the taxable value of the fringe benefit is reduced by some factor. A discounted valuation describes provisions where a valuation other than the actual value of the benefit is used as a basis for calculating the tax. Record keeping exemptions arise where an employer is not obliged to maintain current records of benefits to calculate the tax.

Certain tax expenditures relating to depreciation allow for the accelerated write-off of depreciable assets and these tax expenditures are identified as accelerated write-off. In the early years of an asset's life, accelerated write-offs allow larger deductions than the benchmark depreciation treatment. In the later years of an asset's life when the accelerated write-off is complete, deductions that would be allowed under the benchmark are no longer available. Thus, accelerated write-offs act like tax deferrals.

The presentation of capital gains tax expenditures

In general, the discount components of capital gains tax concessions are reported as part of the tax expenditure *Capital gains tax discount for individuals and trusts* (E17) in order to provide a clearer indication of the value of CGT concessions to taxpayers and avoid double counting. The estimate shown for each individual tax expenditure, except for E17, is the estimate of the concession in excess of the discount.

The same approach is taken for the CGT main residence exemption (E5) but, due to the significant value of the discount component of this item, the value of the CGT discount component is reported as a separate item (E6).

ORDER OF MAGNITUDE RANGE

In many cases, estimates for tax expenditures are not available because of data limitations or because of the nature of the tax expenditure itself. In such cases, the various modelling techniques used to estimate the value of tax expenditures, which are discussed in detail in Appendix A, are unable to be utilised fully to produce reliable estimates.

The following categories are used to provide an indication of the size of the expenditure for those tax expenditures for which an estimate is not available. The category assigned to an unquantifiable tax expenditure refers to the year the tax expenditure is considered to be most significant.

Order of magnitude range

Category	Expected tax expenditure ($m)
0	0 on average
1	0 — 10
2	10 — 100
3	100 — 1,000
4	1,000 +
na	not available

The category classifications are provided as a broad guide only and have been estimated without the benefit of detailed data. They are based on assumptions and judgment and as such they should be treated with caution. Tax expenditures that are categorised in this way are not included in the aggregate measured tax expenditures reported in Chapter 1.

The category classification also indicates whether a tax expenditure is positive or negative. A positive sign denotes a positive tax expenditure, while a negative sign denotes a negative tax expenditure. For example, reliable estimates for an exemption from fringe benefits tax that applies to benefits provided by certain international organisations (D4) are not available. As such, category 1+ has been allocated to this tax expenditure to indicate the broad range of the size of the tax expenditure. It indicates that this tax expenditure is considered to be up to $10 million in the year the tax expenditure is most significant.

Where a tax expenditure for which an estimate is not available is small and is expected to average zero over the reporting period, it is classified as category 0. Where a tax expenditure could be either positive or negative, a +/- order of magnitude is assigned. For example, the deferral or spreading of income from the forced disposal or death of livestock (B40) is expected to be between -$100 million and $100 million in any given year. Accordingly, a classification of 2+/- has been assigned. For a tax expenditure where neither an estimate, nor an order of magnitude could be assigned, an 'na' classification has been adopted.

RELIABILITY OF ESTIMATES

Tax expenditure estimates in this statement aim to represent the best estimates that can be made given the available data. The estimates vary in their reliability, depending upon the quality and detail of the underlying data that is used in the estimates, the frequency of that data, the extent to which calculations are based on assumptions, the sensitivity of the results to those assumptions and whether future taxpayer behaviour is reasonably predictable. Future taxpayer behaviour is a factor in determining the reliability of tax expenditure projections, where taxpayer behaviour affects the future level of use of tax concessions. In many cases, there is insufficient data to produce a reliable estimate for a tax expenditure item, in which case the estimate will be shown as being unquantifiable.

The reliability of quantified tax expenditures is shown in Table 3.1. The table shows that of the 364 tax expenditures identified, estimates are available for 234. Of the quantified tax expenditures, 50 per cent are rated as having medium or higher reliability, accounting for 32 per cent of the total identified value of tax expenditures in 2011-12.

Table 3.1: Reliability of quantified tax expenditures

Reliability rating	Indicators for rating at this level	Number	Aggregate estimates in 2011-12 ($m)
High	• High quality tax data. • Modelling with few or no assumptions. • Well established tax expenditure with stable and predictable taxpayer behaviour.	8	7
Medium — High	• High quality tax data. • Modelling with few or no assumptions. • May involve a new or changed tax expenditure for which future taxpayer behaviour is fairly predictable.	22	269
Medium	• Incomplete data, often from other high quality secondary sources, with a number of verifiable assumptions. • New or changed tax expenditure with considerable behavioural changes or dependent on factors outside of the tax system.	88	42,869
Medium — Low	• Basic data only, mainly from sources other than tax. Includes important reasonable assumptions that cannot be readily checked. • Significant new tax expenditures or existing tax expenditures for which taxpayer behaviour is hard to predict.	44	44,348
Low	• Little data, much of it low quality, with important unverifiable data assumptions. • Taxpayer behaviour is volatile or very dependent on factors outside the tax system.	64	25,176
Very low	• Very little data and of poor quality, model relying heavily on data assumptions. • Almost no information on potential taxpayer behaviour.	8	38

3.6 Income tax benchmark

Most Australian Government taxes are imposed on income rather than commodities. The following sections outline the general features of the income tax benchmark.

Separate benchmarks are used for personal income, business income, superannuation, fringe benefits and capital gains because they have distinct tax regimes that affect how tax expenditures are measured against the general income tax benchmark.

Detailed descriptions of the income tax benchmarks are provided in Appendix A.

PERSONAL INCOME

General features of the personal income tax benchmark:

- a tax base including all nominal income less expenses incurred in earning income;
- a tax scale comprising tax rates, associated income tax thresholds, Medicare levy and low income tax offset;
- the individual as the tax unit; and
- the financial year as the tax period.

Tax expenditures for general public services

A1 Deduction for expenses incurred by election candidates

General public services — Legislative and executive affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
2	2	2	3	3	3	3	3

Tax expenditure type:	Deduction	*2010 TES code:*	A1
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Sections 25-60, 25-65 and 25-70 of the *Income Tax Assessment Act 1997*		

Certain expenses incurred by candidates contesting federal, state and territory government elections are deductible. Expenses of up to $1,000 per election incurred by candidates contesting local government elections are also deductible. Candidates are eligible for the deduction irrespective of whether they successfully contest the election.

A2 Exemption of official salaries and certain other income of the Governor-General and Governor of any State

General public services — Legislative and executive affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2010 TES code:*	A2
Estimate Reliability:	High		
Commencement date:	Introduced before 1985	*Expiry date:*	No longer available for appointments after 28 June 2001
Legislative reference:	Former section 51-15 of the *Income Tax Assessment Act 1997*		

The ordinary and statutory income of the Governor-General and State Governors derived from a source outside Australia, along with their official salaries, were exempt from income tax. This exemption is not available for appointments made after 28 June 2001.

The NSW Governor is the only remaining State Governor appointed before 28 June 2001.

A3 Exemption of income earned by Australians from working on approved overseas projects

General public services — Foreign affairs and economic aid ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
310	340	220	85	95	100	110	120

Tax expenditure type:	Exemption	*2010 TES code:*	A3 and A4
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Sections 23AF and 23AG of the *Income Tax Assessment Act 1936*		

Income earned by Australians from working on certain approved overseas projects or engaged in foreign service for a continuous period of 91 days or more may be exempt from income tax if it is directly attributable to:

- the delivery of Australia's overseas aid program by the individual's employer;
- the activities of the individual's employer in operating a developing country relief fund or a public disaster relief fund;
- the activities of the individual's employer being a prescribed institution that is exempt from Australian income tax;
- the individual's deployment outside Australia by an Australian government (or an authority thereof) as a member of a disciplines force; or
- an activity of a kind specified in the regulations.

This exemption does not apply where the foreign earnings are exempt from income tax in the foreign country for certain reasons.

A4 Exemption of income of certain visitors to Australia

General public services — Foreign affairs and economic aid ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
1	1	1	1	1	1	1	1

Tax expenditure type:	Exemption	*2010 TES code:*	A5
Estimate Reliability:	Very Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 842-105 and Section 768-100 of the *Income Tax Assessment Act 1997*		

The earnings of certain foreign residents and visitors to Australia are exempt from income tax.

This exemption broadly applies to Australian sourced income earned by foreign residents in their official capacity:

- as a visiting foreign government representative or member of their entourage;
- as a representative of an educational, scientific, religious or philanthropic society or association;
- as a member of the foreign media reporting on proceedings relating to a visitor referred to in one of the preceding points;
- as an advisor to an Australian Government Agency or as a member of a Royal Commission; or
- in assisting the Australian Government in regards to Australia's defence where the income is non-exempt in their country of residence.

The official salary and foreign sourced income earned by visitors to Australia are also exempt from income tax where reciprocal tax exemptions are provided by their home country and the visitor is:

- a foreign Government representative or staff of the representative when the Vienna Conventions on Consular or Diplomatic Relations do not apply; or
- an officer of a British Commonwealth of Nations Country in Australia to either provide their services on behalf of their country or an Australian Government Agency in accordance with intergovernmental arrangements.

A5 Exemption of official salary and emoluments of officials of prescribed international organisations

General public services — Foreign affairs and economic aid ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	A6
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	*International Organisations (Privileges and Immunities) Act 1963*		

The official salary and emoluments of officials of prescribed international organisations may be exempt from income tax as part of the privileges and immunities required under the terms of certain international agreements. Prescribed international organisations include the United Nations organisations, the OECD, the International Court of Justice and the International Atomic Energy Agency.

A6 Exemption from income tax and the Medicare levy for residents of Norfolk Island

General public services — General services ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
7	7	7	7	8	8	9	9

Tax expenditure type:	Exemption	*2010 TES code:*	A7
Estimate Reliability:	Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Division 1A of Part III and sections 251T and 251U of the *Income Tax Assessment Act 1936*		

Income earned by residents of Norfolk Island is exempt from income tax and the Medicare levy.

Tax expenditures for defence

A7 Exemption from the Medicare levy for current and veteran Australian Defence Force members and their relatives and associates

Defence ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
60	70	75	80	85	90	95	95

Tax expenditure type:	Exemption	*2010 TES code:*	A8
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Sections 251T and 251U of the *Income Tax Assessment Act 1936*		

Income earned by current and veteran Australian Defence Force personnel and people who are entitled to free medical treatment because they are relatives of, or individuals otherwise associated with, Australian Defence Force personnel, such as a repatriation beneficiary, is generally exempt from the Medicare levy.

A8 Exemption of certain allowances paid to Australian Defence Force personnel

Defence ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
50	70	70	80	85	85	85	90

Tax expenditure type:	Exemption	*2010 TES code:*	A9
Estimate Reliability:	Medium — Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 51-5 of the *Income Tax Assessment Act 1997* Regulation 51-5.01 of the *Income Tax Assessment Regulations 1997*		

Certain allowances payable to Australian Defence Force personnel are exempt from income tax. These include the following allowances — separation allowance, disturbance allowance, rent allowance paid to a member without dependents or a member with dependents (unaccompanied), transfer allowance, and deployment allowance.

In the case of rent allowance paid to Australian Defence Force personnel, the benchmark treatment is compensation for the actual additional cost faced by employees in living away from their homes. Accordingly, this tax expenditure relates solely to that part of the allowance that is in excess of this compensation.

A9 Exemption of compensation for loss of deployment allowance paid to Australian Defence Force members

Defence ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2010 TES code:*	A11
Estimate Reliability:	Medium		
Commencement date:	1996	*Expiry date:*	
Legislative reference:	Sections 51-5 and 51-32 of the *Income Tax Assessment Act 1997*		

Australian Defence Force personnel may receive compensation for the loss of deployment allowance where the deployment allowance ceases to be paid upon repatriation to Australia due to injuries sustained in a warlike situation. Such compensation payments are exempt from income tax.

A10 Exemption of compensation for loss of pay and allowances paid to Australian Defence Force Reserve personnel

Defence ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2010 TES code:*	A12
Estimate Reliability:	Low		
Commencement date:	1996	*Expiry date:*	
Legislative reference:	Sections 51-5 and 51-33 of the *Income Tax Assessment Act 1997*		

Australian Defence Force Reserve personnel who are forced to resign due to injuries sustained whilst employed by the Reserves may receive compensation for the loss of pay and allowances. Such compensation payments are exempt from income tax.

A11 Exemption of pay and allowances earned by members of the Australian Defence Force on eligible duty

Defence ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
70	65	75	90	90	95	95	95

Tax expenditure type:	Exemption	*2010 TES code:*	A13
Estimate Reliability:	Medium — Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Sections 23AC and 23AD of the *Income Tax Assessment Act 1936*		

Base pay and allowances, which are not exempt from income tax under another provision of the income tax law, made to Australian Defence Force personnel while on eligible duty at a specified area, are exempt from income tax.

A12 Exemption of pay and allowances earned in Australia by foreign forces

Defence ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2010 TES code:*	A14
Estimate Reliability:	Very Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 842-105 of the *Income Tax Assessment Act 1997*		

Pay and allowances earned in Australia as a member of a foreign force is exempt from income tax. This does not apply if the Australian Government makes the payment.

A13 Exemption of pay and allowances for part-time Australian Defence Force Reserve personnel

Defence ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
50	55	60	55	60	60	60	60

Tax expenditure type:	Exemption	*2010 TES code:*	A15
Estimate Reliability:	Medium — Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 51-5 of the *Income Tax Assessment Act 1997*		

The pay and allowances of part-time Australian Defence Force Reserve personnel are exempt from income tax.

A14 Exemption of some payments to Australian Federal Police and civilian personnel in service with an armed force of the United Nations

Defence ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2010 TES code:*	A16
Estimate Reliability:	Very Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 23AB of the *Income Tax Assessment Act 1936*		

Australian Federal Police and civilian personnel contributed by Australia to an armed force of the United Nations may receive compensation in respect of death, impairment or incapacity resulting from their service. Such compensation payments are exempt from income tax. The estate of a deceased civilian who has performed United Nations service may also receive relief from unpaid tax in respect of pay and allowances. In addition, a partial income tax exemption applies to living allowances paid to civilians who died during periods of United Nations service.

A15 Tax offsets for Australian Defence Force personnel serving overseas and for Australian Federal Police and civilians serving with United Nations forces

Defence ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Included in A51							

Tax expenditure type:	Offset	*2010 TES code:*	A17
Estimate Reliability:			
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Sections 79B and 23AB(7) of the *Income Tax Assessment Act 1936*		

Australian Defence Force personnel who serve overseas and civilian personnel contributed by Australia to an armed force of the United Nations may be eligible for a tax offset. Personnel or civilians qualify for the full offset amount if their total period of overseas service is more than half the income year or if they die while on service. Personnel or civilians who serve for less than half the income year receive a proportion of the full amount. The offset is made up of a base amount with additional entitlements for individuals who maintain dependants.

Tax expenditures for education

A16 Denial of deductibility for certain self-education expenses

Education ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Denial of deduction	*2010 TES code:*	A18
Estimate Reliability:	Not Applicable	** Category*	3-
Commencement date:	1989	*Expiry date:*	
Legislative reference:	Section 26-20 of the *Income Tax Assessment Act 1997*		

Course fees and interest repayments for a Higher Education Contribution Scheme Higher Education Loan Program (HECS-HELP) place funded by the individual are not tax deductible, even for the proportion that relates to income earning activities.

Self-education expenses would otherwise be deductible to the extent that the self-education is to maintain or improve skills or knowledge which the taxpayer uses in income earning activities.

A17 Education Tax Refund

Education ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	130	150	160	200	210

Tax expenditure type:	Exemption	*2010 TES code:*	A19
Estimate Reliability:	Medium		
Commencement date:	2008	*Expiry date:*	
Legislative reference:	Subdivision 61-M of the *Income Tax Assessment Act 1997*		

Education Tax Refund payments are exempt from income tax.

Eligible taxpayers can claim a refundable tax offset for 50 per cent of eligible education expenses incurred in respect of a student undertaking primary or secondary school studies, up to a maximum amount. For expenses incurred in 2010-11, the maximum amount of the Education Tax Refund was $397 for each primary school student and $794 for each secondary school student. In later years, these maximum amounts are indexed in line with increases in the Consumer Price Index.

The Education Tax Refund applies to eligible expenses incurred from 1 July 2008.

A18 Exemption of income from certain educational scholarships, payments to apprentices or similar forms of assistance

Education ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
26	34	30	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	A20
Estimate Reliability:	Low	** Category*	2+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Sections 51-10, 51-35, 51-40, 51-42 and 842-105 of the *Income Tax Assessment Act 1997*		

Income derived by way of scholarships, bursaries or other educational allowances to a student receiving full-time education at a school, college or university may be exempt from income tax. Income derived as part of an Australian Government scheme to assist secondary education or the education of isolated children is exempt from income tax, excluding federal education or training payments or education entry payments provided under the *Social Security Act 1991.*

A number of other educational assistance payments are also exempt from income tax, including grants from the Australian American Educational Foundation (that is, Fulbright Scholarships), and the early completion bonus payments for apprentices in trades suffering a skills shortage. Other eligible payments are listed in the *Income Tax Assessment Act 1997.*

A19 Threshold for the deductibility of self-education expenses

Education ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-11	-13	-12	-12	-12	-13	-13	-13

Tax expenditure type:	Denial of deduction	*2010 TES code:*	A21
Estimate Reliability:	Medium — Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 82A of the *Income Tax Assessment Act 1936*		

Self-education expenses are deductible if the purpose of the self-education is to maintain or improve skills or knowledge which the taxpayer uses in income earning activities. In certain circumstances taxpayers may have to reduce their allowable self-education expenses by $250, which may reduce the deduction that they can claim for self-education expenses. Self-education expenses that are non-deductible, such as child care costs and non-deductible travel expenses which relate to self-education, can be offset against the $250 threshold.

Tax expenditures for health

A20 Deduction for payment of United Medical Protection Limited support payments

Health ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	-	-	-	-	-	-	-

Tax expenditure type:	Deduction	*2010 TES code:*	A22
Estimate Reliability:	Low		
Commencement date:	2003	*Expiry date:*	
Legislative reference:	Section 25-105 of the *Income Tax Assessment Act 1997*		

From 2003-04, a specific tax deduction is available for all medical practitioners (including retirees) who are required to pay United Medical Protection Limited (UMP) support payments, equal to the full amount of the payment. UMP support payments are required of medical practitioners to fund the Australian Government's assumption of certain medical indemnity liabilities from medical defence organisations.

A21 Exemption from the Medicare levy for residents with a taxable income below a threshold

Health ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
980	1,030	1,090	1,160	1,200	1,320	1,370	1,400

Tax expenditure type:	Exemption	*2010 TES code:*	A23
Estimate Reliability:	Low		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 7 of the *Medicare Levy Act 1986*		

The Medicare levy generally applies at a flat rate to a taxpayer's whole taxable income. Residents whose taxable income falls below a threshold are exempt from the Medicare levy, with the levy phased in once the taxpayer's income exceeds the threshold.

A22 Exemption of 30 per cent private health insurance rebate, including expense equivalent

Health ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
1,020	1,070	1,140	1,220	1,320	1,380	1,230	1,360

Tax expenditure type:	Exemption	*2010 TES code:*	A24
Estimate Reliability:	Medium — High		
Commencement date:	1998	*Expiry date:*	
Legislative reference:	Section 52-125 of the *Income Tax Assessment Act 1997*		

Taxpayers can receive a 30 per cent refund on the costs of private health insurance either as a refundable tax offset, direct payment or through reduced premiums. These payments are exempt from income tax. From 1 July 2012, the Government will introduce three new 'Private Health Insurance Tiers', which may affect the amount of refund a taxpayer can receive. The tiers lower the amount of private health insurance refund claimable for individuals and couples on certain incomes. Individuals and couples who earn less than the Medicare levy surcharge thresholds will continue to receive the full refund amount.

A23 Increased Medicare levy for income earners who do not hold private health insurance

Health ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-400	-510	-220	-190	-190	-190	-270	-270

Tax expenditure type:	Increased rate	*2010 TES code:*	A28
Estimate Reliability:	Medium		
Commencement date:	1997	*Expiry date:*	
Legislative reference:	Sections 8B to 8D of the *Medicare Levy Act 1986* *A New Tax System (Medicare Levy Surcharge — Fringe Benefits) Act 1999*		

Individuals and couples who do not have appropriate private health insurance and whose income exceeds a threshold are subject to an increased Medicare levy, known as the Medicare levy surcharge. From 1 July 2011, the income for surcharge threshold purposes above which the private health insurance surcharge is payable is $80,000 for single individuals and $160,000 for couples and families. For families with more than one dependent child the threshold is increased by $1,500 for each dependent child after the first. The singles threshold is indexed annually to changes in average weekly ordinary time earnings. The couples and families threshold is double the singles threshold. The surcharge has applied since 1 July 1997 and is a negative tax expenditure.

From 1 July 2012, the Government proposes to introduce three new 'Private Health Insurance Tiers', which may affect the amount of surcharge to which a taxpayer is subject. The tiers increase the level of the Medicare levy surcharge for individuals and couples on certain incomes.

A24 Medical expenses tax offset

Health ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
390	435	465	525	475	510	520	555

Tax expenditure type:	Offset	*2010 TES code:*	A25
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 159P of the *Income Tax Assessment Act 1936*		

A tax offset is available to a taxpayer whose net medical expenses, which is medical expenses less available reimbursements such as Medicare and private health insurance refunds, in the income year exceed a certain threshold. Qualifying medical expenses may relate both to resident taxpayers and any resident dependants.

From 2011-12, the threshold is indexed annually in line with the Consumer Price Index. The threshold is $2,060 in 2011-12.

A25 Medicare levy exemption for blind pensioners, sickness allowance recipients and foreign government representatives

Health ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
115	125	120	130	140	150	165	180

Tax expenditure type:	Exemption	*2010 TES code:*	A26
Estimate Reliability:	Medium		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 251T and 251U of the *Income Tax Assessment Act 1936*		

The income of recipients of specified payments made under the *Social Security Act 1991* and foreign government representatives is generally exempt from the Medicare levy.

A26 Medicare levy surcharge lump sum payment in arrears offset

Health ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	..	..	..	..	..	..	..

Tax expenditure type:	Offset	*2010 TES code:*	A27
Estimate Reliability:	High		
Commencement date:	1 July 2005	*Expiry date:*	
Legislative reference:	Subdivision 61L of the *Income Tax Assessment Act 1997*		

From 2005-06, concessional Medicare levy surcharge treatment has been provided to eligible taxpayers who receive certain lump sum payments in arrears. This measure allows taxpayers who have a Medicare levy surcharge liability, or an increased liability, as a result of certain lump sum payments in arrears to receive concessional treatment in respect of their surcharge liability.

Tax expenditures for social security and welfare

A27 Exemption of disaster relief payments for individuals

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
14	42	19	285	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	A29
Estimate Reliability:	Medium — Low	** Category*	2+
Commencement date:	1 July 2008	*Expiry date:*	
Legislative reference:	Section 51-30 of the *Income Tax Assessment Act 1997*		

Certain payments made to individuals who are victims of natural disasters or acts of terrorism are made exempt from income tax, such as the Australian Government Disaster Relief Payments after the 2010-11 floods and cyclones.

Without a specific exempting provision, such payments would generally be treated as assessable income.

A28 Exemption of the Baby Bonus

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
165	165	165	135	115	110	115	115

Tax expenditure type:	Exemption	*2010 TES code:*	A30
Estimate Reliability:	Medium		
Commencement date:	1 July 2004	*Expiry date:*	
Legislative reference:	Section 52-150 of the *Income Tax Assessment Act 1997*		

The Baby Bonus (previously known as the Maternity Payment) is exempt from income tax.

The Baby Bonus is available in respect of children born or adopted from 1 July 2004. Prior to 1 July 2004, taxpayers may have been eligible for the first child tax offset (also known as the Baby Bonus). See also the related tax expenditure A45 *Exemption of the first child tax offset (Baby Bonus)*.

The Maternity Immunisation Allowance is also exempt from income tax and is included in this tax expenditure.

A29 Exemption of the Child Care Rebate

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	120	545	405	435	480	525	585

Tax expenditure type:	Exemption	*2010 TES code:*	A31
Estimate Reliability:	Medium		
Commencement date:	1 July 2007	*Expiry date:*	
Legislative reference:	Section 52-150 of the *Income Tax Assessment Act 1997*		

The Child Care Rebate (CCR) is exempt from income tax.

From 1 July 2007 families may receive the CCR to cover a proportion of out-of-pocket expenses on approved child care, up to a maximum amount per child. For expenses incurred in 2006-07 and 2007-08, this proportion was 30 per cent and the maximum amount per child was $4,211 in 2006-07 and $4,354 in 2007-08. For expenses incurred in 2008-09 and later years, this proportion is 50 per cent. The maximum amount per child was $7,500 in 2010-11, with indexation in line with increases in the Consumer Price Index frozen until 30 June 2014.

For child care expenses incurred in 2004-05 and 2005-06, taxpayers may have been eligible for a tax offset in the next income year. See also the related tax expenditure A33 *Tax offset for child care*.

A30 Flood and cyclone reconstruction levy

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-1,500	-225	-	-

Tax expenditure type:	Increased rate	*2010 TES code:*	New
Estimate Reliability:	Medium		
Commencement date:	1 July 2011	*Expiry date:*	30 June 2012
Legislative reference:	Section 4-10 of the *Income Tax (Transitional Provisions) Act 1997*		

A temporary flood and cyclone reconstruction levy will apply to taxable income for the 2011-12 income year to contribute towards the cost of rebuilding flood and cyclone affected regions. Taxpayers that, during 2010-11, received an Australian Government Disaster Relief Payment (AGDRP); were affected by a Natural Disaster Recovery and Relief (NDRRA) disaster; or are a New Zealand Special Category Visa Holder that received an ex-gratia payment are exempt from paying the levy.

Tax concessions for certain taxpayers

A31 Release from particular tax liabilities in cases of serious hardship

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
29	46	38	78	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	A32
Estimate Reliability:	High	** Category*	2+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Division 340 in Schedule 1 to the *Tax Administration Act 1953*		

An individual taxpayer can be released from a tax liability where payment of the liability would cause serious hardship. This release from tax liability acts like a tax exemption.

A32 Senior Australians' and Pensioners' Tax Offset

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
1,700	1,230	1,160	960	960	530	530	530

Tax expenditure type:	Offset	*2010 TES code:*	A33
Estimate Reliability:	Medium — Low		
Commencement date:	1996	*Expiry date:*	
Legislative reference:	Sections 160AAAA and 160AAAB of the *Income Tax Assessment Act 1936*		

The Senior Australians' and Pensioners' Tax Offset (SAPTO) is available to taxpayers who receive certain pensions such as the Age Pension and disability support pension (taxpayers of Age Pension age) and other payments such as bereavement allowance, carer payment and parenting payment (single). Taxpayers who are Age Pension age or older and eligible to receive an age pension, including individuals who qualify but do not receive a benefit (for example, because they do not meet the means testing criteria) can also claim the SAPTO.

Prior to the 2012-13 income year, this tax expenditure was called the Senior Australians Tax Offset (SATO) and was available to taxpayers who are eligible to receive the age pension or a veterans' benefit, pension or allowance, including individuals who qualify for, but do not receive a benefit (for example, because they do not meet the means testing criteria). As part of the Government's Clean Energy Future Plan, the pensioner tax offset and the SATO are combined from the 2012-13 income year onward (see also A34).

A33 Tax offset for child care

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
365	55	-	-	-	-	-	-

Tax expenditure type:	Offset	*2010 TES code:*	A34
Estimate Reliability:	High		
Commencement date:	1 July 2004	*Expiry date:*	30 June 2007
Legislative reference:	Subdivision 61-IA of the *Income Tax Assessment Act 1997*		

For the income years 2005-06 and 2006-07, taxpayers could claim a tax offset for out-of-pocket child care expenses incurred in the previous income year. To be eligible for the tax offset, the taxpayer must have received the Child Care Benefit (CCB) for approved child care and met the CCB work/training/study test (or otherwise been eligible for up to 50 hours of CCB).

The rebate covered 30 per cent of out-of-pocket expenses on approved child care, up to a maximum amount per child. This maximum amount was $4,000 in 2005-06 and $4,096 in 2006-07.

For child care expenses incurred in 2006-07 and later years, taxpayers may be eligible for the Child Care Rebate. See also the related tax expenditure A29 *Exemption of the Child Care Rebate*.

A34 Tax offset for recipients of certain social security allowances or benefits

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
400	250	270	260	270	30	30	30

Tax expenditure type:	Offset	*2010 TES code:*	A35
Estimate Reliability:	Medium — Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 160AAA of the *Income Tax Assessment Act 1936*		

Taxpayers who receive certain social security benefits and allowances may be eligible for the beneficiary tax offset, which reduces the tax payable on the allowance or benefit. Qualifying government payments include:

- various income support allowances (for example, Newstart Allowance, Sickness Allowance or Youth Allowance);
- Australian Government education and training payments (for example, ABSTUDY and Austudy); and
- various other payments (for example, Parenting Payment (partnered), Northern Territory CDEP transition payment and exceptional circumstances relief payments).

Prior to the 2012-13 income year, this tax expenditure included the pensioner tax offset, which may be claimed by taxpayers who receive a qualifying government pension (for example, age pension — where not eligible for the Senior Australians Tax Offset — and carer payment). As part of the Government's Clean Energy Future Plan, the pensioner tax offset and the senior Australians tax offset are combined from the 2012-13 income year onward (see tax expenditure A32).

A35 Tax offsets for dependent spouse, child-housekeeper and housekeeper who cares for a prescribed dependant

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
430	555	540	555	545	325	90	65

Tax expenditure type:	Offset	*2010 TES code:*	A36
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Sections 159J and 159L of the *Income Tax Assessment Act 1936*		

A taxpayer may be entitled to claim a tax offset for that part of an income year where they contribute to the maintenance of:

- a dependent spouse;
- a child-housekeeper; or
- a housekeeper, where the housekeeper cares for one or more prescribed dependants of the taxpayer.

A taxpayer is not eligible to claim a tax offset for that part of an income year where the taxpayer or the taxpayer's spouse is eligible for Family Tax Benefit Part B or parental leave pay.

From the 2008-09 income year, a taxpayer with adjusted taxable income above a threshold is unable to claim an offset in respect of a dependent spouse, child-housekeeper or housekeeper. This threshold is currently $150,000 and is ordinarily indexed in line with increases in the Consumer Price Index but indexation has been paused until 1 July 2014.

From the 2011-12 income year, a taxpayer is unable to claim an offset in respect of a dependent spouse born after 1 July 1971 unless that spouse is an 'invalid spouse' or a 'carer spouse'. From 1 July 2012, a taxpayer is unable to claim an offset in respect of a dependent spouse born after 1 July 1952. An 'invalid spouse' is a dependent spouse receiving a disability pension or certified as permanently unable to work. A carer spouse is a spouse receiving prescribed carer payments or caring for an invalid relative of the taxpayer or spouse.

A36 Tax offsets for taxpayers supporting a parent, parent-in-law, or invalid relative

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
40	40	40	40	40	45	40	45

Tax expenditure type:	Offset	*2010 TES code:*	A37
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 159J of the *Income Tax Assessment Act 1936*		

A taxpayer may be entitled to claim a tax offset for that part of an income year where they contribute to the maintenance of a parent, parent-in-law or invalid relative.

From the 2008-09 income year, a taxpayer with income above a threshold is unable to claim an offset in respect of a dependant parent, parent-in-law or invalid relative. This threshold is currently $150,000 and is ordinarily indexed in line with increases in the Consumer Price Index but indexation has been paused until 1 July 2014.

A37 Mature Age Worker Tax Offset

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
455	460	425	455	455	470	435	445

Tax expenditure type:	Offset	*2010 TES code:*	A38
Estimate Reliability:	Medium		
Commencement date:	2004	*Expiry date:*	
Legislative reference:	Subdivision 61-K of the *Income Tax Assessment Act 1997*		

Workers aged 55 years and over may be entitled to a tax offset based on the amount of their net income from working. The maximum offset amount of $500 is payable on assessment for taxpayers with net income from working between $10,000 and $53,000.

A38 Pacific Seasonal Worker Pilot Scheme

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	1	-	-	-

Tax expenditure type:	Concessional rate	*2010 TES code:*	New
Estimate Reliability:	Medium — Low		
Commencement date:	1 July 2011	*Expiry date:*	30 June 2012
Legislative reference:	Schedule 7 of the *Income Tax Rates Act 1986*		

For the 2011-12 income year the lowest marginal tax rate will be reduced from 29 per cent to 15 per cent for non-resident workers employed under the Government's Pacific Seasonal Worker Pilot Scheme. The new rate will apply from the first dollar of income up to $37,000. All other tax rates for these workers remain unchanged. Tax rates for non-residents who are not Pacific Seasonal Workers and for Australian residents also remain unchanged.

A39 Asian Development Bank — Income tax exemption for Australian staff

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2010 TES code:*	A39
Estimate Reliability:	Medium — Low		
Commencement date:	17 September 2005	*Expiry date:*	
Legislative reference:	Regulation 6 of the *Asian Development Bank (Privileges and Immunities) Regulations 1967*		

The income of Australian resident officers of the Asian Development Bank (ADB) is exempt from tax. This exemption is part of the broader arrangement with the ADB that facilitates the day-to-day running of the Australian office which services the needs of the Pacific Island countries.

A40 International taxation — Foreign income exemption for temporary residents

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
40	40	45	40	45	45	50	50

Tax expenditure type:	Exemption	*2010 TES code:*	A40
Estimate Reliability:	Low		
Commencement date:	1 July 2006	*Expiry date:*	
Legislative reference:	Subdivision 768-R of the *Income Tax Assessment Act 1997*		

The majority of foreign source income of temporary residents is exempt from income tax, and capital gains on only some Australian assets of temporary residents are taxed. Interest paid to foreign lenders by temporary residents is exempt from withholding tax.

Tax exemptions for certain government income support payments

A41 Exemption of certain income support benefits, pensions or allowances

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
690	550	550	570	670	430	470	500

Tax expenditure type:	Exemption	*2010 TES code:*	A41
Estimate Reliability:	Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Subdivisions 52-A, 52-E and 52-F of the *Income Tax Assessment Act 1997*		

Certain social security pensions, benefits, allowances and certain repatriation pensions paid under the *Social Security Act 1991* and the *National Health Act 1953,* are exempt from income tax.

Certain amounts of Commonwealth education or training payment and certain parts of payments under the ABSTUDY scheme are exempt from income tax.

A42 Exemption of Child Care Benefit

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
455	460	465	500	530	565	595	610

Tax expenditure type:	Exemption	*2010 TES code:*	A44
Estimate Reliability:	Medium — High		
Commencement date:	2000	*Expiry date:*	
Legislative reference:	Section 52-150 of the *Income Tax Assessment Act 1997*		

Child Care Benefit paid by the Australian Government is exempt from income tax.

Child Care Benefit can be paid directly to child care service providers to reduce the fees charged. Alternatively, the payment can be made directly to parents fortnightly, quarterly or at the end of the income year.

A43 Exemption of Family Tax Benefit, Parts A and B, including expense equivalent

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
2,230	2,330	1,960	1,980	2,060	2,170	2,280	2,370

Tax expenditure type:	Exemption	*2010 TES code:*	A45
Estimate Reliability:	Medium		
Commencement date:	2000	*Expiry date:*	
Legislative reference:	Section 52-150 of the *Income Tax Assessment Act 1997*		

Family Tax Benefit payments are exempt from income tax.

A44 Exemption of rent subsidy payments under the Commonwealth/State mortgage and rent relief schemes

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
3	3	-	-	-	-	-	-

Tax expenditure type:	Exemption	*2010 TES code:*	A46
Estimate Reliability:	Medium — Low		
Commencement date:	Introduced before 1985	*Expiry date:*	2008
Legislative reference:	Section 51-30 of the *Income Tax Assessment Act 1997*		

Rent subsidy payments received by renters and paid under the Mortgage and Rent Relief Scheme by an Australian Government agency are exempt from income tax.

A45 Exemption of the first child tax offset (Baby Bonus)

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
22	16	8	4	..	..	-	-

Tax expenditure type:	Exemption	*2010 TES code:*	A47
Estimate Reliability:	Medium — High		
Commencement date:	2002	*Expiry date:*	Children born (or legal responsibility gained) on or before 30 June 2004
Legislative reference:	Subdivision 61-I of the *Income Tax Assessment Act 1997*		

First child tax offset payments are exempt from income tax.

The first child tax offset (also known as the Baby Bonus) is available to parents who gained legal responsibility for a child between 1 July 2001 and 30 June 2004 and remains available until that child turns five.

See also the related tax expenditure A28 *Exemption of the Baby Bonus*.

A46 Exemption of Utilities Allowance and Seniors' Concession Allowance

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
38	62	114	19	1	1	1	1

Tax expenditure type:	Exemption	*2010 TES code:*	A48
Estimate Reliability:	Medium		
Commencement date:	2004	*Expiry date:*	
Legislative reference:	Sections 52-10 and 52-65 of the *Income Tax Assessment Act 1997*		

Utilities Allowances and Seniors' Concession Allowances payable to senior Australians up to 20 September 2009 were exempt from income tax.

From 20 September 2009 the Utilities Allowance was absorbed into the Pension Supplement and the Seniors' Concession Allowance, together with the Telephone Allowance, became part of the Seniors' Supplement.

The Utilities Allowance continues to be payable to recipients of the Widow Allowance and Partner Allowance who are under age pension age, and Disability Support Pension recipients who are aged under 21 years without children.

A47 Exemptions of certain veterans' pensions, allowances or benefits, compensations, and particular World War II-related payments for persecution

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
430	440	390	390	410	370	370	370

Tax expenditure type:	Exemption	*2010 TES code:*	A42,A43 and A10
Estimate Reliability:	Medium — Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Subdivisions 52-B and 52-C and Section 768-105 of the *Income Tax Assessment Act 1997*		

Repatriation pensions, certain payments under the *Veterans Entitlements Act 1985* and *Military Rehabilitation and Compensation Act 2004*, and payments under the *Australian Participants in British Nuclear Tests (Treatment) 2006*, are wholly or partly exempt from income tax.

Foreign source World War II payments are also exempt from income tax. This applies where the payment is in connection with:

- any wrong or injury;
- loss of, or damage to, property; or
- any other detriment; or

Suffered as a result of:

- persecution by an enemy of the Commonwealth, or enemy associated regime, during World War II;
- flight from persecution; or
- participation in a resistance movement against such forces.

Tax expenditures for housing and community amenities

A48 Exemption of payments made under the First Home Owners Grant Scheme

Housing and community amenities ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
325	325	685	750	375	355	355	355

Tax expenditure type:	Exemption	*2010 TES code:*	A49
Estimate Reliability:	Medium		
Commencement date:	2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Commonwealth State Financial Arrangements) Act 1999 Appendix A, Intergovernmental Agreement on Federal Financial Relations Appropriation (Economic Security Strategy) Act (No. 2) 2008-09 (for the First Home Owners Boost) and relevant state legislation.*		

Payments made under the First Home Owners Grant Scheme are exempt from tax. Eligible applicants purchasing or building their first home from 1 July 2000 are entitled to $7,000 assistance to compensate for the impact of the GST on the price of houses.

Under the First Home Owners Boost (FHOB), eligible first home buyers would receive an additional $7,000 for an established home ($14,000 in total) or an additional $14,000 for a new home ($21,000 in total) when purchasing between 14 October 2008 and 30 September 2009 (inclusive). For eligible first home buyers entering into contracts between 1 October 2009 and 31 December 2009 (inclusive) additional assistance of $3,500 ($10,500 in total) was provided for the purchase of established homes and $7,000 for the purchase of new homes ($14,000 in total).

A49 First Home Saver Accounts — Earnings

Housing and community amenities ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	..	..	-1	..	..	1	3

Tax expenditure type:	Concessional rate	*2010 TES code:*	A50
Estimate Reliability:	Low		
Commencement date:	1 October 2008	*Expiry date:*	
Legislative reference:	Divisions 295, 320 and 345 of the *Income Tax Assessment Act 1997*		

First Home Saver Accounts provide a vehicle for individuals to save for the purchase of their first home. The income earned by First Home Saver Accounts is taxed to the account provider at a rate of 15 per cent.

The tax expenditure reflects the extra tax in a particular year that may be collected if First Home Saver Account earnings were included in the assessable income of the account holder and taxed at their marginal rate, rather than at 15 per cent.

A50 First Home Saver Accounts — Income tax exemption for the Government contribution

Housing and community amenities ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	2	3	4	7	8

Tax expenditure type:	Exemption	*2010 TES code:*	A51
Estimate Reliability:	Low		
Commencement date:	1 October 2008	*Expiry date:*	
Legislative reference:	Subsection 345-50(3) of the *Income Tax Assessment Act 1997*		

First Home Saver Account contributions made by the Government are exempt from tax. In 2011-12, account holders are eligible for a Government contribution of 17 per cent on the first $5,500 of personal contributions made to their accounts each year. An individual who makes a contribution of $5,500 to their First Home Saver Account will be eligible for the maximum Government contribution of $935.

A51 Zone tax offsets

Housing and community amenities ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
215	230	230	230	235	240	240	245

Tax expenditure type:	Offset	*2010 TES code:*	A52
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 79A of the *Income Tax Assessment Act 1936*		

Note: estimates include tax expenditures A51 and A15

Taxpayers who live in prescribed remote areas of Australia are eligible for a tax offset.

Tax expenditures for recreation and culture

A52 Exemption of certain prizes

Recreation and culture ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2010 TES code:*	A53
Estimate Reliability:	High		
Commencement date:	1 July 2006	*Expiry date:*	
Legislative reference:	Section 51-60 of the *Income Tax Assessment Act 1997*		

The Prime Minister's Prize for Australian History, the Prime Minister’s Literary Award and the Prime Minister’s Prize for Science are exempt from income tax.

A53 Income averaging for authors, inventors, performing artists, production associates and sportspersons

Recreation and culture ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
8	11	13	14	15	16	16	17

Tax expenditure type:	Concessional rate	*2010 TES code:*	A54
Estimate Reliability:	Medium — High		
Commencement date:	1987	*Expiry date:*	
Legislative reference:	Division 405 of the *Income Tax Assessment Act 1997*		

Authors (including composers and artists), inventors, performing artists, production associates and sportspersons can be subject to significant fluctuations in their income. These taxpayers may be eligible for an income averaging scheme that provides concessional rates of tax for abnormal receipts above average income.

Tax expenditures for transport and communications

A54 Income tax exemption for LPG conversion grants

Transport and communication ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
35	50	50	25	15	10	10	10

Tax expenditure type:	Exemption	*2010 TES code:*	A55
Estimate Reliability:	Medium		
Commencement date:	14 August 2006	*Expiry date:*	
Legislative reference:	Section 6-15 of the *Income Tax Assessment Act 1997*		

Payments made under the LPG Vehicle Scheme are exempt from tax. The scheme provides grants for the LPG conversion of a registered motor vehicle or the purchase of a new vehicle with LPG prior to first registration, subject to eligibility criteria.

For 2011-12 the grant for the conversion of a registered motor vehicle to LPG is $1,250. This will fall to $1,000 from 2012-13. For purchases of new vehicles with LPG fitted, the grant is $2,000 in each financial year.

Tax expenditures for other economic affairs

A55 Deductibility of union dues and subscriptions to business associations

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	A56
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 25-55 of the *Income Tax Assessment Act 1997*		

Union dues and subscriptions to trade, business or professional associations are specifically tax deductible up to a maximum amount of $42. This deduction is available in addition to any work related expense deduction.

A56 Deferral of tax and exemption for discounted shares or rights provided under employee share schemes

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption, Deferral	*2010 TES code:*	A57
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1995	*Expiry date:*	
Legislative reference:	Former section 26AAC and Division 13A of the *Income Tax Assessment Act 1936* Division 83A of the *Income Tax Assessment Act 1997*		

Discounts on shares and rights acquired under an employee share scheme are generally included in a taxpayer's assessable income in the year the shares or rights are acquired. However, two tax concessions may be provided: either an upfront tax exemption or the deferral of tax.

Tax may be deferred in employee share schemes where there is a 'real risk of forfeiture' or the scheme is a capped salary sacrifice based scheme, subject to certain other conditions. The maximum period of deferral is seven years. This deferral period may be shortened by the occurrence of certain events, such as the employee ceasing employment. The deferral arrangements for salary sacrifice based schemes apply up to a cap of $5,000 worth of shares.

For taxpayers who pay tax upfront, a $1,000 tax exemption is available to taxpayers with an adjusted taxable income of less of than $180,000, if the taxpayer and the scheme satisfy certain other conditions.

Some shares or rights acquired under an employee share scheme prior to 1 July 2009 have different conditions for deferral of tax applying to them.

A57 Non-commercial losses — Deductions allowed for certain taxpayers with an adjusted taxable income under $250,000

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	A58
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Division 35 of the *Income Tax Assessment Act 1997*		

The non-commercial losses rules prevent individuals carrying on unprofitable business activities claiming deductions for losses arising from such activities against their other income. Where a business's activity is objectively determined to be commercial in nature, the Commissioner of Taxation allows the taxpayer to apply those losses against their other income.

In order to reduce the compliance burden on taxpayers, individuals carrying on a business who have an adjusted taxable incomes of less than $250,000 may apply losses from a business activity against their other income in an income year if they satisfy one of four statutory tests in that year. These tests apply in place of the objective test by the Commissioner of Taxation. The four tests are designed to identify those businesses that are commercial in nature by looking at various known characteristics of a business, such as prior years' profits, assets used in carrying on the business, and revenues.

A proportion of individuals with an adjusted taxable income under $250,000 that meet one of the four tests and apply losses from their business activity against their other income will nonetheless be carrying on an uncommercial business activity.

A58 Non-commercial losses — Exceptions to the non-commercial losses rules for primary producers and artists

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
105	90	60	50	50	50	50	50

Tax expenditure type:	Exemption	*2010 TES code:*	A59
Estimate Reliability:	Medium		
Commencement date:	2000	*Expiry date:*	
Legislative reference:	Subsection 35-10(4) of the *Income Tax Assessment Act 1997*		

The non-commercial losses rules prevent individuals carrying on unprofitable business activities claiming deductions for losses arising from such activities against their other income. Where a business' activity is objectively determined to be commercial in nature, the Commissioner of Taxation allows the taxpayer to apply those losses against their other income.

Individuals that carry on a primary production or professional arts business, who have income from other sources of less than $40,000, are exempt from the non-commercial losses provisions.

A proportion of individuals carrying on primary production or professional arts businesses that access this exemption and apply losses from their business activity against their other income will nonetheless be carrying on an uncommercial business activity.

A59 Tax deferral advantage arising from return of after-tax contributions to a pension or annuity

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2010 TES code:*	A60
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 27H of the *Income Tax Assessment Act 1936*		

The value of a pension or annuity may partly consist of contributions towards the income stream from the recipient's after-tax income. This part of the income stream is not taxed again when it is returned in the form of pension or annuity payments. A tax expenditure arises because the tax free part of a pension or annuity is apportioned evenly over the term of the income stream, providing a tax deferral advantage.

A60 50 per cent discount for interest income

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	-	-	280

Tax expenditure type:	Concessional rate	*2010 TES code:*	A61
Estimate Reliability:	Medium		
Commencement date:	1 July 2012	*Expiry date:*	
Legislative reference:	Not yet legislated		

From 1 July 2013 the Government will provide Australian resident individuals with a 50 per cent tax discount for interest income. The discount will be capped at $500 of interest income received directly and indirectly (such as via a trust or partnership) from authorised deposit taking institutions (banks, building societies and credit unions) as well as bonds, debentures and annuities. The cap will increase to $1,000 from 1 July 2014.

A61 Denial of deductions for illegal activities

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	A62
Estimate Reliability:	Not Applicable	** Category*	1-
Commencement date:	1 July 1999	*Expiry date:*	
Legislative reference:	Sections 26-52, 26-53 and 26-54 of the *Income Tax Assessment Act 1997*		

Deductibility is denied for a loss or outgoing that is a bribe to a public official, including a foreign public official.

From 30 April 2005, deductions are also denied for expenditure to the extent it is incurred in the furtherance of, or directly in relation to, activities in respect of which the taxpayer has been convicted of an indictable offence. Indictable offences are those punishable by imprisonment for at least one year.

A62 Exemption of Tax Bonus for Working Australians

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	2,060	90	6	2	-	-

Tax expenditure type:	Exemption	*2010 TES code:*	A63
Estimate Reliability:	Medium — High		
Commencement date:	18 February 2009	*Expiry date:*	
Legislative reference:	Section 59-45 of the *Income Tax Assessment Act 1997*		

Payments of the Tax Bonus for Working Australians of up to $900 to eligible taxpayers from April 2009 are exempt from income tax. The Bonus is subject to an income threshold. A $900 Bonus was paid to eligible taxpayers with a taxable income in 2007-08 of up to $80,000. A $600 Bonus was paid to eligible taxpayers with a taxable income in 2007-08 of between $80,000 and $90,000 and a $250 Bonus was paid to eligible taxpayers with a taxable income in 2007-08 of between $90,000 and $100,000.

A63 Increased tax rates for certain minors

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-15	-9	-8	-3	-2	-33	-20	-20

Tax expenditure type:	Increased rate	*2010 TES code:*	A64
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Part III Division 6AA of the *Income Tax Assessment Act 1936*		

Higher rates of taxation apply to the ‘unearned income’ of certain minors. ’Unearned income‘ includes dividend, interest, rent, royalties and other income from property. The special rates do not apply to minors classed as being in a full-time occupation.

From 1 July 2011 minors will no longer be able to access the low income tax offset to reduce tax payable on their ‘unearned income’. This increases the effective impact of the higher tax rates on the ‘unearned income’ of minors.

A64 Part-year tax free threshold

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-40	-45	-40	-35	-35	-35	-15	-15

Tax expenditure type:	Increased rate	*2010 TES code:*	A65
Estimate Reliability:	Medium — High		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 16 to 20 of the *Income Tax Rates Act 1986*		

Taxpayers who become an Australian resident for the first time, or cease to be an Australian resident, do not receive the full value of the statutory tax-free threshold. From 1 July 2012, they will receive a pro-rated share of $4,736 that corresponds to the number of months in the year that they are a resident for tax purposes. They will also receive the difference between the statutory tax-free threshold and $4,736 in full.

Prior to the 2012-13 income year, taxpayers who become an Australian resident for the first time, or cease to be an Australian resident, receive a pro-rated tax free threshold that corresponds to the number of months the taxpayer was an Australian resident.

A65 Philanthropy — Deduction for gifts to deductible gift recipients

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
790	910	970	890	910	970	1,050	1,120

Tax expenditure type:	Deduction	*2010 TES code:*	A67 and A66
Estimate Reliability:	Medium — Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Division 30 of the *Income Tax Assessment Act 1997*		

Note: estimates include tax expenditures A65 and A67

Gifts of cash and property (subject to certain conditions) of a value of $2 or more to deductible gift recipients (DGRs) are able to be claimed as a deduction by donors.

DGRs are listed in tables in Subdivision 30-B of the *Income Tax Assessment Act 1997*.

A66 Philanthropy — Deduction for gifts to private ancillary funds

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
240	345	120	140	140	140	140	140

Tax expenditure type:	Deduction	*2010 TES code:*	A68
Estimate Reliability:	Medium — Low		
Commencement date:	1 October 2009	*Expiry date:*	
Legislative reference:	Item 2 of the table in Section 30-15 of the *Income Tax Assessment Act 1997*		

Private ancillary funds allow businesses, families and individuals to establish and donate to a charitable or philanthropic trust. Private ancillary funds have deductible gift recipient (DGR) status. This means that donations of $2 or more to endorsed private ancillary funds are tax deductible.

Private ancillary funds must disburse funds to DGRs.

A67 Standard deduction for work-related expenses and the cost of managing tax affairs

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	-	-	405

Tax expenditure type:	Deduction	*2010 TES code:*	A69
Estimate Reliability:	Medium		
Commencement date:	1 July 2013	*Expiry date:*	
Legislative reference:	Not yet legislated		

From 1 July 2013 the Government will provide individual taxpayers with an optional standard deduction of $500 in lieu of claiming work-related expenses and the cost of managing tax affairs. The standard deduction will increase to $1,000 from 1 July 2014.

Concessions under the substantiation provisions for employment-related expenses

A68 A reasonable overtime meal allowance

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	A70
Estimate Reliability:	Not Applicable	** Category*	0
Commencement date:	1987	*Expiry date:*	
Legislative reference:	Section 900-60 of the *Income Tax Assessment Act 1997*		

A taxpayer is able to claim a deduction for a 'reasonable' overtime meal allowance expense payable under an industrial instrument.

A69 Alternatives to the logbook method of substantiating car expenses

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	A71
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1987	*Expiry date:*	
Legislative reference:	Division 28 and Subdivision 900-C of the *Income Tax Assessment Act 1997*		

Three alternative methods to the logbook method (which is based on actual expenditure) are available to value car expense deductions:

- the one third of actual expenses method (only available if business use exceeds 5,000 kilometres);
- the 12 per cent of original value method (only available if business use exceeds 5,000 kilometres); and
- the cents per kilometre method (only available up to a maximum of 5,000 business kilometres).

A70 Certain travel expenses in and outside Australia

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	A72
Estimate Reliability:	Not Applicable	** Category*	0
Commencement date:	1987	*Expiry date:*	
Legislative reference:	Sections 900-50 and 900-55 of the *Income Tax Assessment Act 1997*		

A taxpayer is able to claim a deduction in relation to a travel allowance for reasonable expenses on accommodation, meals and incidental costs of travel in Australia, and meals and incidental costs of travel outside Australia.

Miscellaneous tax expenditures

A71 Tax offset on certain payments of income received in arrears

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
5	6	7	3	3	3	3	3

Tax expenditure type:	Offset	*2010 TES code:*	A73
Estimate Reliability:	Medium — Low		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 159ZR to 159ZRD of the *Income Tax Assessment Act 1936*		

Individual taxpayers that receive lump sum payments of certain income that accrued in earlier income years may be entitled to a tax offset. Income that qualifies for the tax offset includes certain back payments of salary or wages, lump sum payments of workers' or accident compensation, and social security and other benefits, received on or after 1 July 1986.

A72 Exemption for structured settlements and structured orders

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2010 TES code:*	A74
Estimate Reliability:	Low		
Commencement date:	2001	*Expiry date:*	
Legislative reference:	Division 54 of the *Income Tax Assessment Act 1997*		

Certain annuities provided to personal injury victims under structured settlements and structured orders are exempt from income tax. These provisions allow personal injury victims who would be eligible to receive large tax free lump sum compensation payments to receive all or part of their compensation in the form of a tax free annuity or annuities.

A73 Exemption of post-judgment interest awards in personal injury compensation cases

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
2	2	2	2	2	2	2	2

Tax expenditure type:	Exemption	*2010 TES code:*	A75
Estimate Reliability:	Low		
Commencement date:	1992	*Expiry date:*	
Legislative reference:	Section 51-57 of the *Income Tax Assessment Act 1997*		

Interest accruing on a judgment debt arising in personal injury compensation cases relating to the period between the original judgment and when the judgment is finalised is exempt from income tax.

A74 Immediate deduction for low-value depreciating assets not used in business

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	A76
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	2001	*Expiry date:*	
Legislative reference:	Sections 40-25 and 40-80(2) of the *Income Tax Assessment Act 1997*		

An immediate deduction is available for depreciating assets costing $300 or less where those assets are used predominantly for the purpose of producing assessable income that is not income from carrying on a business.

BUSINESS INCOME

General features of the business income tax benchmark:

- a tax base including all nominal income less expenses incurred in earning income;
- a tax rate as the rate that applies to the entity;
- the individual entity (or head entity of a consolidated group) as the tax unit;
- the dividend imputation system, which ensures that company profits distributed to resident shareholders are taxed at the shareholders' marginal rate of tax; and
- the financial year (or substituted accounting period) as the taxation period.

Tax expenditures for general public services

B1 Denial of deductions by businesses for political donations

General public services — Legislative and executive affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	*	*	*	*	*	*	*

Tax expenditure type:	Denial of deduction	*2010 TES code:*	B1
Estimate Reliability:	Not Applicable	** Category*	1-
Commencement date:	1 July 2008	*Expiry date:*	
Legislative reference:	Section 26-22 of the *Income Tax Assessment Act 1997*		

Business taxpayers are prevented from claiming general deductions for gifts or contributions to political parties, independent members and independent candidates.

B2 Exemption for certain payments made out of the National Guarantee Fund

General public services — Financial and fiscal affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	-	-	-

Tax expenditure type:	Exemption	*2010 TES code:*	B2
Estimate Reliability:	Low		
Commencement date:	27 April 2011	*Expiry date:*	
Legislative reference:	*Taxation Laws (Clearing and Settlement Facility Support) Act 2004*		

No income tax consequences arise when certain payments are made out of the National Guarantee Fund.

Up until 31 March 2005 the National Guarantee Fund undertook the dual roles of investor protection and clearing support for the Australian Stock Exchange. The *Corporations Act 2001* provides for the splitting of these functions by allowing the transfer of funds for clearing and settlement system support to another entity. A tax expenditure arises because these transfers are permitted free of tax consequences.

B3 Income tax exemption for Commonwealth, State and Territory public authorities, and State and Territory entities

Other purposes — General purpose inter-governmental transactions ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	B3
Estimate Reliability:	Not Applicable	** Category*	4+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Part III Division 1AB of the *Income Tax Assessment Act 1936* Items 5.2 and 5.3 in the table in section 50-25 of the *Income Tax Assessment Act 1997*		

Generally, Government bodies that perform a Governmental or regulatory function are exempted from income tax, including public authorities of the Commonwealth, States and Territories, and State and Territory bodies. Companies wholly owned by States and Territories and constitutionally protected funds of States and Territories are also exempted from income tax.

While companies owned wholly by States and Territories are not subject to Commonwealth income tax, the operation of the National Tax Equivalent Regime (NTER), which is an administrative arrangement between the Commonwealth and the States and Territories, ensures that these entities do not gain a competitive advantage over non-Government providers.

B4 Income tax exemption for local government bodies

Other purposes — General purpose inter-governmental transactions ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
660	700	730	780	830	890	920	990

Tax expenditure type:	Exemption	*2010 TES code:*	B4
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Item 5.1 in the table in section 50-25 of the *Income Tax Assessment Act 1997*		

Local government bodies and municipal corporations are exempt from income tax. This exemption includes the local governing bodies in Norfolk, Cocos (Keeling) and Christmas Islands.

International tax expenditures

B5 Exemptions for prescribed international organisations

General public services — Foreign affairs and economic aid ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	B5
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1963	*Expiry date:*	
Legislative reference:	Section 6 of the *International Organisations (Privileges and Immunities) Act 1963*		

The income of certain international organisations is exempt from income tax. Interest and dividends received by such organisations are also exempt from withholding tax. Prescribed international organisations include the United Nations, the World Trade Organisation, the Organisation for Economic Cooperation and Development and various United Nations specialised agencies.

B6 Interest withholding tax and dividend withholding tax exemptions for overseas charitable institutions

General public services — Foreign affairs and economic aid ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	B6
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1936	*Expiry date:*	
Legislative reference:	Paragraph 128B(3)(aa) of the *Income Tax Assessment Act 1936*		

Interest and dividends received by certain overseas charitable institutions are exempt from the interest and dividend withholding tax, respectively. This exemption only applies where the institutions are exempt from tax in their home country.

B7 Investment Manager Regime

General public services — Foreign affairs and economic aid ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	New
Estimate Reliability:	Medium	** Category*	2+
Commencement date:	1 July 2011	*Expiry date:*	
Legislative reference:	Not yet legislated		

The Investment Manager Regime (IMR) exempts certain portfolio investment income of foreign managed funds from Australian tax in specified circumstances.

For the 2010-11 and later income years, where investment income of a foreign managed fund is taxed only because the fund is taken to have a 'permanent establishment' in Australia, such income will be exempt from tax (except for the arm's length fee for services provided by Australian investment advisors).

B8 Reduced withholding tax under international tax treaties

General public services — Foreign affairs and economic aid ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
340	310	430	450	470	490	520	550

Tax expenditure type:	Exemption, Concessional rate	*2010 TES code:*	B7
Estimate Reliability:	Low		
Commencement date:	2008	*Expiry date:*	
Legislative reference:	*International Tax Agreements Act 1953*		

Tax treaties reduce or eliminate double taxation caused by the exercise of source and residence country taxing rights on cross border income flows. Under some of Australia's tax treaties, certain dividends, interest and royalties attract reduced withholding tax rates. These include interest withholding tax exemptions for financial institutions and Governments and reduced dividend withholding tax rates where dividends are paid to companies with controlling interests in the companies paying the dividends, provided that certain integrity measures are satisfied.

The reductions are bilateral, thereby ensuring that withholding taxes will not result in unrelieved double taxation either for those foreign enterprises investing in Australia from treaty partner countries, or for Australian enterprises investing abroad in treaty partner countries.

B9 Income tax exemption for persons connected with certain US Government projects in Australia

Defence ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	B8
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 23AA of the *Income Tax Assessment Act 1936*		

The profit and remuneration of United States contractors, United States armed forces members and their associated employees, or other United States residents or foreign employees and their dependents in connection with certain approved United States Government projects in Australia are exempt from Australian income tax. The United States Government projects to which the exemption applies include the North West Cape Naval Communication Station, the Joint Defence Space Research Facility, the Sparta Project and the Joint Defence Space Communications Station programme. This exemption only applies where the income is subject to tax in the United States.

B10 Concessional tax treatment of offshore banking units

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
320	305	265	155	155	155	155	145

Tax expenditure type:	Concessional rate	*2010 TES code:*	B10
Estimate Reliability:	Medium		
Commencement date:	1992	*Expiry date:*	
Legislative reference:	Part III, Division 9A, and Section 128GB of the *Income Tax Assessment Act 1936*		

Income (other than capital gains) derived by an offshore banking unit (OBU) from offshore banking activities is taxed at a concessional rate of 10 per cent. Interest paid by an OBU on qualifying offshore borrowings, and gold fees paid by an OBU on certain offshore gold borrowings, are exempt from withholding tax.

B11 Deductibility of costs of setting up a regional headquarters

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	..	..	..	..	..	..	..

Tax expenditure type:	Deduction	*2010 TES code:*	B11
Estimate Reliability:	Very Low		
Commencement date:	1994	*Expiry date:*	
Legislative reference:	Sections 82C to CE of the *Income Tax Assessment Act 1936*		

Regional headquarter companies (RHQs), as determined by the Treasurer, are entitled to deductions in respect of specified set-up costs. These costs must be incurred within a two-year period commencing 12 months before and ending 12 months after the RHQ first derives assessable income from the provision of 'regional headquarters support'.

B12 Deemed tax credits under tax sparing provisions in Australia's tax treaties

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
10	15	10	..	..	..	..	..

Tax expenditure type:	Exemption	*2010 TES code:*	B12
Estimate Reliability:	Medium		
Commencement date:	Date of effect depends on the date of effect of the tax treaty	*Expiry date:*	
Legislative reference:	Provided for in Australia's tax treaties		

The tax sparing provisions in Australia's tax treaties apply to tax incentives (for example, tax holidays) offered by developing countries to foreign investors. The effect of these tax sparing provisions is that income earned by Australian taxpayers who invest in certain developing countries is effectively subject to a tax exemption. Under tax sparing, the tax forgone by the country providing the tax concession to Australian resident investors is deemed to have been paid for the purposes of Australia's foreign tax credit system. This enables Australian residents to claim a tax credit in relation to their investments despite receiving a tax concession from the foreign country. Tax sparing arrangements in most tax treaties have now expired.

B13 Exemption for foreign branch profits from income tax

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	B13
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1990	*Expiry date:*	
Legislative reference:	Section 23AH of the *Income Tax Assessment Act 1936*		

In general, income from a business carried on by an Australian company through a permanent establishment (branch) in a foreign country is exempt from income tax. The exempt income broadly comprises operating profits and capital gains but does not include passive or other tainted income where the branch fails an active income test.

B14 Exemption from accrual taxation for certain transferor trusts

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	B14
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1990	*Expiry date:*	
Legislative reference:	Sub subparagraph 102AAT(1)(a)(i)(F) and paragraph 102AAT(1)(c) of the *Income Tax Assessment Act 1936*		

Under the transferor trust rules, accrual taxation would normally be applied to the transferor. Transfers made to an offshore discretionary trust are not subject to the rules if the transfer was made before the transferor came to Australia or before the original trust measures were announced, provided the transferor does not control the trust.

B15 Exemption from accrual taxation for controlled foreign companies

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	B15
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1990	*Expiry date:*	
Legislative reference:	Section 384-5 of the *Income Tax Assessment Act 1936*		

Most tainted income derived by controlled foreign companies (CFCs) in listed countries is exempt from accrual taxation (applied to the attributable taxpayer) as it is generally comparably taxed. An exemption also applies to CFCs that derive more than 95 per cent of their income from genuine business activities.

B16 Exemption from interest withholding tax on certain securities

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
1,360	1,550	1,240	1,340	1,440	1,540	1,630	1,740

Tax expenditure type:	Exemption	*2010 TES code:*	B16
Estimate Reliability:	Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 128F and 128FA of the *Income Tax Assessment Act 1936*		

Certain publicly offered debentures and debt interests are eligible for exemption from interest withholding tax, where those debentures and debt interests are issued in Australia by a State or Territory, the Commonwealth, a resident Australian company, a non-resident company operating through a permanent establishment, or certain public unit trusts. The exemption is not available where it involves certain dealings between associated entities.

B17 Exemption of inbound non-portfolio dividends from income tax

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
300	290	270	240	240	240	220	210

Tax expenditure type:	Exemption	*2010 TES code:*	B17
Estimate Reliability:	Medium		
Commencement date:	1990	*Expiry date:*	
Legislative reference:	Section 23AJ of the *Income Tax Assessment Act 1936*		

Non-portfolio dividends are exempt from income tax where they are paid to an Australian resident company by a company resident in a foreign country. For dividends paid on or before 30 June 2004, the exemption applied only to non-portfolio dividends from a restricted list of countries or if paid out of profits that had been subject to comparable foreign tax.

B18 Interest withholding tax concession on interest payments by financial institutions

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
30	30	30	30	30	30	30	80

Tax expenditure type:	Concessional rate	*2010 TES code:*	B18
Estimate Reliability:	Low		
Commencement date:	1994	*Expiry date:*	
Legislative reference:	Section 160ZZZJ of the *Income Tax Assessment Act 1936*		

The notional interest paid by an Australian branch of a foreign bank (or of certain other financial entities) attracts a reduced effective rate of withholding tax of 5 per cent. This effective rate will be reduced to 2.5 per cent (in 2014-15) and zero (in 2015-16). For other financial institutions the rate applicable to interest paid on certain other borrowings will be reduced from 10 per cent to 7.5 per cent (in 2014-15) and 5 per cent (in 2015-16).

B19 Threshold exemption for thin capitalisation

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	B19
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	2001	*Expiry date:*	
Legislative reference:	Sections 820-35 and 820-37 of the *Income Tax Assessment Act 1997*		

A taxpayer may claim debt deductions of up to $250,000 in any income year without being subject to thin capitalisation rules. An additional rule excludes outward investing entities from the thin capitalisation regime if at least 90 per cent of their assets are Australian assets.

Tax expenditures for defence

B20 Exemption for certain transactions involving security agencies

Defence ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	B21
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1 July 2005	*Expiry date:*	
Legislative reference:	Division 850 of Schedule 1 to the *Taxation Administration Act 1953*		

The heads of the Australian Security Intelligence Organisation and the Australian Secret Intelligence Service have the power to declare that Commonwealth tax laws do not apply to a specified entity in relation to a specified transaction. This ensures that the tax authorities do not need to obtain information that should remain secret in the interests of national security.

Tax expenditures for health

B21 Income tax exemption for not-for-profit private health insurers

Health ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
320	105	60	125	125	125	120	120

Tax expenditure type:	Exemption	*2010 TES code:*	B22
Estimate Reliability:	Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Item 6.3 of the table in Section 50-30 of the *Income Tax Assessment Act 1997*		

The income of private health insurers covered by the *Private Health Insurance Act 2007* is exempt from income tax if the insurer is not operated for the gain or profit of its individual members.

B22 Income tax exemption for public hospitals and not-for-profit hospitals

Health ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	B23
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Items 6.1 and 6.2 in the table in section 50-30 of the *Income Tax Assessment Act 1997*		

The income of public hospitals and hospitals operated by a society or association that is not operated for the gain or profit of its individual members is exempt from income tax.

For these hospitals to be eligible for the tax exemption they must incur their expenditure principally in Australia.

Tax expenditures for social security and welfare

B23 Concessional taxation of life insurance investment income

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption, Offset, Concessional rate	*2010 TES code:*	B24
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	2000	*Expiry date:*	
Legislative reference:	Sections 26AH and 160AAB of the *Income Tax Assessment Act 1936*		

Some life insurance investment policyholders receive a concessional rate of tax because the policyholders' undistributed income is taxed at the company rate.

When a life insurance policy matures, is forfeited, or is surrendered the income distributed is known as a reversionary bonus. Reversionary bonuses that are distributed to policyholders more than 10 years after the commencement of the policy are exempt from further tax. If the bonuses are distributed in the ninth or tenth year after commencement of the policy, then only a fraction (two thirds or one third respectively) of the bonuses are taxable. If the bonuses are distributed within eight years of the commencement of the policy, they are fully taxable. To the extent that reversionary bonuses are taxable, then policyholders are allowed a tax offset at the company rate of tax.

This tax expenditure ensures that reversionary bonuses, on which a life insurance company has paid tax, are not subject to a form of double taxation when paid to policyholders during the taxable period of a policy.

B24 Concessional taxation treatment of mining payments made in respect of mining and exploration activities on Aboriginal land

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	B25
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	8 July 1997	*Expiry date:*	
Legislative reference:	Section 59-15 of the *Income Tax Assessment Act 1997*		

Certain mining payments to Aboriginal and Torres Strait Islander persons or certain distributing bodies are exempt from income tax where those payments have already attracted mining withholding tax. Payments that are subject to the mining withholding tax of four per cent include royalties for mining on Aboriginal land and payments to Aboriginal Land Councils.

B25 Deductibility for entertainment provided without charge to those in need

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	B26
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	16 December 1985	*Expiry date:*	
Legislative reference:	Section 32-50 of the *Income Tax Assessment Act 1997*		

Generally, the cost of entertainment, such as food and drink, provided in the course of carrying on a business is denied as a deduction. However, the cost of entertainment provided without charge to members of the public who are sick, disabled, poor or otherwise disadvantaged is exempted from the rules that generally deny deductions for entertainment expenses.

Tax concessions for certain taxpayers

B26 Exemption of foreign currency gains and losses from certain low balance accounts

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	B27
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 2003	*Expiry date:*	
Legislative reference:	Subdivision 775-D of the *Income Tax Assessment Act 1997*		

Taxpayers with low balance bank accounts or credit card accounts denominated in a foreign currency may elect to disregard gains and losses attributable to changes in exchange rates (made in respect of the account). This option is available to all taxpayers other than authorised deposit-taking institutions (ADIs) and non-ADI financial institutions. Accounts with a combined credit or debit balance that does not exceed the foreign currency equivalent of A$250,000 will generally be eligible.

B27 Infrastructure — enhanced loss utilisation for designated projects

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	-	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	New
Estimate Reliability:	Medium	** Category*	2+
Commencement date:	Royal Assent of the enacting legislation	*Expiry date:*	
Legislative reference:	Not yet legislated		

Income tax losses of a designated infrastructure project will be uplifted at the government bond rate and exempt from the loss utilisation tests—the continuity of ownership test and the same business test.

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

B28 Off-market share buy-backs

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
90	40	..	*	*	*	*	*

Tax expenditure type:	Offset	*2010 TES code:*	B28
Estimate Reliability:	Low	** Category*	4+
Commencement date:	1990	*Expiry date:*	
Legislative reference:	Division 16K of Part III and 177EA of the *Income Tax Assessment Act 1936*		

The proceeds paid to shareholders who participate in an off-market share buy-back are split into a dividend component and a capital component. The dividend component of the buy-back proceeds may be fully franked. This allows companies that undertake off-market share buy-backs to distribute franking credits to participating shareholders beyond the level that would normally be available. Treating part of the proceeds as a dividend makes off-market share buy-backs more attractive to low marginal tax rate taxpayers. This facilitates streaming of franking credits to those shareholders that can obtain the most benefit. The tax expenditure is equal to the difference in tax payable, had those franking credits been distributed uniformly to all shareholders.

The tax expenditure from off-market share buy-backs may be partly offset by the anti-streaming provisions in the income tax law that operate to ensure that part of the buy-back proceeds are treated as capital (and therefore give rise to a capital gain or a capital loss rather than a franked dividend).

B29 Taxation assistance for victims of Australian natural disasters

Other purposes — Natural disaster relief ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
11	8	8	6	3	1	..	..

Tax expenditure type:	Exemption	*2010 TES code:*	B29
Estimate Reliability:	Low		
Commencement date:	22 March 2006	*Expiry date:*	Various
Legislative reference:	Sections 11-55, 59-55 and 59-60 of the *Income Tax Assessment Act 1997* Schedule 2 to the *Tax Laws Amendment (2006 Measures No. 3) Act 2006* Schedule 2 to the *Tax Laws Amendment (2011 Measures No. 1) Act 2011* Schedule 5 to the *Tax Laws Amendment (2008 Measures No. 6) Act 2009* Schedule 8 to the *Tax Laws Amendment (2009 Measures No. 2) Act 2009*		

Certain payments to victims of Australian natural disasters are exempt from income tax.

Without a specific definition, such grants would generally be treated as assessable income. Expenses related to the carrying on of a business (that is, those funded by using the grant) would generally be deductible.

Tax exemptions for certain government income support payments

B30 Exemption of Tobacco Growers Adjustment Assistance grants

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
2	1	-	-	-	-	-	-

Tax expenditure type:	Exemption	*2010 TES code:*	B30
Estimate Reliability:	Medium		
Commencement date:	1 July 2006	*Expiry date:*	
Legislative reference:	Section 53-10, item 4C of the *Income Tax Assessment Act 1997* and Paragraph 118-37(1)(g) of the *Income Tax Assessment Act 1997*		

Tobacco growers who receive a Restructuring Grant of up to $150,000 under the Tobacco Growers Adjustment Assistance Program 2006 are exempt from income tax if they undertake to exit all agricultural enterprises for at least five years.

Tax expenditures for housing and community amenities

B31 Tax exemption for incentives provided by governments under the National Rental Affordability Scheme

Housing and community amenities ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	1	2	5	30	45

Tax expenditure type:	Exemption	*2010 TES code:*	B31
Estimate Reliability:	Very Low		
Commencement date:	1 July 2008	*Expiry date:*	
Legislative reference:	Division 380 of the *Income Tax Assessment Act 1997*		

The National Rental Affordability Scheme provides tax and cash incentives to providers of new dwellings on the condition that they are rented to low and moderate income households at 20 per cent below market rates. In 2010-11, the incentives were $6,855 from the Commonwealth Government and at least $2,285 from State and Territory governments. The (minimum) $2,285 contribution from the State and Territory governments may be paid as either a cash grant or in-kind assistance. The incentives are indexed over the life of the scheme.

The $6,855 contribution from the Commonwealth Government was paid as a refundable tax offset to taxable entities. Charities endorsed by the Australian Taxation are able to choose to receive the Commonwealth Government's contribution either as a refundable tax offset or cash payment.

In 2011-12, the incentives are $7,143 from the Commonwealth Government and at least $2,381 from State and Territory governments.

This tax expenditure relates to the revenue forgone from exempting both parts of the incentive from income tax.

Tax expenditures for recreation and culture

B32 Income tax exemption for the Australian Film Finance Corporation

Recreation and culture ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	-	-	-	-	-	-	-

Tax expenditure type:	Exemption	*2010 TES code:*	B33
Estimate Reliability:	Medium — Low		
Commencement date:	1988	*Expiry date:*	2008
Legislative reference:	Section 50-45 of the *Income Tax Assessment Act 1997*		

The former Australian Film Finance Corporation was exempt from income tax.

The Australian Film Finance Corporation was wound up as of 1 July 2008 and its functions are now performed by Screen Australia.

B33 Philanthropy — Income tax exemption for recreation-type not-for-profit societies

Recreation and culture ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
20	20	20	20	20	20	20	20

Tax expenditure type:	Exemption	*2010 TES code:*	B34
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Sections 50-10 and 50-45 of the *Income Tax Assessment Act 1997*		

Subject to certain conditions, the income of recreation-type not-for-profit societies, associations or clubs established for the encouragement of sport or games, music, art, animal racing, literature, or for community service purposes is exempt from income tax.

For those not-for-profit societies, associations or clubs to which the mutuality principle applies, this tax expenditure exempts from income tax those amounts that are not already excluded by the 'mutuality principle'. (For a brief explanation of the mutuality principle, refer to section A.2 of Appendix A.)

B34 Refundable Film Tax Offset payments

Recreation and culture ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
2	16	35	30	35	40	45	35

Tax expenditure type:	Exemption	*2010 TES code:*	B32
Estimate Reliability:	Medium — Low		
Commencement date:	2001	*Expiry date:*	
Legislative reference:	Division 376 of the *Income Tax Assessment Act 1997*		

Film production companies incurring expenditure on certain productions in Australia may be eligible for refundable tax offsets. The tax offsets are the location offset, the producer offset and the post, digital and visual effects (PDV) offset. The refundable tax offsets are paid directly to the producers through the tax system. A production company can claim no more than one of the film tax offsets for each film.

Under the location offset, producers of qualifying large scale films which commenced principal photography or production of the animated image in Australia prior to 10 May 2011 are eligible to receive a refundable tax offset of 15 per cent of qualifying Australian production expenditure (QAPE). Producers of qualifying large scale films which commenced on or after 10 May 2011 are eligible to receive a refundable tax offset of 16.5 per cent of QAPE.

The producer offset enables producers of qualifying Australian films to receive a refundable tax offset of 40 per cent of QAPE incurred on a feature film, or 20 per cent of QAPE incurred on productions that are not feature films, for QAPE incurred on or after 1 July 2007.

Under the PDV offset, companies engaged in PDV work commencing in Australia prior to 1 July 2011 are eligible to receive a refundable tax offset of 15 per cent of QAPE. Companies engaged in PDV work on or after 1 July 2011 are eligible to receive a refundable tax offset of 30 per cent of QAPE.

Tax expenditures relating to prepayments and advance expenditures

B35 Exemption from the tax shelter prepayments measure for certain passive investments

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Accelerated write-off	*2010 TES code:*	B35
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1988	*Expiry date:*	
Legislative reference:	Section 82 KZME of the *Income Tax Assessment Act 1936*		

A prepayment in relation to investments in infrastructure bonds, shares, units, rental property and arrangements entered into before 1 July 2000, to which product rulings apply, continues to be immediately deductible. This is conditional upon the prepayment expenditure meeting the requirements described in the tax expenditure *Prepayment rule for small business taxpayers and non-business expenditure by individuals*. The benchmark treatment of prepayments is that they are deductible over the period of the expenditure. The tax expenditure allows deductions to be spread over a shorter period and consequently it allows greater deductions than the benchmark treatment.

From 1 July 2007, small businesses with aggregate annual turnover of less than $2 million have been able to access this concession under the Small Business Framework.

B36 Forestry managed investments — prepayment rule

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
5	-95	-	-	-	-	-	-

Tax expenditure type:	Accelerated write-off	*2010 TES code:*	B36
Estimate Reliability:	Medium		
Commencement date:	2001	*Expiry date:*	30 June 2006
Legislative reference:	Section 82KZMG of the *Income Tax Assessment Act 1936*		

Prior to 1 July 2007, prepayments on seasonally dependent agronomic operations in the establishment of a forestry plantation were immediately deductible. This was conditional upon the prepayment expenditure meeting certain requirements, including that the activities in question are completed within 12 months of the prepayment being made or the activities commencing and by the end of the following financial year. This tax expenditure was available for investors in forestry managed investment schemes. The benchmark treatment of prepayments was that they are deductible over the period of the expenditure. The tax expenditure allowed deductions to be spread over a shorter period and consequently allowed greater deductions in the year of investment than the benchmark treatment.

The prepayment rule has been replaced by a statutory deduction for investments in forestry managed investment schemes.

B37 Prepayment rule for small business taxpayers and non-business expenditure by individuals

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Accelerated write-off	*2010 TES code:*	B37
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	2001	*Expiry date:*	
Legislative reference:	Section 82 KZM of the *Income Tax Assessment Act 1936*		

Prepayments by small businesses (including Simplified Tax System taxpayers prior to 1 July 2007) and non-business prepayments by individual taxpayers are immediately deductible. This is conditional upon the service being provided over a period not exceeding 12 months and ending at the end of the income year following the income year in which the prepayment expenditure is incurred.

From 1 July 2007, small businesses with an aggregate annual turnover of less than $2 million have been able to access this concession under the Small Business Framework.

B38 The 10-year rule for prepayments

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Accelerated write-off	*2010 TES code:*	B38
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1988	*Expiry date:*	
Legislative reference:	Subsection 82 KZL(1) of the *Income Tax Assessment Act 1936*		

A prepayment for services to be provided over a period of 10 years or more (for example, life membership) is evenly deducted over the first 10 years of that period. The benchmark treatment of prepayments is that they are deductible over the period of the expenditure. The tax expenditure allows deductions to be spread over a shorter period and consequently it allows greater deductions in the first 10 years than the benchmark treatment.

Tax expenditures for agriculture, forestry and fishing

B39 Deferral of income from double wool-clips

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2010 TES code:*	B39
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1966	*Expiry date:*	
Legislative reference:	Section 385-135 of the *Income Tax Assessment Act 1997*		

As a consequence of drought, fire or flood, primary producers carrying on a sheep grazing business in Australia may conduct advanced shearing. In these circumstances, a woolgrower may elect to have the assessment of the profit from advanced shearing deferred to the succeeding income year.

B40 Deferral or spreading of income from the forced disposal or death of livestock

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2010 TES code:*	B40
Estimate Reliability:	Not Applicable	** Category*	2+/-
Commencement date:	1961	*Expiry date:*	
Legislative reference:	Sections 385-90 to 385-125 of the *Income Tax Assessment Act 1997*		

Primary producers are eligible for a tax concession on the forced disposal or death of livestock resulting from certain events. These events include:

- the compulsory acquisition of land;
- destruction of pasture by drought, flood or fire;
- compulsory destruction of livestock for disease control; or
- notification of contamination of property or a cattle tick eradication campaign.

Primary producers who receive income from such disposals or deaths can elect to defer this income and use it to reduce the cost of replacement livestock in the disposal year or in any of the next five income years. Alternatively, primary producers can elect to spread profits between the income year of the disposal or death and the next four income years (or 10 years if the forced disposal was in relation to the control of bovine tuberculosis).

B41 Exemption of Sugar Industry Exit grants

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
3	-	-	-	-	-	-	-

Tax expenditure type:	Exemption	*2010 TES code:*	B41
Estimate Reliability:	Medium		
Commencement date:	1 February 2003	*Expiry date:*	30 June 2007
Legislative reference:	Section 53-10, item 4B and paragraph 118-37(1)(f) of the *Income Tax Assessment Act 1997*		

Grants to individuals who exit the sugar industry under the Sugar Industry Reform Program are exempt from tax if the recipient remains out of the agricultural industry for at least five years. The grant amount is deemed as assessable income if the recipient returns to the agricultural industry within five years.

B42 Farm Management Deposit scheme

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
105	135	95	30	235	*	*	*

Tax expenditure type:	Deferral	*2010 TES code:*	B42
Estimate Reliability:	Medium	** Category*	3+
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Division 393 of the *Income Tax Assessment Act 1997*		

The Farm Management Deposit (FMD) scheme allows primary producers (with a limited amount of non-primary production income) to defer their income tax liability. Primary producers are able to claim deductions for their FMD made in the year of deposit, with subsequent withdrawals being subject to assessment in the year of withdrawal. The FMD has a maximum limit on deposits of $400,000. Primary producers in exceptional circumstance areas are able to withdraw their deposits within 12 months while maintaining the concessional tax treatment of the scheme. From 1 July 2010, this will also apply to primary producers affected by natural disasters. The FMD scheme replaced the Income Equalisation Deposits and Farm Management Bonds schemes on 2 January 1999.

Projections beyond 2010-11 are not reported as the tax expenditure is very sensitive to variations in the amounts deposited and withdrawn in any year, which are dependent on a number of external factors.

B43 Income tax averaging for primary producers

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
110	100	80	125	*	*	*	*

Tax expenditure type:	Concessional rate	*2010 TES code:*	B43
Estimate Reliability:	Medium — Low	** Category*	2+
Commencement date:	1938	*Expiry date:*	
Legislative reference:	Division 392 of the *Income Tax Assessment Act 1997*		

Primary producers can elect to pay tax at a tax rate based on their average income earned over the previous five income years. If the taxpayer has not been using this facility for five years, the tax rate is based on the income years in which averaging has applied, and the previous year. This provides a concession because, on balance, the saving from paying less tax in high income years outweighs additional tax paid in low income years.

Projections beyond 2009-10 are not reported as the tax expenditure is very sensitive to variations in primary production income, which depends on a number of external factors.

B44 Spreading of income from insurance recoveries for loss of timber or livestock

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2010 TES code:*	B44
Estimate Reliability:	Not Applicable	** Category*	2+/-
Commencement date:	1956	*Expiry date:*	
Legislative reference:	Section 385-130 of the *Income Tax Assessment Act 1997*		

Insurance recoveries may be received in relation to timber lost because of fire, or livestock lost due to disasters (for example, drought, fire, flood or disease). Primary producers who receive such insurance recoveries can elect to spread the income equally over five income years, resulting in a tax deferral. This concession only applies where the livestock are assets of a primary production business carried on in Australia.

B45 Tax exemption for Farm Help re-establishment grants

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2010 TES code:*	B45
Estimate Reliability:	Medium — High		
Commencement date:	1 December 1997	*Expiry date:*	
Legislative reference:	Paragraph 118-37(1)(d) of the *Income Tax Assessment Act 1997*		

Re-establishment grants of up to $75,000 provided to eligible farmers who choose to sell their farm and exit farming for at least five years are exempt from capital gains tax.

B46 Valuation of livestock from natural increase

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2010 TES code:*	B46
Estimate Reliability:	Low	** Category*	2+
Commencement date:	1951	*Expiry date:*	
Legislative reference:	Section 70-55 of the *Income Tax Assessment Act 1997*		

Animals acquired by natural increase (that is, newborn animals) may be valued at cost, market selling value or replacement value. If valued at cost, the taxpayer can use actual cost or costs prescribed by the regulations. These prescribed costs may be lower than the actual cost of production, giving a concessional tax treatment.

Tax expenditures for manufacturing and mining

B47 Infrastructure Bonds Scheme

Mining, manufacturing and construction ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
5	5	..	..	..	-	-	-

Tax expenditure type:	Exemption, Offset	*2010 TES code:*	B47
Estimate Reliability:	Medium — High		
Commencement date:	1992	*Expiry date:*	1997
Legislative reference:	Division 16L of the *Income Tax Assessment Act 1936*		

Interest income from loans to eligible infrastructure facilities is exempt from income tax and the interest paid by the borrower is not deductible. After 15 December 1994, the lender could elect to include the income in assessable income and receive an offset at the company tax rate. This scheme was closed to new projects from 14 February 1997, and replaced by the Land Transport Infrastructure Borrowings Tax Offset Scheme in 1998.

B48 Land Transport Infrastructure Borrowings Tax Offset Scheme

Mining, manufacturing and construction ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
5	..	-	-	-	-	-	-

Tax expenditure type:	Offset	*2010 TES code:*	B48
Estimate Reliability:	Medium		
Commencement date:	1998	*Expiry date:*	
Legislative reference:	Division 396 of the *Income Tax Assessment Act 1997*		

A tax offset at the company tax rate is available to resident lenders who receive interest income from loans given for approved land transport infrastructure projects. This offset is available for the first five years of interest payments. The interest paid by the borrower is not deductible. The cost of the scheme is capped at $75 million per annum.

Since May 2004 no new projects have been admitted to the scheme.

Tax expenditures for transport and communications

B49 Denial of depreciation deduction for car value above the luxury car tax threshold

Transport and communication ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-110	-150	-150	-150	-150	-150	-150	-160

Tax expenditure type:	Denial of deduction	*2010 TES code:*	B51
Estimate Reliability:	Low		
Commencement date:	1 July 2001	*Expiry date:*	
Legislative reference:	Section 40-230 of the *Income Tax Assessment Act 1997*		

If the value of a car used for income-producing purposes exceeds a certain amount ('car limit'), the amount of depreciation deductions that can be claimed is capped at the 'car limit'. This represents a negative tax expenditure as the full value of the car should be depreciated under the benchmark.

The 'car limit' for the 2011-12 financial year is $57,466. This amount is indexed annually to movements in the motor vehicle purchase sub-group of the CPI. The 'car limit' is not changed if the index has fallen for a particular year.

B50 Shipping — investment incentives

Transport and communication ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	45	50	50

Tax expenditure type:	Exemption, Accelerated write-off, Deferral	*2010 TES code:*	New
Estimate Reliability:	Low		
Commencement date:	1 July 2012	*Expiry date:*	
Legislative reference:	Not yet legislated		

From 1 July 2012, the Government will provide the following incentives to encourage investment in Australian shipping:

- an income tax exemption for qualifying ship operators;
- a royalty withholding tax exemption;
- accelerated depreciation, under which qualifying Australian ship owners will be able to depreciate vessels over an effective life that is capped at 10 years; and
- roll-over relief for qualifying Australian ship owners if they cease to hold a vessel that they hold and purchase another 'eligible vessel'.

B51 Shipping — refundable tax offset for employers of qualifying Australian seafarers

Transport and communication ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	2	5	5

Tax expenditure type:	Exemption	*2010 TES code:*	New
Estimate Reliability:	Low		
Commencement date:	1 July 2012	*Expiry date:*	
Legislative reference:	Not yet legislated		

A refundable tax offset will be available to qualifying companies that employ qualifying Australian seafarers on overseas voyages for at least 91 days in the income year, from 1 July 2012.

As the refundable tax offset is an expense item, it does not appear as a tax expenditure in its own right. However, a tax expenditure arises because payments made under this arrangement are exempt from tax.

Tax expenditures for other economic affairs

B52 Deductions for boat expenditure

Other economic affairs — Tourism and area promotion ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-6	..	..	..	..	..	..	..

Tax expenditure type:	Deduction	*2010 TES code:*	B53
Estimate Reliability:	Low		
Commencement date:	1974	*Expiry date:*	
Legislative reference:	Former section 26-50 of the *Income Tax Assessment Act 1997* Section 26-47 of the *Income Tax Assessment Act 1997*		

For income years commencing on or after 1 July 2007, taxpayers can claim deductions for expenses incurred in boating activities that are not carried on as a business. However, these deductions can only offset income from the boating activities, and if the deductions are greater than the income for that income year, the excess is carried forward, for offset against future income from boating activities.

For income years commencing prior to 1 July 2007, deductions are allowable only where the taxpayer can demonstrate that they were carrying on an active business using a boat.

B53 Income tax exemption for employee and employer organisations

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
10	10	10	10	10	10	10	10

Tax expenditure type:	Exemption	*2010 TES code:*	B54
Estimate Reliability:	Medium — Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 50-15 of the *Income Tax Assessment Act 1997*		

Subject to certain conditions, the income of trade unions and registered associations of employers and employees is exempt from income tax. This tax expenditure exempts from income tax those amounts that are not already excluded by the 'mutuality principle'. (For a brief explanation of the mutuality principle, refer to section A.2 in Appendix A.)

B54 25 per cent entrepreneurs' tax offset

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
175	195	190	175	185	190	-	-

Tax expenditure type:	Offset	*2010 TES code:*	B55
Estimate Reliability:	Medium		
Commencement date:	2005	*Expiry date:*	30 June 2012
Legislative reference:	Subdivision 61-J of the *Income Tax Assessment Act 1997*		

Small businesses that have an annual turnover of $50,000 or less are eligible for a tax offset of 25 per cent of the income tax liability attributable to their business income. The offset phases out for annual turnover between $50,001 and $75,000. From 1 July 2007, this concession applies to any small business entity, whereas previously the concession only applied to taxpayers in the then Simplified Tax System.

From 1 July 2009, eligibility for the offset is subject to a means test. The offset phases out for singles with incomes over $70,000 and families with incomes over $120,000.

The Government announced in the 2011-12 Budget that it will abolish the Entrepreneurs' Tax Offset from the 2012-13 income year.

B55 Capital gains tax concession for carried interests paid to venture capital managers

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Denial of deduction, Deferral of deduction	*2010 TES code:*	B56
Estimate Reliability:	Low	** Category*	1+
Commencement date:	2002	*Expiry date:*	
Legislative reference:	Sections 104-255 and 118-21 of the *Income Tax Assessment Act 1997*		

Venture capital fund managers may be paid a performance-based share of partnership profits by investors. Such performance payments are 'carried interests'. Under the benchmark, these entitlements are taxable income of the fund managers as they accrue. Instead, under the law, an entitlement to receive a carried interest is a capital gains tax event in the hands of venture capital fund managers and is not treated as income. Consequently, taxation of the income is deferred until the gains are realised and individual managers are eligible for the 50 per cent discount on their carried interest.

B56 Capital protected borrowings

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
30	30	25	15	-5	-15	-20	-5

Tax expenditure type:	Deduction, Discounted valuation	*2010 TES code:*	B57
Estimate Reliability:	Medium — Low		
Commencement date:	16 April 2003	*Expiry date:*	30 June 2013
Legislative reference:	Division 247 of the *Income Tax Assessment Act 1997*		

Taxpayers are able to claim a deduction for some or all of the cost of the capital protection associated with capital protected borrowings.

The interest cost of capital protected borrowings includes the cost of borrowing and the cost of capital protection. Under the benchmark, the cost of borrowing is deductible while the cost of capital protection, where it is considered capital in nature, is not deductible but instead included in the cost base of the asset.

The concessional treatment will not apply to capital protected borrowings arrangements entered into after 13 May 2008. Arrangements entered into before that date will continue to receive the concessional treatment up to 30 June 2013.

B57 Certain term subordinated notes

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	B58
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1 July 2001	*Expiry date:*	
Legislative reference:	Division 974 of the *Income Tax Assessment Act 1997*		

'Solvency clauses' do not preclude certain term subordinated notes from being classified as debt for tax purposes. A solvency clause allows the issuer to defer payment if the payment would cause insolvency. Under the benchmark, term subordinated notes with solvency clauses would typically be classified as equity under the debt-equity rules. This means that interest payments on such notes continue to be treated as tax deductible interest payments rather than as non-tax deductible dividend payments.

B58 Company tax rate cut — Early start for small business

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	50	100	50	-

Tax expenditure type:	Concessional rate	*2010 TES code:*	B59
Estimate Reliability:	Medium — High		
Commencement date:	Commencement date is the 2012-13 income year.	*Expiry date:*	
Legislative reference:	Not yet legislated		

From the 2012-13 income year the tax rate for small business companies with an aggregated annual turnover of less than $2 million will be reduced from 30 per cent to 29 per cent, a year earlier than the company tax rate cut from 30 per cent to 29 per cent.

B59 Concessions resulting from the clarification of the debt or equity treatment of perpetual subordinated debt

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	B61
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 2001	*Expiry date:*	
Legislative reference:	Division 974 of the *Income Tax Assessment Act 1997* Division 974 of the *Income Tax Assessment Regulations 1997*		

Perpetual subordinated debt issued by financial institutions to raise capital would typically be classified as equity under the benchmark debt-equity rules. Under certain circumstances, 'profitability, insolvency or negative earnings conditions' do not preclude Upper Tier 2 perpetual subordinated debt and similar instruments from being classified as debt for tax purposes. This means that interest payments on such instruments continue to be treated as tax deductible interest payments rather than as non-tax deductible dividend payments.

B60 Deduction for borrowing expenses

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	B62
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 1997	*Expiry date:*	
Legislative reference:	Section 25-25 of the *Income Tax Assessment Act 1997*		

A taxpayer is able to claim a deduction (spread over the shorter of the term of the loan or 5 years) for borrowing expenses incurred for borrowing money to purchase a capital asset that is used for the purpose of producing assessable income. Borrowing expenses incurred in these circumstances would otherwise be capital in nature and be included the cost base of the asset.

B61 Deduction for certain co-operative companies

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	B63
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1973	*Expiry date:*	
Legislative reference:	Sections 117 and 120 of the *Income Tax Assessment Act 1936*		

Co-operative companies whose primary object is the acquisition from their shareholders of commodities or animals for disposal or distribution can deduct amounts paid to repay Australian and State Government loans which are provided for the purchase of assets required for the purpose of carrying on their business. However, the deduction is allowed only if 90 per cent or more of the value of the company is held by shareholders who supply the company with the commodities or animals.

B62 Exemption for early stage venture capital limited partnerships

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	..	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	B64
Estimate Reliability:	Low	** Category*	1+
Commencement date:	1 July 2006	*Expiry date:*	
Legislative reference:	Sections 26-68, 51-52, 51-54 and Subdivision 118-F of the *Income Tax Assessment Act 1997*		

Resident and foreign partners are exempt from tax on revenue and capital gains derived in respect of their eligible investments in early stage venture capital limited partnerships.

An early stage venture capital limited partnership is a flow-through investment vehicle that is progressively replacing the Pooled Development Fund program.

To qualify as an early stage venture capital limited partnership, the size of the fund cannot exceed $100 million and the total assets of investee companies cannot exceed $50 million immediately prior to investment. The early stage venture capital limited partnership must divest itself of any holdings once the total assets of the investee company exceed $250 million.

B63 Income tax exemption for industry-specific not-for-profit societies and associations

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	B66
Estimate Reliability:	Medium	** Category*	3+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 50-40 of the *Income Tax Assessment Act 1997*		

An income tax exemption applies to the income of industry-specific not-for-profit societies or associations predominantly devoted to promoting the development of aviation or tourism, or of agricultural, pastoral, horticultural, viticultural, manufacturing or industrial resources of Australia. This expenditure includes the income tax exemption applying to not-for-profit societies or associations established for the purpose of promoting the development of Australian information and communication technology resources.

For those not-for-profit societies, associations or clubs to which the 'mutuality principle' applies, this tax expenditure exempts from income tax those amounts that are not already excluded by the 'mutuality principle'.

B64 Income tax exemptions for foreign superannuation funds

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	B67
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1981	*Expiry date:*	
Legislative reference:	Section 128D and paragraph 128B(3)(jb) of the *Income Tax Assessment Act 1936*		

Interest income and dividends received by foreign superannuation funds are exempt from income tax. This income is also exempt from interest and dividend withholding taxes if it is exempt from income tax in the country in which the foreign superannuation fund resides.

B65 Managed investment trusts — election to allow capital gains tax to be the primary code for disposals of shares, units and real property

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	*	*	*	*	*	*

Tax expenditure type:	Concessional rate	*2010 TES code:*	B69
Estimate Reliability:	Not Applicable	** Category*	na
Commencement date:	1 July 2008	*Expiry date:*	
Legislative reference:	Division 275 of the *Income Tax Assessment Act 1997*		

From the 2008-09 income year eligible managed investment trusts (MITs) can make an irrevocable election to apply the capital gains tax regime to gains and losses on disposals of certain assets (primarily shares, units and real property). If an eligible MIT does not make an irrevocable election to have capital account treatment, then gains and losses on disposals of shares and units will be treated on revenue account.

B66 New tax system for managed investment trusts

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	-	*	*

Tax expenditure type:	Exemption, Deferral	*2010 TES code:*	B68
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 2013	*Expiry date:*	
Legislative reference:	Not yet legislated		

The new tax system for managed investment trusts (MITs) will commence from 1 July 2013. Under this system MITs will be able to carry forward 'unders' and 'overs' (up to a 5 per cent cap) into the next income year without adverse taxation consequences.

MITs in which unit holders have 'clearly defined rights' will be able to choose to use an attribution method of taxation, instead of the present entitlement to income method, and will be treated as fixed trusts for various taxation law purposes. Amendments to the taxation law will be introduced to prevent any income tax consequences that might arise from a resettlement where a MIT changes its trust deed (or other constituent documents) to meet the 'clearly defined rights' requirement under the new tax system for MITs.

B67 Philanthropy — Income tax exemption for certain non-charitable funds

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Included in B72							

Tax expenditure type:	Exemption	*2010 TES code:*	B70
Estimate Reliability:			
Commencement date:	1 July 2005	*Expiry date:*	
Legislative reference:	Section 50-20 of the *Income Tax Assessment Act 1997*		

Endorsed non-charitable Public Ancillary Funds and Private Ancillary Funds are exempt from income tax.

Public Ancillary Funds and Private Ancillary Funds must provide money, property and benefits solely to income tax exempt deductible gift recipients.

B68 Philanthropy — Income tax exemption for charitable funds

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	B71
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 2005	*Expiry date:*	
Legislative reference:	Sections 50-5, 50-52 and 50-60 *Income Tax Assessment Act 1997*		

Note: estimates include tax expenditures B72 and B71

Endorsed charitable funds, including Public Ancillary Funds and Private Ancillary Funds, can claim an income tax exemption where they provide money, property and benefits solely to charities based in Australia, or solely to charitable deductible gift recipients, or to a combination of these.

These funds are prevented from undertaking charitable activities with their funds. They must distribute their funds to other entities that undertake charitable activities.

B69 Philanthropy — Income tax exemption for charitable, religious, scientific, and community service entities

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	B72
Estimate Reliability:	Not Applicable	** Category*	4+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Sections 50-5 and 50-10 of the *Income Tax Assessment Act 1997*		

The following entities are exempt from income tax:

- religious, scientific, charitable and public educational institutions and funds;
- funds established to enable scientific research to be conducted by or in conjunction with a public university or public hospital;
- not-for-profit societies, associations or clubs established for the encouragement of science; and
- societies, associations or clubs established for community service purposes.

Entities must satisfy various conditions to qualify for these exemptions.

B70 Philanthropy — Income tax exemption for small not-for-profit companies

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2010 TES code:*	B73
Estimate Reliability:	Very Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Subsection 23(6) of the *Income Tax Rates Act 1986*		

The rate of income tax payable by a not-for-profit company that has a taxable income not exceeding $416 in a given income year is nil. Income tax is payable at a rate of 55 per cent on all income of not-for-profit companies that have a taxable income between $416 and $915.

This arrangement has the effect of providing an exemption from income tax for not-for-profit companies for the first $416 of income, and then phasing in the ordinary corporate income tax rate of 30 per cent on all income, including the first $416, when the company has income between $416 and $915. When a not-for-profit company has an income over $915, the company tax rate is applied from the first dollar.

B71 Philanthropy — Refund of franking credits for certain income tax exempt philanthropic entities

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
510	550	630	520	*	*	*	*

Tax expenditure type:	Rebate	*2010 TES code:*	B74
Estimate Reliability:	Medium — High	** Category*	3+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Subdivision 207-E of the *Income Tax Assessment Act 1997*		

Generally, entities that are not subject to Australian tax cannot benefit from franking credits on distributions from Australian companies. However, entities that are endorsed as income tax exempt charities or income tax exempt deductible gift recipients are able to claim a refund of franking credits on distributions from Australian companies.

B72 Pooled Development Funds

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
11	10	6	4	3	2	1	1

Tax expenditure type:	Exemption, Concessional rate	*2010 TES code:*	B20,B60 and B65
Estimate Reliability:	Medium — Low		
Commencement date:	1992	*Expiry date:*	
Legislative reference:	Section 118-13 of the *Income Tax Assessment Act 1997* Division 10E of Part III of the *Income Tax Assessment Act 1936* Subsections 23(4C) and (4D) of the *Income Tax Rates Act 1986*		

Concessional taxation treatment is available to investment companies that are established and registered as Pooled Development Funds (PDFs). Income arising from investments in small to medium enterprises is taxed at 15 per cent and other income is taxed at 25 per cent. These concessional tax rates are designed to encourage PDFs to invest in small to medium enterprises. In addition, investors who invest in PDFs are not liable for tax either on dividends paid by the PDF or on capital gains made on the sale of their shares in the PDF.

The PDF program was closed to applications for registration on 21 June 2007 as a result of the new tax concessions for early stage venture capital limited partnerships. The PDF program continues to operate for registered PDFs.

The unfranked portion of a dividend paid by a PDF to a shareholder is exempt from dividend withholding tax and income tax.

Australian superannuation funds and related entities that invest in venture capital through PDFs are eligible for a tax exemption on certain franked dividends. Capital gains and dividends paid to superannuation funds by PDFs are exempt from tax. Superannuation funds that invest in venture capital through PDFs are also entitled to a refundable imputation credit for the tax paid by the PDF.

B73 Tax exemption for small and medium sized credit unions

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2010 TES code:*	B75
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Sections 6H and 23G of the *Income Tax Assessment Act 1936* Section 23(7) of the *Income Tax Rates Act 1986*		

Interest income derived from loans to members by recognised small credit unions is exempt from income tax. Small credit unions have a notional taxable income less than $50,000. This exemption does not extend to other income. A credit union that is treated in this way is not eligible for assessment as a co-operative company.

Recognised medium credit unions have a notional taxable income of less than $150,000. For recognised medium credit unions, the rate of tax payable on the first $49,999 is reduced to zero. The rate of taxation payable on income between $50,000 and $150,000 is 45 per cent. When the income of a credit union exceeds $150,000, it ceases to be a small or medium credit union and the corporate tax rate applies to income from the first dollar.

B74 Treatment of finance leases

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	B76
Estimate Reliability:	Not Applicable	* *Category*	2+
Commencement date:	1936	*Expiry date:*	
Legislative reference:	Divisions 240 and 250 of the *Income Tax Assessment Act 1997* Division 42A of the *Income Tax Assessment Act 1936*		

A finance lease is, in substance, equivalent to a loan from the lessor to the lessee to finance the purchase of the leased asset. The lessor (financier) acquires the leased asset at the request of the lessee (borrower) and leases the asset to the lessee. On expiry of the lease, legal ownership of the asset is transferred to the lessee at minimal or no cost. During the term of the lease, while the lessor is the legal owner of the leased asset, the lessee has effective economic ownership through having control, use and enjoyment of the asset. Given its substance, finance leases should be taxed as a loan from the lessor to the lessee to acquire the leased asset under the benchmark. That is, the interest payments should be deductible to the lessee and assessable to the lessor, and lessee can claim depreciation deduction for the user cost of the leased asset.

Except where specific provisions apply, for example, Divisions 240 and 250 of the *Income Tax Assessment Act 1997*, finance leases are taxed as leases rather than as loans. That is, lease payments (which comprise, in substance, interest and principal repayments) are deductible to the lessee and assessable to the lessor, and the lessor can claim depreciation deductions for the user cost of the leased asset. To the extent the lease period is shorter than the effective life of the leased asset and the lease payments do not reflect the changing value of the leased asset, parties to finance leases are able to bring forward deductions for the cost of the leased asset. Additionally, if the lessor's effective marginal tax rate is greater than the lessee's, treating finance leases as leases rather than as loans allows the transfer of tax benefits between the lessor and the lessee.

B75 Trust loss rules — Family trusts

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	B77
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	9 May 1995	*Expiry date:*	
Legislative reference:	Subdivision 272-D of Schedule 2F to the *Income Tax Assessment Act 1936*		

The family trust rules provide a concession to the 'test individual' of a family trust, and their family group, by allowing the transfer of the benefit of losses and debt deductions to members of the family trust.

The trust loss rules — the benchmark — restrict trust losses and debt deductions from being transferred to persons who did not bear the economic burden. This is achieved by imposing tests on trusts to determine if any losses and debt deductions can be claimed. The tests examine whether there has been a change in underlying ownership or control of a trust and whether certain schemes have been entered into in order to take advantage of losses or debt deductions. Family trusts have to satisfy only the income injection test. The income injection test relates to schemes where persons outside the defined family group inject income into the trust to take advantage of trust losses and debt deductions. Distributions of trust income or capital made outside the family group will generally be subject to a family trust distribution tax.

Elements of the family trust rules are also used in the franking credit trading rules to facilitate the passing through of franking credits to beneficiaries of discretionary trusts and in the company loss recoupment rules as part of the alternative conditions for the continuity of ownership test.

Tax expenditures relating to capital expenditure, effective life and depreciation

B76 Film Licensed Investment Company Scheme

Recreation and culture ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
4	-	-	-	-	-	-	-

Tax expenditure type:	Deduction	*2010 TES code:*	B78
Estimate Reliability:	Medium — High		
Commencement date:	1 July 2005	*Expiry date:*	30 June 2007
Legislative reference:	Sections 375-850 to 375-880 of the *Income Tax Assessment Act 1997*		

Amounts paid by investors in 2005-06 and 2006-07 for shares in a film licensed investment company are immediately deductible. The deduction does not apply to shares issued after 30 June 2007.

B77 Tax incentives for film investment

Recreation and culture ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-13	-15	-22	-17	-17	-14	-11	-9

Tax expenditure type:	Deduction, Accelerated write-off	*2010 TES code:*	B79
Estimate Reliability:	Medium		
Commencement date:	15 November 1956	*Expiry date:*	1 July 2010
Legislative reference:	Former Divisions 10B and 10BA of the *Income Tax Assessment Act 1936*		

Capital expenditure incurred in acquiring an interest in the initial copyright of a new Australian film can either be deducted immediately (for certain types of film) or written off over two years.

The initial deduction under Division 10B must be made in relation to the 2008-09 year of income or an earlier year of income. A deduction under Division 10BA is not allowable in relation to the 2009-10 year of income or later year of income.

B78 Accelerated depreciation for grapevine plantings

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-1	-4	-6	-6	-6	-6	-5	-5

Tax expenditure type:	Accelerated write-off	*2010 TES code:*	B80
Estimate Reliability:	Medium		
Commencement date:	1993	*Expiry date:*	Not available for grapevines planted after 1 October 2004
Legislative reference:	Subdivision 40-F of the *Income Tax Assessment Act 1997*		

Prior to 1 October 2004, capital expenditure incurred in acquiring and establishing grapevines could be written off on a prime cost basis over four years, with the deductions being available from the time the vines were planted. Since 1 October 2004, new grapevine plantings are subject to the capital allowances regime applicable to horticultural plants. That is, the establishment costs of the grapevine may be written off at 13 per cent per annum (the write-off rate applicable to a plant with an effective life of 13 years to fewer than 30 years) with deductions available from the income year in which the grapevine's first commercial season starts.

B79 Deduction for horse breeding stock

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Accelerated write-off	*2010 TES code:*	B81
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1992	*Expiry date:*	
Legislative reference:	Sections 70-60 and 70-65 of the *Income Tax Assessment Act 1997*		

Taxpayers can elect to write off horse breeding stock, acquired on or after 19 August 1992, at up to 25 per cent of the cost of sires per annum and up to 33⅓ per cent of the cost of mares per annum, on a prime cost basis.

B80 Deduction of the capital cost of telephone lines and electricity connections

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Accelerated write-off	*2010 TES code:*	B82
Estimate Reliability:	Low	** Category*	1+
Commencement date:	24 June 1981	*Expiry date:*	
Legislative reference:	Subdivision 40-G of the *Income Tax Assessment Act 1997*		

Capital expenditure incurred in connecting a telephone line to a primary production property and capital expenditure incurred in connecting or upgrading mains electricity to a property on which a business is conducted can be deducted in equal instalments over ten years.

B81 Landcare and water facility offset

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	..	..	..	..	..	..	..

Tax expenditure type:	Offset	*2010 TES code:*	B83
Estimate Reliability:	Medium — High		
Commencement date:	1998	*Expiry date:*	2001
Legislative reference:	Former Subdivision 388 of the *Income Tax Assessment Act 1997*		

Primary producers and users of rural land with taxable incomes of up to $20,000 a year were able to claim a 30 per cent tax offset for capital expenditure on soil conservation, prevention of land degradation and related measures incurred until the end of the 2000-01 income year. This concession was claimed as an alternative to the landcare deduction. The tax offset was based on one third of the eligible expenditure and was available in the year the expenditure was incurred and in each of the subsequent two years.

However, the offset will continue to apply after the 2000-01 income year to expenditure incurred in that or an earlier income year where the offset is apportioned over three years, or where taxpayers had insufficient tax payable to claim the entire offset in earlier income years.

B82 Landcare deduction for primary producers

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Included in B89							

Tax expenditure type:	Deduction	*2010 TES code:*	B84
Estimate Reliability:			
Commencement date:	11 December 1973	*Expiry date:*	
Legislative reference:	Subdivision 40-G of the *Income Tax Assessment Act 1997*		

Primary producers and users of rural land can claim a deduction for capital expenditure on a landcare operation in the year that it is incurred. Landcare operations may include soil conservation, prevention of land degradation or other related measures.

B83 Sustainable Rural Water Use and Infrastructure Program

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	5	35	30	-5

Tax expenditure type:	Exemption	*2010 TES code:*	New
Estimate Reliability:	Medium — Low		
Commencement date:	1 April 2010	*Expiry date:*	
Legislative reference:	Not yet legislated		

From 1 April 2010, payments received under eligible Sustainable Rural Water Use and Infrastructure Program (SRWUIP) agreements will be treated as non-assessable non-exempt income. Expenditures funded by such payments will not be eligible for deductions.

B84 Tax write-off for horticultural plants

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
5	5	5	6	6	6	7	7

Tax expenditure type:	Accelerated write-off	*2010 TES code:*	B85
Estimate Reliability:	Medium — Low		
Commencement date:	1995	*Expiry date:*	
Legislative reference:	Subdivision 40-F of the *Income Tax Assessment Act 1997*		

Capital expenditure incurred in establishing horticultural plants can be written off using an accelerated depreciation regime, with deductions available from the first commercial season. The cost of establishing plants with an effective life of less than three years can be written off in the first commercial year. Plants with an effective life of more than three years can be depreciated over a shorter period than their effective life using the maximum write-off periods set out in the legislation.

B85 Three year write-off for expenditure on water facilities for primary producers

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
20	15	15	20	20	20	15	15

Tax expenditure type:	Accelerated write-off	*2010 TES code:*	B86
Estimate Reliability:	Medium		
Commencement date:	23 May 1980	*Expiry date:*	
Legislative reference:	Subdivision 40-F of the *Income Tax Assessment Act 1997*		

Note: estimates include tax expenditures B89, B86 and B90

Primary producers can claim a deduction for capital expenditure on water facilities over three years. Water facilities include dams, earth tanks, underground tanks, concrete or metal tanks, tank stands, bores, wells, irrigation channels or similar improvements, pipes, pumps, water towers, and windmills. One-third of the expenditure is deductible in the income year in which it is incurred, and one-third is deductible in each of the following two years. The expenditure must be incurred primarily for conserving and conveying water for use in primary production.

B86 Water facilities and land care concession for irrigation water providers

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Included in B89							

Tax expenditure type:	Deduction	*2010 TES code:*	B87
Estimate Reliability:			
Commencement date:	1 July 2004	*Expiry date:*	
Legislative reference:	Subdivisions 40-F and 40-G of the *Income Tax Assessment Act 1997*		

Certain irrigation water providers can claim an immediate deduction for capital expenditure on landcare activities and can claim a deduction for capital expenditure on water facilities over three years. The measure aligns the deductions available to primary producers and businesses using rural land with deductions available to irrigation water providers which supply those primary producers and businesses with water.

B87 Absence of depreciation recapture for certain assets

Mining, manufacturing and construction ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	B88
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1982	*Expiry date:*	
Legislative reference:	Division 43 and Section 110-45 of the *Income Tax Assessment Act 1997*		

Certain buildings and structures receive deductions that are not recaptured by balancing adjustment on disposal of the asset. This tax expenditure is offset by reductions in the capital gains tax cost base of the assets concerned.

B88 Accelerated depreciation for mining buildings

Mining, manufacturing and construction ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
170	90	..	..	..	..	..	..

Tax expenditure type:	Accelerated write-off	*2010 TES code:*	B89
Estimate Reliability:	Medium		
Commencement date:	1982	*Expiry date:*	2001
Legislative reference:	Former Subdivision 330-C and subdivision 40-B of the *Income Tax Assessment Act 1997* as adjusted by Section 40-35 of the *Income Tax (Transitional Provisions) Act 1997*		

Buildings used to carry on mining and quarrying operations and for housing and welfare in relation to carrying on mining operations can be deducted over the lesser of the life of the project or 10 years (20 years for quarrying). This concession was removed from 1 July 2001 for buildings constructed or acquired on or after this date. This tax expenditure will have a transitional impact until all eligible capital expenditure incurred before 1 July 2001 has been fully depreciated.

B89 Capital expenditure deduction for mining, quarrying and petroleum operations

Mining, manufacturing and construction ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
20	15	10	7	2	2	2	2

Tax expenditure type:	Accelerated write-off	*2010 TES code:*	B90
Estimate Reliability:	Medium — Low		
Commencement date:	1921	*Expiry date:*	2001
Legislative reference:	Subdivision 40-B of the *Income Tax Assessment Act 1997* as adjusted by Sections 40-35, 40-40 and 40-75 of the *Income Tax (Transitional Provisions) Act 1997*		

Certain capital expenditure incurred in carrying on a prescribed mining, petroleum or quarrying operation can be deducted over the lesser of the life of the project or 10 years

(20 years for quarrying). The deduction is available for expenditure incurred before 1 July 2001 or expenditure relating to a depreciating asset acquired before 1 July 2001 (excluding plant and equipment).

Expenditure incurred on or after 1 July 2001 can be deducted over the life of the project.

B90 Deduction for environmental protection activities and environmental impact studies

Mining, manufacturing and construction ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
15	25	35	20	15	15	15	15

Tax expenditure type:	Deduction, Accelerated write-off	*2010 TES code:*	B91 and B92
Estimate Reliability:	Medium		
Commencement date:	various	*Expiry date:*	2001 (EIS)
Legislative reference:	Sections 40-755 and 40-760 of the *Income Tax Assessment Act 1997*, Subdivision 40-I of the Income Tax Assessment Act 1997 as adjusted by Section 40-55 of the *Income Tax (Transitional Provisions) Act 1997*		

Expenditure used to control pollution or manage waste is immediately deductible if the pollution or waste is a result of the taxpayer's business or is on the site of the taxpayer's business. Expenditure to prevent pollution that is likely to occur is also immediately deductible.

Expenditure incurred on an eligible environmental impact study can be deducted over the lesser of 10 years or the life of the project to which it relates. This deduction applies to expenditure incurred before 1 July 2001. Expenditure incurred on or after 1 July 2001 can be deducted over the life of the project.

B91 Development allowance

Mining, manufacturing and construction ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	-	-	-	-	-	-	-

Tax expenditure type:	Deduction	*2010 TES code:*	B93
Estimate Reliability:	Medium — Low		
Commencement date:	1 January 1992	*Expiry date:*	1996
Legislative reference:	Former sections 82AAAA to 82AQ of the *Income Tax Assessment Act 1936* Former sections 15, 27 and 40 *Development Allowance Authority Act 1992*		

For major projects approved by the Development Allowance Authority, 10 per cent of capital expenditure on plant and equipment, including motor vehicles and primary production, was immediately deductible. Registrations for projects closed on 31 July 1996 for plant and equipment that was first used or installed ready for use before 1 July 2002.

B92 Exploration and prospecting deduction

Mining, manufacturing and construction ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
130	140	220	300	330	320	290	250

Tax expenditure type:	Deduction	*2010 TES code:*	B94
Estimate Reliability:	Medium		
Commencement date:	1968	*Expiry date:*	
Legislative reference:	Section 40-25, subsection 40-80(1) and section 40-730 of the *Income Tax Assessment Act 1997*		

Expenditure on exploration or prospecting for the purpose of mining and quarrying is immediately deductible. In addition, the decline in value of a depreciating asset is the asset's cost if the taxpayer first uses the asset for exploration or prospecting for minerals or quarry materials obtainable by mining operations, the asset is not used for petroleum development drilling or for operations in the course of working a mining or quarrying operation, and when the taxpayer starts to use the asset, the taxpayer either carries on mining operations, or proposes to carry on such operations or carry on a business including exploration and prospecting for which the cost of the asset was necessarily incurred.

B93 Statutory effective life caps

Transport and communication ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
540	675	795	925	1,040	1,115	1,155	1,165

Tax expenditure type:	Accelerated write-off	*2010 TES code:*	B95
Estimate Reliability:	Medium — Low		
Commencement date:	2002	*Expiry date:*	
Legislative reference:	Section 40-102 of the *Income Tax Assessment Act 1997*		

'Statutory effective life caps' act to override the Commissioner of Taxation's determinations of the 'safe harbour' effective life of assets in certain cases. This provides a shorter write-off period for those assets subject to a statutory cap where the cap is below the effective life determined by the Commissioner.

Statutory caps exist for a range of assets, including:

- aircraft and certain assets used in the oil and gas industries (effective from 1 July 2002);
- trucks, truck trailers, buses and light commercial vehicles (effective from 1 January 2005); and
- tractors and harvesters (effective from 1 July 2007).

B94 Accelerated depreciation for software

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
25	20	-60	-205	-170	-115	-5	5

Tax expenditure type:	Accelerated write-off	*2010 TES code:*	B96
Estimate Reliability:	Low		
Commencement date:	1998	*Expiry date:*	
Legislative reference:	Subdivision 40-E of the *Income Tax Assessment Act 1997*		

In-house software is essentially software that is used in-house, rather than as trading stock, and that is a capital asset, rather than fully deductible in the year of purchase. It includes software, or a right to use software, that the taxpayer has acquired, developed or has had another entity develop.

Expenditure on in-house software is depreciated over a statutory effective life, rather than an effective life that is self-assessed by the taxpayer or that is determined by the Commissioner of Taxation. Prior to 13 May 2008, the statutory effective life was 2.5 years, which gave rise to a tax expenditure in relation to software which has an effective life greater than 2.5 years. For expenditure in relation to software assets newly held after 13 May 2008 the statutory effective life is four years.

B95 Deduction for capital works expenditure

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
480	530	595	630	735	750	760	775

Tax expenditure type:	Accelerated write-off	*2010 TES code:*	B97
Estimate Reliability:	Low		
Commencement date:	21 August 1979	*Expiry date:*	
Legislative reference:	Division 43 of the *Income Tax Assessment Act 1997*		

A taxpayer can claim a deduction for capital works expenditure incurred in constructing capital works, including buildings and structural improvements and environment protection earthworks over a period that is generally shorter than the effective life of the asset.

Capital works can be deducted at either 2.5 per cent (over 40 years) or 4 per cent (over 25 years) of the construction expenditure, depending on when construction started and how the capital works are used.

B96 Depreciation balancing adjustment roll-over relief

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2010 TES code:*	B98
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1952	*Expiry date:*	
Legislative reference:	Section 40-340 of the *Income Tax Assessment Act 1997*		

'Balancing adjustments' arise when the disposal value of a depreciating asset varies from its depreciated value. The tax liability for such balancing adjustments can be deferred where the balancing adjustment arises from certain changes in ownership, such as disposal as a result of a marriage breakdown. The transferee is taken to acquire the asset at the written down value and must depreciate the asset in the same way as the transferor.

Prior to 21 September 1999, balancing adjustment offsets were also available when replacement items of plant and equipment were acquired. This treatment is available to businesses with turnover of less than $1 million for assets acquired before 1 July 2001.

B97 Depreciation pooling for low value assets

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
60	40	20	5	..	..	5	5

Tax expenditure type:	Accelerated write-off	*2010 TES code:*	B99
Estimate Reliability:	Medium		
Commencement date:	2000	*Expiry date:*	
Legislative reference:	Subdivision 40-E of the *Income Tax Assessment Act 1997*		

Assets costing less than $1,000 can be written off at the declining balance rate of 37.5 per cent through a low value asset pool. Once a taxpayer elects to create a low value pool, all assets that cost less than $1,000 are subject to the declining balance rate treatment. A low value asset pool is available to taxpayers who do not qualify for, or choose not to use the simplified depreciation rules. .

A low value pool mechanism for the depreciation of assets was introduced to reduce taxpayers' compliance costs by removing the need to track individual items for depreciation purposes.

B98 Depreciation to nil value rather than estimated scrap value

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2010 TES code:*	B100
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1936	*Expiry date:*	
Legislative reference:	Division 40 of the *Income Tax Assessment Act 1997*		

Taxpayers are entitled to write-off the cost of depreciating assets to zero value, rather than to the estimated disposal value of the asset. Any gain on disposal of the asset is assessed as income at the time of disposal through a balancing adjustment. This results in a tax deferral.

B99 Establishment costs for carbon sink forests

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	..	2	4	4	5	..	-1

Tax expenditure type:	Deduction, Accelerated write-off	*2010 TES code:*	B101
Estimate Reliability:	Medium		
Commencement date:	1 July 2007	*Expiry date:*	
Legislative reference:	Subdivision 40-J of the *Income Tax Assessment Act 1997*		

The cost of establishing trees in carbon sink forests is immediately deductible in the 2007-08 to 2011-12 income years inclusive. After this initial period, establishment costs will be deductible over 14 years and 105 days at a rate of 7 per cent per annum.

To be eligible for the deduction, the taxpayer must be carrying on a business and the carbon sink forest must meet Environmental and Natural Resource Management Guidelines.

B100 Research and development — Exemption of refundable research and development tax offset payments (former scheme)

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-120	-140	-170	-210	-250	-210	-140	-85

Tax expenditure type:	Exemption	*2010 TES code:*	B103
Estimate Reliability:	Medium — Low		
Commencement date:	2001	*Expiry date:*	2011
Legislative reference:	Section 73I of the *Income Tax Assessment Act 1936*		

The longstanding Research and Development (R&D) Tax Concession was replaced with the new R&D Tax Incentive with effect from 1 July 2011. Prior to 1 July 2011, companies with an annual turnover of less than $5 million that undertook up to

$1 million of R&D were eligible to receive a refundable tax offset equivalent to the value of the R&D Tax Concession (which allowed a tax deduction on eligible expenditure at the rate of either 125 per cent or 175 per cent).

As the refundable R&D tax offset is an expense item, it does not appear as a tax expenditure in its own right. However, a tax expenditure arises because payments made under the refundable R&D tax offset are exempt from tax. In addition, companies that claim the refundable R&D tax offset are unable to claim deductions for the R&D expenditures concerned. The absence of these deductions constitutes a negative tax expenditure and explains why the estimates are negative.

Since the new R&D Tax Incentive was not to start until 1 July 2010 (later deferred to 1 July 2011), the cap on eligible R&D was lifted from $1 million to $2 million with effect from 1 July 2009 as an interim measure.

B101 Research and development — Exemption of research and development refundable tax offset (new scheme)

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	-55	-135	-200

Tax expenditure type:	Exemption	*2010 TES code:*	B102
Estimate Reliability:	Medium — Low		
Commencement date:	2011	*Expiry date:*	
Legislative reference:	Division 355 of the *Income Tax Assessment Act 1997*		

The research and development (R&D) refundable tax offset is available from 1 July 2011 to companies with a turnover of less than $20 million at a rate of 45 per cent of expenditure on eligible research and development activities.

It takes the form of a 'refundable' tax offset, similar to the treatment of the former R&D Tax Offset. If a taxpayer's income tax liability is reduced to zero, the unused refundable tax offset amount can be applied to reduce other tax liabilities (such as GST). Any residual unused amounts can be refunded as cash to the company.

As the R&D refundable tax offset is an expense item, it does not appear as a tax expenditure in its own right. However, a tax expenditure arises because payments made under the R&D refundable tax offset are exempt from tax. In addition, companies that claim the R&D refundable tax offset are unable to claim deductions for the R&D expenditures concerned. The absence of these deductions constitutes a negative tax expenditure and explains why the estimates are negative.

B102 Research and development — Immediate deduction for expenditure on core technology

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	B104
Estimate Reliability:	Not Applicable	** Category*	na
Commencement date:	1996	*Expiry date:*	30 June 2011
Legislative reference:	Sections 73B(12) to 73B(12C) of the *Income Tax Assessment Act 1936*		

Prior to the 1 July 2011 commencement of the Research and Development (R&D) Tax Incentive, expenditure on core technology, except where incurred by companies in partnerships, was deductible at a rate of 100 per cent over the period of related R&D activities. This deduction was capped at one third of the firm's expenditure on related R&D for the income year in question, until the core technology amount has been fully deducted. The benchmark treatment for such expenditure is that it is deductible over its effective life and consequently the scope for the 100 per cent rate potentially allows a greater rate of deduction than the benchmark.

B103 Research and development — Non-refundable tax offset

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	690	730	850

Tax expenditure type:	Offset	*2010 TES code:*	B107
Estimate Reliability:	Medium		
Commencement date:	2011	*Expiry date:*	
Legislative reference:	Division 355 of the *Income Tax Assessment Act 1997*		

The Research and Development non-refundable tax offset is available at a rate of 40 per cent for eligible research and development (R&D) expenditure and can be carried forward where a company's income tax liability is zero.

The R&D non-refundable tax offset takes the form of a tax offset that can be carried forward to be applied against future income tax liabilities. Carried forward amounts will result in a similar outcome to a carry forward loss arising from a tax deduction under the former R&D Tax Concession. If a company's income tax liability is zero, unused offset amounts cannot be applied to reduce other tax liabilities (such as GST).

B104 Research and development — Premium tax concession for additional expenditure

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
290	300	390	320	310	80	30	-

Tax expenditure type:	Deduction, Accelerated write-off	*2010 TES code:*	B105
Estimate Reliability:	Medium — Low		
Commencement date:	2001	*Expiry date:*	30 June 2011
Legislative reference:	Section 73Q to 73Z of the *Income Tax Assessment Act 1936*		

Prior to the 1 July 2011 commencement of the Research and Development Tax Incentive, companies that increased expenditure on labour related components of research and development (R&D) which are Australian-owned were eligible to receive a 175 per cent tax concession for increases above the average of the previous three years' R&D expenditure. The 175 per cent premium covers all additional R&D expenditure excluding plant, pilot plant, contracted plant, plant leases, core technology, R&D related interest and items excluded from the 125 per cent R&D tax concession.

The concession was available to the extent that total R&D expenditure has increased. Total R&D expenditure includes both the Australian-owned and foreign-owned components of the premium tax concession. This deduction was available to companies from the first income year starting after 30 June 2001.

Companies that undertake R&D on behalf of a grouped foreign company were eligible for a 175 per cent tax concession for increases in R&D expenditure above the average of the previous three years' of R&D expenditure. Expenditure on behalf of a grouped foreign company which contributes to the calculation of the 175 per cent tax concession must be labour related and will be subject to a specific deduction at the rate of 100 per cent.

The concession was only available to the extent that total R&D expenditure has increased. Total R&D expenditure includes both the Australian-owned and foreign-owned components of the premium tax concession. This deduction was available to the Australian subsidiaries of multinational enterprises from 1 July 2007.

B105 Research and development — Research and Development Tax Concession

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
480	650	770	770	780	200	80	-

Tax expenditure type:	Deduction, Accelerated write-off	*2010 TES code:*	B106
Estimate Reliability:	Medium — Low		
Commencement date:	1985	*Expiry date:*	30 June 2011
Legislative reference:	Sections 73B and 73BA of the *Income Tax Assessment Act 1936*		

Prior to the 1 July 2011 commencement of the Research and Development Tax Incentive, certain taxpayers were entitled to a deduction at the rate of 125 per cent of their eligible expenditure on research and development (R&D) activities. Until 29 January 2001, eligible expenditure on R&D plant was deductible at 125 per cent over three years. Expenditure on plant used in R&D activities after 29 January 2001 is deductible at 125 per cent over its effective life.

B106 Small business — Simplified depreciation rules

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	125	100	110	30	..	1,365	1,200

Tax expenditure type:	Accelerated write-off	*2010 TES code:*	B108
Estimate Reliability:	Medium		
Commencement date:	2007	*Expiry date:*	
Legislative reference:	Subdivision 328-D of the *Income Tax Assessment Act 1997*		

From the 2012-13 income year small businesses with an aggregated annual turnover of less than $2 million may immediately write-off (deduct) in the year of purchase assets costing less than $6,500. Most other assets will be depreciated in a single pool (the general small business pool) at a 30 per cent rate (15 per cent in the first year). Small businesses will also be able to immediately write-off up to $5,000 for motor vehicles (new and used) purchased from the 2012-13 income year. The remainder of the value of a motor vehicle will be depreciated in the general small business pool.

Prior to the 2012-13 income year, small businesses may immediately write off assets costing less than $1,000 and depreciate assets costing $1,000 or more at accelerated rates under two pools. Assets with an effective life of less than 25 years are depreciated in a general pool at a rate of 30 per cent (15 per cent in the first year), and assets with an effective life of 25 years or more are depreciated in a long life pool at a rate of 5 per cent (2.5 per cent in the first year).

B107 Small business — Simplified trading stock rules

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2010 TES code:*	B109
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	2007	*Expiry date:*	
Legislative reference:	Division 328 of the *Income Tax Assessment Act 1997*		

Small businesses with annual turnover of less than $2 million may choose to use a simplified trading stock regime. Under this regime, in certain circumstances, changes in the value of trading stock do not have to be accounted for and stocktaking is not required at the end of the income year.

Before July 2007, this regime was available only to taxpayers that were part of the former Simplified Tax System. As part of aligning small business thresholds, the turnover eligibility threshold was raised from $1 million to $2 million.

B108 Small business and general business tax break

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	1,480	2,300	660	220	20	-

Tax expenditure type:	Deduction	*2010 TES code:*	B110
Estimate Reliability:	Low		
Commencement date:	13 December 2008	*Expiry date:*	
Legislative reference:	Division 41 of the *Income Tax Assessment Act 1997*		

Businesses that acquire new tangible depreciating assets, for which a deduction is available under Subdivision 40 B of the *Income Tax Assessment Act 1997*, between 13 December 2008 and 31 December 2009 and start to use or have installed ready for use by 31 December 2010 can claim a bonus tax deduction in the income year that they use or install the asset.

Small businesses can claim a bonus deduction of 50 per cent of the cost of an eligible asset. Other businesses can claim a 30 per cent deduction for assets acquired between 13 December 2008 and 30 June 2009 and installed by 30 June 2010. For assets acquired by other businesses between 1 July 2009 and 31 December 2009 and installed by 31 December 2010 the rate of bonus deduction is 10 per cent.

The bonus deduction does not affect the capital allowance deductions that would normally be claimed in relation to the asset.

B109 Tax Breaks for Green Buildings

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	-	10	100

Tax expenditure type:	Deduction	*2010 TES code:*	B111
Estimate Reliability:	Low		
Commencement date:	1 July 2012	*Expiry date:*	30 June 2016
Legislative reference:	Not yet legislated		

Businesses that significantly improve the energy efficiency of certain existing commercial buildings between 1 July 2012 and 30 June 2016, and up to 31 December 2016 under exceptional circumstances, will be able to apply for a one-off bonus tax deduction.

Eligibility for the bonus tax deduction will be determined by a competitive approval process, as well as a requirement to demonstrate following the completion of the project that the desired improvement in energy efficiency has been achieved.

The bonus tax deduction will be available in the income year it is confirmed that the project has achieved the required level of energy efficiency.

General consumption tax expenditures

B110 Exemption of tax offsets paid under the National Urban Water and Desalination Plan

General public services — General services ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	-	-	-

Tax expenditure type:	Exemption	*2010 TES code:*	B113
Estimate Reliability:	High		
Commencement date:	1 July 2009	*Expiry date:*	30 June 2014
Legislative reference:	Section 67-23 and Subdivision 402-W of the *Income Tax Assessment Act 1997*		

The National Urban Water and Desalination Plan provides financial assistance to approved projects, such as desalination, water recycling and stormwater harvesting projects, which improve the security of water supplies to Australia's major cities. The financial assistance is provided as refundable tax offsets, unless the applicant receiving the assistance is outside the tax system, in which case they receive a grant. Payments made as refundable tax offsets under the plan are exempt from tax.

Miscellaneous tax expenditures

B111 International tax — concessional rate of final withholding tax on certain distributions by Australian managed investment trusts to foreign residents

General public services — General services ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	35	80	130	140	140	140	140

Tax expenditure type:	Concessional rate	*2010 TES code:*	B114
Estimate Reliability:	Low		
Commencement date:	1 July 2008	*Expiry date:*	
Legislative reference:	Subdivision 12-H of Schedule 1 to the *Taxation Administration Act 1953* Division 7 of the *Taxation Administration Regulations 1976*		

Distributions of Australian source net income (other than dividends, interest and royalties) by Australian managed investment trusts to foreign residents are subject to a final withholding tax. The general rate of 30 per cent is reduced (to 7.5 per cent) for residents of countries specified in the regulations as 'information exchange countries'.

B112 Forestry managed investment schemes — tax deductibility

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	40	70	20	10	10	-10	-15

Tax expenditure type:	Accelerated write-off	*2010 TES code:*	B115
Estimate Reliability:	Medium		
Commencement date:	2007	*Expiry date:*	
Legislative reference:	Division 394 of the *Income Tax Assessment Act 1997*		

Investors in forestry managed investment schemes (MIS) are able to claim immediate upfront deductions for their expenditure on such schemes, provided that, amongst other requirements, at least 70 per cent of the expenditure is directly related to developing forestry. The statutory deduction available to investors in forestry MIS allows investors to bring forward their deductions relative to the benchmark.

Interests in forestry MIS can be traded, subject to a four-year holding period rule and a market value pricing rule for initial investors. The proceeds on the sale or harvest of a forestry MIS interest by an initial investor are taxable income of the investor.

B113 Small business related party at call loans taken to be debt interests

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	B116
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 2005	*Expiry date:*	
Legislative reference:	Division 974 of the *Income Tax Assessment Act 1997*		

A related party at call loan is typically a loan made to a company by a related entity, has no fixed term and is repayable on demand. Under the benchmark debt-equity rules, such a loan would generally give rise to an equity interest rather than a debt interest. This means that interest payable on the loan would be frankable (but not deductible by the company).

From 1 July 2005, these loans are taken to be debt interests for companies that have an annual turnover of less than $20 million.

RETIREMENT SAVINGS

The superannuation benchmark comprises:

- contributions taxed in the hands of the fund member;
- earnings taxed like any other investment income in the hands of the investor; and
- benefits from superannuation untaxed.

Tax expenditures for social security and welfare

C1 Capital gains tax small business retirement exemption

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
490	580	350	330	350	380	400	430

Tax expenditure type:	Exemption	*2010 TES code:*	C1
Estimate Reliability:	Low		
Commencement date:	1997	*Expiry date:*	
Legislative reference:	Subdivision 152-D of the *Income Tax Assessment Act 1997*		

Capital gains arising from the sale of active small business assets are exempt from capital gains tax, up to a lifetime limit of $500,000, where the proceeds of the sale are used for retirement. An eligible small business is one where the net value of assets that the taxpayer and connected entities own is no more than $6 million, or where the aggregated annual turnover is less than $2 million.

C2 Capped taxation rates for lump sum payments for unused recreation and long service leave

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
105	140	105	95	90	95	90	90

Tax expenditure type:	Concessional rate	*2010 TES code:*	C2
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Subdivisions 83-A and 83-B of the *Income Tax Assessment Act 1997*		

A maximum tax rate of 30 per cent plus the Medicare levy applies to lump sum payments in lieu of unused long service or annual leave which accrued before 18 August 1993, or which are made in circumstances of bona fide redundancy, invalidity or under an early retirement scheme. All other lump sum payments in respect of unused annual or long service leave which accrued after 18 August 1993 are taxed at individual marginal rates.

C3 Concessional taxation of non-superannuation termination benefits

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
1,200	1,750	1,500	1,400	1,450	1,500	1,600	1,650

Tax expenditure type:	Concessional rate	*2010 TES code:*	C3
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Division 82 of the *Income Tax Assessment Act 1997* Division 82 of the *Income Tax (Transitional Provisions) Act 1997*		

Non-superannuation termination payments are generally paid by employers to terminating employees. Before 1 July 2007 these amounts were taxed in the same way as superannuation lump sums from untaxed funds with the exception of bona fide redundancy payments and approved early retirement scheme payments which were tax free up to certain limits. This tax expenditure excludes the treatment of payments in lieu of leave.

From 1 July 2007, non-superannuation termination payments are taxed differently to lump sums paid from untaxed funds. Pre-July 1983 and invalidity segments of termination payments are tax free, and the residual is taxed at up to 15 per cent for amounts up to $165,000 in 2011-12 (indexed) for recipients aged at or above preservation age and at up to 30 per cent for those aged under preservation age. Amounts in excess of $165,000 (indexed) are taxed at the top marginal tax rate. The Medicare levy is payable in addition to these rates. Concessional tax treatment also applies for transitional arrangements in place as at 9 May 2006 and genuine redundancy payments and early retirement scheme payments.

This tax expenditure excludes the taxation treatment of payments in lieu of leave (see the tax expenditures *Capped taxation rates for lump sum payments for unused recreation and long service leave* (C2) and *Taxation of five per cent of unused long service leave accumulated by 15 August 1978* (C15)).

C4 Superannuation — capital gains tax discount for funds

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
1,030	250	70	70	90	250	500	700

Tax expenditure type:	Reduction in taxable value	*2010 TES code:*	C4
Estimate Reliability:	Low		
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Paragraph 115-10(b) and subparagraph 115-100(b)(i) of the *Income Tax Assessment Act 1997*		

Capital gains made by complying superannuation funds are taxed concessionally. Two-thirds of any nominal capital gain made from a capital gains tax event occurring on or after 21 September 1999 is included in the assessable income of a fund, provided the fund has held the asset for at least 12 months. The effect of this item is in addition to the effect of lower tax rates for superannuation investments reported in the tax expenditure *Superannuation – concessional taxation of superannuation entity earnings* (C6). The amounts reported reflect the additional tax that would be raised at fund rates on the same investments if total nominal capital gains were taxed instead of discounted gains or gains with frozen indexation.

C5 Superannuation — concessional taxation of employer contributions

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
13,150	14,200	12,550	13,350	14,850	15,500	16,700	18,800

Tax expenditure type:	Exemption, Reduction in taxable value	*2010 TES code:*	C5
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Before 1 July 2007: Part III, Division 3, Subdivision AA of the *Income Tax Assessment Act 1936* Part IX of the *Income Tax Assessment Act 1936* Superannuation contributions tax acts (surcharge acts) After 1 July 2007: Divisions 290, 292 and 295 of the *Income Tax Assessment Act 1997*		

Currently, employer contributions, after certain costs of the superannuation entity are deducted, are generally included in the assessable income of a superannuation entity and are taxed at a concessional rate of 15 per cent. Concessional contributions subject to the 15 per cent tax rate are limited by the concessional contribution cap. Currently the general cap is $25,000 per annum (indexed and rounded down to the nearest $5,000), and under transitional arrangements persons aged 50 and over are subject to a $50,000 per annum cap.

Indexation on the general concessional contributions cap will be paused for 2013-14 so it remains at $25,000. The cap is expected to rise to $30,000 in 2014-15.

From 1 July 2012, individuals aged 50 and over with total superannuation balances below $500,000 will be able to receive concessional taxation treatment of up to $25,000 per annum above the general concessional contributions cap that applies to those under 50. The cap for 2012-13 and 2013-14 will be $50,000. The cap is expected to rise to $55,000 in 2014-15.

Contributions above these limits are effectively taxed at the top marginal tax rate plus Medicare Levy by applying an additional tax of 31.5 per cent to the 15 per cent deducted by the superannuation provider on the excess concessional contributions. The tax is payable by the individual.

Prior to 1 July 2009, individuals could receive concessional taxation treatment on up to $50,000 ($100,000 for persons over 50) of concessional contributions. Before 1 July 2007, employers were not entitled to a deduction for contributions in excess of an employee's age-based limit.

The superannuation surcharge for higher income earners applied to some of these contributions in 2004-05 and earlier financial years. The maximum surcharge rates were reduced from the original 15 per cent to 14.5 per cent in 2003-04, and to 12.5 per cent in 2004-05. The surcharge was abolished for contributions made on or after 1 July 2005.

In any particular year, the application of the benchmark treatment rather than the concessional tax rates to these contributions would increase tax revenue by the amounts indicated. From 1 July 2012, a superannuation payment of up to $500 annually will be provided for eligible low-income earners. The amount payable will be calculated by applying 15 per cent to the concessional contributions made by or for individuals on adjusted taxable incomes of up to $37,000 (not indexed), with an annual maximum amount payable of $500 (not indexed). This effectively reimburses the 15 per cent tax deducted from the 9 per cent superannuation guarantee contributions.

Concessional superannuation contributions made in the 2012-13 income year and later income years will be eligible, with the first payment to be made in the 2013-14 income year. The new superannuation contributions tax payment is not a tax expenditure, and this is explained in *Superannuation — measures for low-income earners* (C9).

C6 Superannuation — concessional taxation of superannuation entity earnings

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
22,050	16,550	11,000	12,600	14,000	15,100	16,750	19,550

Tax expenditure type:	Exemption, Concessional rate	*2010 TES code:*	C6
Estimate Reliability:	Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Division 295 of the *Income Tax Assessment Act 1997*		

The earnings of complying superannuation entities, after certain costs are deducted, are taxed at a concessional rate. The tax rate on earnings is 15 per cent (for the accumulation phase) or nil where the earnings are derived from assets which are used to meet current pension liabilities (drawdown phase). Complying superannuation entities are entitled to refunds of excess imputation credits attached to dividends payable to the fund.

This tax expenditure reflects the extra tax in a particular year that would be collected if superannuation earnings were taxed at the personal tax rates of members rather than fund rates.

C7 Superannuation — concessional taxation of unfunded superannuation

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
380	420	440	430	450	440	450	460

Tax expenditure type:	Exemption, Offset, Concessional rate	*2010 TES code:*	C7
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Part 3-30 and Subdivision 320-D of the *Income Tax Assessment Act 1997* Part 3-30 of the *Income Tax (Transitional Provisions) Act 1997*		

In the case of unfunded superannuation, no employer contribution is made until the actual benefit is provided on the member's retirement. The appropriate benchmark treatment for these amounts is therefore taxation at personal rates on receipt by the member.

Unfunded superannuation lump sums are taxed in the same way as funded superannuation lump sums from untaxed funds (see the tax expenditure *Superannuation – tax on funded lump sums* (C13)).

Similarly, unfunded superannuation income streams are taxed in the same way as funded superannuation income streams from untaxed funds (see the tax expenditure *Superannuation – tax on funded superannuation income streams* (C14)).

The taxation of a death benefit paid to a dependant as a reversionary pension depends on the age of the primary and reversionary beneficiary. If either was aged 60 or over at the time of death, then the taxable component of payments to the reversionary beneficiary will be taxed at marginal rates with a 10 per cent tax offset. If both were under age 60 at the time of death, the taxable component of the pension will be taxed at the reversionary beneficiary's marginal rate. However, once the reversionary beneficiary reaches age 60, the taxable component of the pension will become eligible for the 10 per cent tax offset.

Death benefit payments to non-dependants must be made as a lump sum. Lump sum death benefits paid to a non-dependant from an unfunded source are taxed at 30 per cent.

C8 Superannuation — deduction and concessional taxation of certain personal contributions

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
2,000	1,750	1,500	920	960	1,000	840	850

Tax expenditure type:	Exemption, Reduction in taxable value	*2010 TES code:*	C8
Estimate Reliability:	Medium — Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Before 1 July 2007: Part III, Division 3, Subdivision AB of the *Income Tax Assessment Act 1936* Section 26-80 *of the Income Tax Assessment Act 1997* Part IX *of the Income Tax Assessment Act 1936* Superannuation contributions tax acts (surcharge acts) After 1 July 2007: Divisions 290, 292 and 295 of the *Income Tax Assessment Act 1997*		

Currently, certain persons are entitled to a full deduction for all personal contributions they make to a superannuation fund, provided that the deduction is not greater than the amount that reduces the individual's taxable income to nil. For the purposes of this deduction, the persons entitled are those who have less than 10 per cent of their income earned as an employee. This includes many unincorporated and substantially self-employed persons and persons not in paid employment. These personal contributions are concessional deductible contributions and are subject to the concessional 15 per cent tax rate.

Caps apply to the amount of concessional contributions. Currently the general cap is $25,000 per annum (indexed and rounded down to the nearest $5,000), and under transitional arrangements persons aged 50 and over are subject to $50,000 per annum cap. Contributions above $25,000 ($50,000) are effectively taxed at the top marginal tax rate plus Medicare Levy by applying a tax of 31.5 per cent on the excess concessional contributions in addition to the 15 per cent deducted by the superannuation provider. This tax is payable by the individual.

From 1 July 2012, individuals aged 50 and over with total superannuation balances below $500,000 will be able to receive concessional taxation treatment of up to $25,000 per annum above the general concessional contributions cap.

Indexation on the general concessional contributions cap will be paused for 2013-14 so it remains at $25,000. The cap is expected to rise to $30,000 in 2014-15.

Prior to 1 July 2009, individuals could make up to $50,000 ($100,000 for persons over 50) of concessional deductible contributions subject to the 15 per cent tax rate. The 2009 changes to the levels subject to 15 per cent tax are reflected in the tax expenditure estimates with a one year delay.

Prior to 1 July 2007, eligible self-employed persons received a full tax deduction for the first $5,000 of contributions plus 75 per cent of any remaining contributions up to a maximum deduction equal to their age-based limit.

Under the benchmark, contributions by these persons would not be deductible, on the basis that they are not outgoings. If the level of contributions was maintained, but the contributions were not deductible, revenue would be higher by the amounts indicated.

The superannuation surcharge for higher income earners applied to some of these contributions in 2004-05 and earlier financial years. The surcharge was abolished for contributions made on or after 1 July 2005.

From 1 July 2012, a superannuation payment of up to $500 annually will be provided for low-income earners. The amount payable will be calculated by applying 15 per cent to the concessional contributions made by or for individuals on adjusted taxable incomes of up to $37,000 (not indexed), with an annual maximum amount payable of $500 (not indexed). This effectively reimburses the 15 per cent tax deducted from the 9 per cent superannuation guarantee contributions.

Concessional superannuation contributions made in the 2012-13 income year and later income years will be eligible, with the first payment to be made in the 2013-14 income year. The new superannuation contributions tax payment is not a tax expenditure, and this is explained in the *Superannuation — measures for low-income earners* (C9).

C9 Superannuation — measures for low-income earners

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
500	280	230	300	160	120	120	170

Tax expenditure type:	Exemption, Reduction in taxable value	*2010 TES code:*	C9
Estimate Reliability:	Medium — Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Before 1 July 2003: Part III, Division 17, Subdivision AAC of the *Income Tax Assessment Act 1936* After 30 June 2003: *Superannuation (Government Co-Contribution for Low Income Earners) Act 2003*		

The existing superannuation co-contribution, which applies to eligible non-concessional superannuation contributions, and the low income superannuation contribution, which applies to eligible concessional superannuation contributions, are expense measures. As such, these payments are not included in the TES. The amounts indicated represent the impact of these payments not being taxed.

The low income superannuation contribution applies from 1 July 2012. This contribution is designed to pay an amount equivalent to the tax paid on superannuation concessional contributions up to a maximum of $500 each year. This contribution is available to individuals who have adjusted taxable incomes up to $37,000 (not indexed).

The superannuation co-contribution boosts superannuation savings of individuals by matching a proportion of eligible superannuation contributions made by or for lower to middle income earners. The government will pay a maximum $500 co-contribution from 1 July 2012.

C10 Superannuation — spouse contribution offset

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
10	7	6	6	6	6	6	6

Tax expenditure type:	Exemption, Reduction in taxable value	*2010 TES code:*	C10
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Before 1 July 2007: Part III, Division 17, Subdivision AACA of the *Income Tax Assessment Act 1936* After 30 June 2007: Subdivision 290-D of the *Income Tax Assessment Act 1997*		

An 18 per cent offset is available for post-tax contributions to the superannuation account of a spouse whether married or defacto (where the total of assessable income and reportable fringe benefits for the spouse is less than $13,800). A maximum offset of $540 applies for a contribution of $3,000 where the spouse's income is less than $10,800. The offset is phased out for higher incomes and is no longer payable where the spouse's income exceeds $13,800.

C11 Superannuation — tax on excess concessional contributions

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-6	-43	*	*	*	*

Tax expenditure type:	Increased rate	*2010 TES code:*	C11
Estimate Reliability:	Medium — High	** Category*	2-
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Before 1 July 2007: Part III, Division 3, Subdivision AA of the *Income Tax Assessment Act 1936* Part IX of the *Income Tax Assessment Act 1936* Superannuation contributions tax acts (surcharge acts) After 1 July 2007: Divisions 290, 292 and 295 of the *Income Tax Assessment Act 1997*		

Currently, employer contributions and personal contributions for which deductions are claimed, after certain costs of the superannuation entity are deducted, are generally included in the assessable income of a superannuation entity and are taxed at a concessional rate of 15 per cent; the tax expenditure from this is shown at C5.

Caps apply to the amount of concessional contributions which receive this concessional taxation treatment. Concessional contributions are limited by the concessional contributions caps. Currently the general cap is $25,000 per annum (indexed and rounded down to the nearest $5,000), and under transitional arrangements persons aged 50 and over are subject to $50,000 per annum cap. Contributions above these limits are effectively taxed at the top marginal tax rate plus Medicare Levy by applying an additional tax of 31.5 per cent to the 15 per cent deducted by the superannuation provider on the excess concessional contributions. The tax is payable by the individual. A negative tax expenditure occurs where a person contributes to superannuation an amount above the relevant cap and their marginal tax rate is below the effective excess concessional contributions tax rate.

Indexation on the general concessional contributions cap will be paused for 2013-14 so it remains at $25,000. The cap is expected to rise to $30,000 in 2014-15.

From 1 July 2012, individuals aged 50 and over with total superannuation balances below $500,000 will be able to receive concessional taxation treatment of up to $25,000 per annum above the general concessional contributions cap that applies to those under 50. The cap for 2012-13 and 2013-14 will be $50,000. The cap is expected to rise to $55,000 in 2014-15.

From 1 July 2011, an individual will have an option to have excess concessional contributions of $10,000 or less refunded from their superannuation provider. The excess concessional contributions will be included in the assessable income of the individual for the year the contribution was made and taxed at the individual's marginal income tax rate rather than incurring excess contributions tax. The refund offer will be available for the time an individual has been assessed for excess concessional contributions since 1 July 2011, circumstances before this time will not affect eligibility. This represents tax expenditure for individuals whose marginal tax rate is less than the effective excess concessional contributions tax rate.

Also, certain trust deed clauses will no longer be able to be used to prevent certain contributions to the fund from being counted against the caps and as a result not incurring excess contributions tax. Some funds include a clause in which an amount that would otherwise have been considered a contribution to the fund as not being accepted by the fund if these contributions would lead to a breach of the contributions caps. Under the changes, the fund will be deemed to have accepted such contributions, notwithstanding the trust deed clause if the contributions have not been returned promptly and have in effect been intermingled with the assets of the fund.

C12 Superannuation — tax on excess non-concessional contributions

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-52	-122	*	*	*	*

Tax expenditure type:	Exemption, Reduction in taxable value	*2010 TES code:*	C12
Estimate Reliability:	Medium	** Category*	3-
Commencement date:	10 May 2006	*Expiry date:*	
Legislative reference:	Division 292 of the *Income Tax (Transitional Provisions) Act 1997* Division 292 of the *Income Tax Assessment Act 1997*		

Non-concessional contributions include those made from an individual's after tax income (generally undeducted contributions) and excess concessional contributions (that is, employer and personal deducted contributions which have exceeded the annual concessional contribution thresholds). The benchmark treatment of these contributions is that they are taxed like any other income in the hands of the individual (that is, the contributions are taxed at the individual's marginal tax rate).

Since 10 May 2006, non-concessional contributions have been subject to a cap, with contributions in excess of the cap taxed at the top marginal tax rate, payable by the individual. The taxation of these excess contributions represents a deviation from the benchmark.

A cap of $1 million applies to non-concessional contributions made between 10 May 2006 and 30 June 2007. From 1 July 2007, an annual cap of $150,000 applies to non-concessional contributions, although people under age 65 will be able to bring forward up to two years worth of non-concessional contributions. Exemptions to the cap include proceeds from the disposal of assets that qualify for some small business CGT concessions, up to a lifetime limit of $1.205 million in 2011-12, and proceeds arising from structured settlements or orders for personal injuries.

The non-concessional contributions cap is currently set at six times the concessional contributions cap. The non-concessional cap is expected to rise to $180,000 in 2014-15 with the expected increase in the general concessional cap to $30,000 in 2014-15.

Contributions above the non-concessional caps are subject to the excess contributions tax. It is levied at 46.5 per cent on the excess non-concessional contributions. The tax is payable by the individual. This results in negative tax expenditure.

Also, certain trust deed clauses will no longer be able to be used to prevent certain contributions to the fund from being counted against the caps and as a result, not incurring excess contributions tax. Some funds include a clause so amounts that would otherwise be contributions to the fund are deemed to not have been accepted by the fund if these contributions would lead to a breach of the contributions caps. Under the changes, the fund will be deemed to have accepted such contributions, notwithstanding the trust deed clause, if the contributions have not being returned promptly and have in effect been intermingled with the assets of the fund.

C13 Superannuation — tax on funded lump sums

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-180	-170	-190	-190	-190	-190	-190	-190

Tax expenditure type:	Increased rate	*2010 TES code:*	C13
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Divisions 301, 302 and 307 and Part 3-30 of the *Income Tax Assessment Act 1997* Part 3-30 of the *Income Tax (Transitional Provisions) Act 1997*		

Superannuation lump sums paid from a taxed fund to persons aged 60 or over are tax free. A taxed fund is one in which tax has been paid during the accumulation phase.

The taxable component of a lump sum paid from a taxed fund to a person under age 60 is taxed. For a person aged 55 to 59 the tax rate on this component is zero per cent up to the low rate cap amount ($165,000 in 2011-12) and 15 per cent thereafter. For a person below age 55 the tax rate is 20 per cent.

Untaxed funds are those where superannuation benefits are not taxed during the accumulation phase. The taxable component of lump sums paid from untaxed funds to persons aged 60 or over is taxed at 15 per cent up to an amount of $1.205 million (in 2011-12) and at the top marginal rate thereafter. For persons aged 55 to 59, the tax rate ranges from 15 per cent up to the top marginal rate, while for persons under age 55 the tax rate is typically 30 per cent.

Special arrangements apply to lump sums paid to certain temporary residents who have departed Australia. The taxable component of these payments is taxed at

35 per cent where paid from a taxed source and at 45 per cent where paid from an untaxed source (from 1 July 2002 to 1 April 2009 the tax rates were 30 per cent and 40 per cent respectively).

Lump sums paid to death benefit dependants (and non-dependants of service and police personnel killed in the line of duty) and to persons suffering from a terminal medical condition are tax free.

Death benefit payments to non-dependants must be made as a lump sum. These payments are taxed at 15 per cent where paid from a taxed source, and at 30 per cent where paid from an untaxed source.

The amounts reported are the tax raised on these lump sums.

C14 Superannuation — tax on funded superannuation income streams

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Increased rate	*2010 TES code:*	C15
Estimate Reliability:	Not Applicable	** Category*	1-
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Divisions 301 and 302 and Part 3-30 of the *Income Tax Assessment Act 1997* Part 3-30 of the *Income Tax (Transitional Provisions) Act 1997*		

From 1 July 2007, superannuation income stream payments from a taxed source are tax free for persons aged 60 or over. The taxable component of superannuation income stream payments to persons below age 60 is included in assessable income. A 15 per cent tax offset applies to the taxable component of superannuation income stream benefits paid to persons aged 55 to 59, and to disability benefits paid to persons of any age.

The taxable component of superannuation income stream payments from an untaxed source is included in the recipient's assessable income. A 10 per cent tax offset applies to the taxable component of pensions payments for persons aged 60 or over.

The taxation of a death benefit paid from a taxed source as a reversionary pension depends on the age of the primary and reversionary beneficiary. If either the primary or reversionary beneficiary was aged 60 or over at the time of death, then income stream payments to the reversionary beneficiary are tax free. If both were under age 60 at the time of death, the taxable component of the payments is taxed at the reversionary beneficiary's marginal tax rate (less a 15 per cent tax offset). However, once the reversionary beneficiary reaches age 60 the payments are tax free.

This item relates to the tax on funded pensions.

C15 Taxation of five per cent of unused long service leave accumulated by 15 August 1978

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
75	60	60	55	55	50	50	45

Tax expenditure type:	Concessional rate	*2010 TES code:*	C16
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Subsection 83-80(1) of the *Income Tax Assessment Act 1997*		

A reduced tax rate applies to lump sum payments for unused long service leave which accrued prior to 15 August 1978. Five per cent of such payments is included in the taxpayer's assessable income and is subject to tax at marginal rates.

C16 Trans-Tasman retirement savings portability scheme

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	C17
Estimate Reliability:	Low	** Category*	1+
Commencement date:	2012	*Expiry date:*	
Legislative reference:	Not yet legislated		

Transfers of retirement savings from overseas countries into the Australian superannuation system are generally treated as non-concessional contributions.

Under this measure amounts transferred from a New Zealand KiwiSaver account to an Australian APRA regulated complying superannuation fund will also be treated as non-concessional contributions.

As such New Zealand sourced retirement savings transferred under the scheme will be subject to the non-concessional contributions cap on initial entry into the Australian superannuation system.

Tax concessions for certain taxpayers

C17 Exemption of foreign termination payments

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	C18
Estimate Reliability:	Low	** Category*	1+
Commencement date:	1 July 2007	*Expiry date:*	
Legislative reference:	Subdivision 83-D of the *Income Tax Assessment Act 1997*		

Certain termination payments paid as a result of the termination of foreign employment are non-assessable and non-exempt income for tax purposes. To be non-assessable and non-exempt, the payment must have been paid to a taxpayer who was a foreign resident during the period to which the payment relates and must not be a superannuation benefit or a pension or annuity. Where the taxpayer was an Australian resident for some of the period to which the termination payment relates, the payment will be non-assessable and non-exempt if it was received in consequence of the termination of a period of employment or engagement for the purposes of section 23AF or section 23AG and the payment relates only to that period of employment or engagement and is not a superannuation benefit or a pension or annuity.

Tax expenditures for other economic affairs

C18 Small business capital gains tax exemption for assets held more than 15 years

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
100	125	90	90	95	100	105	110

Tax expenditure type:	Exemption	*2010 TES code:*	C19
Estimate Reliability:	Medium — High		
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Subdivision 152-B of the *Income Tax Assessment Act 1997*		

Capital gains arising from the disposal of active small business assets that have been held continuously for 15 years are exempt from capital gains tax. This exemption is available only if the taxpayer is permanently incapacitated or reaches the age of 55 and retires. An eligible small business is one where the net value of assets that the taxpayer and connected entities own is no more than $6 million, or where the aggregated annual turnover is less than $2 million.

C19 Superannuation — payment of temporary residents' superannuation to the Australian Government

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-170	-135	-95	-110	-110	-120	-120

Tax expenditure type:	Increased rate	*2010 TES code:*	C20
Estimate Reliability:	Low		
Commencement date:	18 December 2008	*Expiry date:*	
Legislative reference:	*Superannuation (Unclaimed Money and Lost Members) Act 1999*		

The superannuation of a temporary resident (who is not a New Zealand citizen, a retirement visa holder or who is not applying for permanent residency) will be deemed to be ‘unclaimed’ after they have left Australia, ceased to hold a temporary visa, and at least six months has passed and they have not received their superannuation. The amounts will be paid to the Australian Government commencing in the 2008-09 year.

FRINGE BENEFITS TAX

The fringe benefits tax benchmark comprises:

- a tax base including all benefits provided to an employee or an associate of an employee in respect of the employment of the employee;
- generally, a deduction to the employer for the cost of providing fringe benefits and the amount of fringe benefits tax paid;
- the tax rate is the employee's personal marginal income tax rate plus the Medicare levy;
- the employer as the tax unit; and
- the fringe benefits tax year as the tax period (1 April to 31 March).

Tax expenditures for public order and safety

D1 Exemption for compensation-related benefits, occupational health and counselling services and some training courses

Public order and safety ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D1
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 58J, 58K and 58M of the *Fringe Benefits Tax Assessment Act 1986*		

Certain benefits in relation to compensable work related trauma, medical services and other forms of health care provided in work site first aid posts and medical clinics, work related medical examinations, work related medical screening, work related preventative health care, work related counselling and migrant language training are exempt from fringe benefits tax.

D2 Exemption for safety award benefits up to $200 per year per employee

Public order and safety ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D2
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 58R of the *Fringe Benefits Tax Assessment Act 1986*		

An award related to occupational health or an occupational safety achievement that is granted to an employee is exempt from fringe benefits tax if its value does not exceed $200 per year.

D3 Reduction in taxable value for reimbursements of car expenses incurred for occupational health and counselling services and some training courses

Public order and safety ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Reduction in taxable value	*2010 TES code:*	D3
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 61F of the *Fringe Benefits Tax Assessment Act 1986*		

The taxable value of a fringe benefit may be reduced where an employee travels in their own car for the purpose of attending a work related medical examination, screening, preventative health care or counselling session, or for migrant language training and is reimbursed on a cents per kilometre basis for the car expenses incurred.

Tax expenditures for general public services

D4 Exemption for benefits provided by certain international organisations

General public services — Foreign affairs and economic aid ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D4
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 55 of the *Fringe Benefits Tax Assessment Act 1986*		

An exemption from fringe benefits tax applies to benefits provided by certain international organisations that are exempt from income tax and other taxes by virtue of the *International Organisations (Privileges and Immunities) Act 1963* and by organisations established under international agreements to which Australia is a party and which oblige Australia to grant the organisation a general tax exemption.

Tax expenditures for defence

D5 Exemption for benefits received by Australian Government employees in receipt of military compensation payments

Defence ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
40	55	30	25	30	30	30	30

Tax expenditure type:	Exemption	*2010 TES code:*	D5
Estimate Reliability:	Low		
Commencement date:	1995	*Expiry date:*	
Legislative reference:	Sections 6AA and 6AB of the *Fringe Benefits Tax (Application to the Commonwealth) Act 1986*		

Benefits provided to Australian Government employees in receipt of military compensation payments are exempt from fringe benefits tax.

D6 Exemption for health care benefits provided to members of the Defence Force

Defence ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
505	485	525	535	585	645	690	730

Tax expenditure type:	Exemption	*2010 TES code:*	D6
Estimate Reliability:	Medium — Low		
Commencement date:	1995	*Expiry date:*	
Legislative reference:	Section 6AC of the *Fringe Benefits Tax (Application to the Commonwealth) Act 1986*		

All health care benefits provided by the Australian Government to members of the Australian Defence Force (because of their membership) are exempt from fringe benefits tax.

D7 Exemption for war service loans provided under the Defence Service Homes Act 1918

Defence ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
3	2	2	2	2	1	2	2

Tax expenditure type:	Exemption	*2010 TES code:*	D7
Estimate Reliability:	Medium — High		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 6 of the *Fringe Benefits Tax (Application to the Commonwealth) Act 1986*		

The loan concessions authorised under the *Defence Service Homes Act 1918* and made by virtue of an employee's war service are exempt from fringe benefits tax.

Tax expenditures for education

D8 Reduction in taxable value for education costs of children of employees posted overseas

Education ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Reduction in taxable value	*2010 TES code:*	D8
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 65A of the *Fringe Benefits Tax Assessment Act 1986*		

The taxable value of fringe benefits including a car, expense payment, property or residual benefit in respect of full-time education of children of employees posted overseas for 28 days or more may be reduced. The extent of the amount of the reduction relates to the period of the employee's service overseas.

Tax expenditures for health

D9 Exemption for travel costs of employees and their families associated with overseas medical treatment

Health ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D9
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 58L of the *Fringe Benefits Tax Assessment Act 1986*		

Benefits that meet the costs of travel away from a work place located in a foreign country in order to obtain medical treatment are exempt from fringe benefits tax. Accommodation and meals are also exempt if provided en route.

D10 Philanthropy — Exemption for charities promoting the prevention or control of disease in human beings

Health ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
60	70	80	85	90	100	105	110

Tax expenditure type:	Exemption	*2010 TES code:*	D10
Estimate Reliability:	Medium — Low		
Commencement date:	2001	*Expiry date:*	
Legislative reference:	Section 5B and Subsection 57A(5) of the *Fringe Benefits Tax Assessment Act 1986*		

Charitable institutions whose principal activity is to promote the prevention or control of diseases in human beings are provided with an exemption from fringe benefits tax on up to $30,000 of the grossed-up taxable value of fringe benefits per employee.

Excluded from the cap are meal entertainment (such as a doctor's expenses on a restaurant meal at a social occasion), entertainment facility leasing expenses and car parking. The fringe benefits tax exemption on these items remains unlimited.

D11 Philanthropy — Exemption for public and not-for-profit hospitals and public ambulance services

Health ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
810	830	880	930	1,000	1,100	1,150	1,250

Tax expenditure type:	Exemption	*2010 TES code:*	D11
Estimate Reliability:	Medium — Low		
Commencement date:	2000	*Expiry date:*	
Legislative reference:	Sections 57A(3) and 57A(4) of the *Fringe Benefits Tax Assessment Act 1986*		

Public and not-for-profit hospitals and public ambulance services are provided with an exemption from fringe benefits tax which is capped up to $17,000 of the grossed-up taxable value of fringe benefits per employee.

Excluded from the $17,000 cap are meal entertainment (such as a doctor's expenses on a restaurant meal at a social occasion), entertainment facility leasing expenses and car parking. The fringe benefits tax exemption on these items remains unlimited.

Tax expenditures for social security and welfare

D12 Exemption for emergency assistance

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D12
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 58N of the *Fringe Benefits Tax Assessment Act 1986*		

Benefits provided by way of emergency assistance are exempt from fringe benefits tax. Emergency assistance includes certain first aid or other emergency health care; emergency meals, food supplies, clothing, accommodation, transport, or use of household goods; temporary repairs; and any other similar benefit.

D13 Philanthropy — Exemption for accommodation, fuel and meals for live-in employees caring for the elderly or disadvantaged

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D13
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 58 and 58U of the *Fringe Benefits Tax Assessment Act 1986*		

Certain benefits that are provided to people employed in caring for elderly or disadvantaged persons and who reside with them in their own homes are exempt from fringe benefits tax. The benefits that are exempt are accommodation, residential fuel, meals and other food and drink provided in the home to the employee.

D14 Philanthropy — Exemption for public benevolent institutions (excluding public and not-for-profit hospitals)

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
720	840	990	1,110	1,260	1,380	1,490	1,610

Tax expenditure type:	Exemption	*2010 TES code:*	D14
Estimate Reliability:	Medium		
Commencement date:	2001	*Expiry date:*	
Legislative reference:	Subsection 57A(1) of the *Fringe Benefits Tax Assessment Act 1986*		

Public benevolent institutions (excluding hospital activities) are provided with an exemption from fringe benefits tax which is capped up to $30,000 of the grossed-up taxable value of fringe benefits per employee.

Excluded from the $30,000 cap are meal entertainment (such as expenses on a restaurant meal at a social occasion), entertainment facility leasing expenses and car parking. The fringe benefits tax exemption on these items remains unlimited.

Tax expenditures for housing and community amenities

D15 Exemption for remote area housing and reduction in taxable value for remote area housing assistance

Housing and community amenities ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
50	50	55	55	60	65	75	80

Tax expenditure type:	Exemption, Reduction in taxable value	*2010 TES code:*	D15
Estimate Reliability:	Low		
Commencement date:	2000	*Expiry date:*	
Legislative reference:	Sections 58ZC, 59, 60, and 65CC of the *Fringe Benefits Tax Assessment Act 1986*		

Housing benefits arise where an employer grants an employee the right to occupy or use a unit of accommodation as a usual place of residence. Such benefits provided to employees in remote areas are exempt from fringe benefits tax.

The taxable value of housing assistance provided to employees in remote areas is generally reduced by 50 per cent. Housing assistance includes benefits such as housing loans, provision of residential fuel, provision of a discounted house and land, provision of a residential housing ownership scheme, and the payment or reimbursement of rent, the interest accrued on a housing loan and the cost of acquiring a house and land.

Tax expenditures for recreation and culture

D16 Philanthropy — Exemption for certain fringe benefits provided to live-in employees providing domestic services to religious institutions and practitioners

Recreation and culture ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D16
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 58T of the *Fringe Benefits Tax Assessment Act 1986*		

Accommodation, household heating fuel, meals and other food and drink provided to live-in employees who provide domestic services and are employed by religious institutions or religious practitioners are exempt from fringe benefits tax.

D17 Philanthropy — Exemption for fringe benefits provided to certain employees of religious institutions

Recreation and culture ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
75	75	80	80	85	95	100	105

Tax expenditure type:	Exemption	*2010 TES code:*	D17
Estimate Reliability:	Low		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 57 of the *Fringe Benefits Tax Assessment Act 1986*		

Benefits provided to an employee, or to a spouse or child of the employee, of a religious institution are exempt from fringe benefits tax if the employee is a religious practitioner and only if the benefit is provided principally in respect of pastoral duties or any other duties or activities that are directly related to the practice, study, teaching or propagation of religious beliefs.

Tax expenditures for other economic affairs

D18 Application of statutory formula to value car benefits

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
970	910	900	1,070	1,220	970	800	690

Tax expenditure type:	Discounted valuation	*2010 TES code:*	D18
Estimate Reliability:	Medium — Low		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 9 of the *Fringe Benefits Tax Assessment Act 1986*		

A fringe benefit arises where an employee is provided with a car for private use. A car fringe benefit is valued using either the operating cost method or the statutory formula method.

Under the fringe benefits tax benchmark, the value of a car fringe benefit is the cost of providing the vehicle (for instance, where the vehicle is provided under a lease, the value of the lease payments) plus the associated vehicle running costs.

The statutory formula method is designed to provide employers with a low compliance cost alternative to the operating cost method, eliminating the need to maintain a vehicle log book. The statutory formula method removes the need to explicitly distinguish between the business and private use of a vehicle. Under the statutory formula method, a person's car fringe benefit is determined by multiplying the relevant statutory rate by the cost of the car.

This approach may result in the undervaluation of the benefit when calculating fringe benefits tax with the result that less tax is paid on car fringe benefits than would be if the cost of the benefit were paid by the employee out of after tax cash remuneration.

Prior to 7:30pm (AEST) on 10 May 2011, the relevant statutory rates used to value car fringe benefits under the statutory formula method were progressive, based on the number of kilometres travelled during the FBT year.

For new contracts entered into after 7:30pm (AEST) on 10 May 2011, the statutory rate is 20 per cent, regardless of the distance travelled, subject to transitional arrangements.

D19 Discounted valuation for board meals

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
5	4	4	5	5	6	6	7

Tax expenditure type:	Discounted valuation	*2010 TES code:*	D19
Estimate Reliability:	Low		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 36 of the *Fringe Benefits Tax Assessment Act 1986*		

Where an employee is entitled under an industrial award or employment arrangement to accommodation and to at least two meals a day, eligible meals (known as 'board meals') are valued at concessional rates for the purposes of fringe benefits tax.

The taxable value of a board meal is $2 per meal per person, or $1 per meal per person if the person is under the age of 12. Any amount paid for the meal is deducted.

D20 Discounted valuation for car parking fringe benefits

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
13	13	14	15	16	17	18	20

Tax expenditure type:	Discounted valuation	*2010 TES code:*	D20
Estimate Reliability:	Low		
Commencement date:	1993	*Expiry date:*	
Legislative reference:	Section 39A of the *Fringe Benefits Tax Assessment Act 1986*		

A car parking fringe benefit arises if within a one kilometre radius of the premises on which the car is parked there is a commercial parking station that charges a fee for all day parking that is more than a specified car parking threshold calculated by reference to movements in the consumer price index. The threshold for the fringe benefits tax year commencing 1 April 2011 is $7.71. For fees under the threshold no parking fringe benefit arises.

The fringe benefit only applies to cars (any motor-powered road vehicle designed to carry a load of less than one tonne and fewer than nine passengers). Motorcycles are exempt from fringe benefits tax for the purposes of this concession.

The tax expenditure also arises due to the availability of five different methods by which employers can calculate their fringe benefits tax liability for the car parking benefit. The use of these methods may result in the undervaluation of the benefit when calculating fringe benefits tax with the result that less tax is paid on car parking fringe benefits than would be if the cost of the benefit were paid by the employee out of after tax cash remuneration.

D21 Discounted valuation of arm's length transaction price for in-house property and residual fringe benefits

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Discounted valuation	*2010 TES code:*	D21
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 42, 48 and 49 of the *Fringe Benefits Tax Assessment Act 1986*		

The taxable value of in-house property fringe benefits and in-house residual fringe benefits is 75 per cent of the lowest retail price charged to the public in the ordinary course of business.

D22 Discounted valuation of holidays for employees and their families when posted overseas

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Discounted valuation	*2010 TES code:*	D22
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 61A and 143C of the *Fringe Benefits Tax Assessment Act 1986*		

For fringe benefits tax purposes, the value of an overseas holiday that is provided in accordance with an industry custom or under an industrial award to an employee and their family members when posted overseas is reduced by 50 per cent. Included are overseas transport, meals and accommodation.

The benefit is limited to 50 per cent of a benchmark amount, which is based on the cost of a return airfare to the employee's home location, and an employee must provide documentary evidence to the employer to substantiate the value of the holiday.

D23 Discounted valuation of stand-by travel for airline employees and travel agents

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
6	3	5	6	6	6	7	7

Tax expenditure type:	Discounted valuation	*2010 TES code:*	D23
Estimate Reliability:	Medium		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 32 and 33 of the *Fringe Benefits Tax Assessment Act 1986*		

The taxable value of an airline transport fringe benefit for airline employees and travel agents is the stand-by value less the employee contribution. For domestic travel, the stand-by value is 37.5 per cent of the lowest publicly advertised, economy airfare charged by the provider, at or about the time of travel, over that route. For international travel, the stand by value is 37.5 per cent of the lowest fare published in Australia as charged by the carrier for travel over that route in the 12 months preceding the end of the year of tax.

D24 Discounted value for remote area holiday benefits

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Discounted valuation	*2010 TES code:*	D24
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 60A and 61 of the *Fringe Benefits Tax Assessment Act 1986*		

The value of holiday related transport benefits (including the cost of appropriate meals and accommodation en route) provided to employees working in a remote area (and any family members living with them in the remote area) are generally reduced by 50 per cent.

D25 Exemption for benefits in relation to compassionate travel

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D25
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 58LA of the *Fringe Benefits Tax Assessment Act 1986*		

The cost of transport, meals and accommodation an employer may provide to an employee, or a close relative of an employee that is for compassionate purposes (for example, serious illness or funerals) is exempt from fringe benefits tax.

D26 Exemption for certain loan benefits

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D26
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 17 of the *Fringe Benefits Tax Assessment Act 1986*		

Certain in-house loan benefits and certain loans to employees to meet employment-related expenses are exempt from fringe benefits tax.

D27 Exemption for certain long service awards

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D27
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 58Q of the *Fringe Benefits Tax Assessment Act 1986*		

Long service awards granted in recognition of 15 years or more service, up to a specified maximum amount, are exempt from fringe benefits tax.

From 1 April 2005, the specified maximum amount increased from $500 to $1,000 where the period of service being recognised by the award is 15 years. Also from 1 April 2005, the maximum additional amount increased from $50 to $100 for each additional year served where an award recognises a period of service greater than 15 years.

D28 Exemption for certain payments to approved worker entitlement funds

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
155	155	170	180	195	210	225	245

Tax expenditure type:	Exemption	*2010 TES code:*	D28
Estimate Reliability:	Low		
Commencement date:	2003	*Expiry date:*	
Legislative reference:	Sections 58PA and 58PB of the *Fringe Benefits Tax Assessment Act 1986*		

Payments to approved worker entitlement funds for the purposes of providing for entitlements such as redundancy and long service leave of employees are exempt from fringe benefits tax. The funds must be either prescribed by regulation or be a long service leave fund established under a Commonwealth, State or Territory law.

D29 Exemption for certain relocation and recruitment expenses

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D29
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 58A to 58D and 58F of the *Fringe Benefits Tax Assessment Act 1986*		

Certain benefits associated with relocation and recruitment expenses are exempt from fringe benefits tax. The exemption applies to benefits associated with the cost of travelling to attend an interview or selection test, the cost of removal and storage of household effects, costs associated with the sale and/or purchase of a dwelling, costs associated with connecting or reconnecting certain utilities and the costs of providing relocation transport and any meals and accommodation en route.

D30 Exemption for eligible work-related items

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
70	20	35	35	40	40	45	50

Tax expenditure type:	Exemption	*2010 TES code:*	D30
Estimate Reliability:	Low		
Commencement date:	1995	*Expiry date:*	
Legislative reference:	Section 58X of the *Fringe Benefits Tax Assessment Act 1986*		

Eligible work-related items (such as mobile phones, laptop computers, protective clothing and tools of trade) provided by an employer to an employee are exempt from fringe benefits tax.

From 13 May 2008, this exemption only applies where these items are used primarily for work purposes. In addition, the exemption will generally be limited to one item of each type per employee per year.

D31 Exemption for employee taxi travel to or from their place of work

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D31
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1997	*Expiry date:*	
Legislative reference:	Section 58Z of the *Fringe Benefits Tax Assessment Act 1986*		

Any benefit arising from taxi travel by an employee is exempt from fringe benefits tax if the travel is a single trip beginning or ending at the employee's place of work.

D32 Exemption for employer contributions to secure childcare places in certain centres

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D32
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Subsection 47(8) of the *Fringe Benefits Tax Assessment Act 1986* Section 195 of the *A New Tax System (Family Assistance) (Administration) Act 1999*		

Payments made by employers to obtain priority of access to certain childcare facilities for children of employees are exempt from fringe benefits tax. To be exempt, payments must be made to child care facilities that are eligible to receive Child Care Benefit payments from the Australian Government.

Child care facilities will be eligible for such payments if they are approved by the Secretary of the Department of Education, Employment and Workplace Relations.

D33 Exemption for employer-provided motor vehicle parking

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D33
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1986, 1993	*Expiry date:*	
Legislative reference:	Section 58G of the *Fringe Benefits Tax Assessment Act 1986* Regulation 13A of the *Fringe Benefits Tax Regulations 1992*		

Parking for disabled employees, and parking for employees of scientific, religious, charitable or other public educational institutions, is exempt from fringe benefits tax.

D34 Exemption for engagement of a relocation consultant

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D34
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	2006	*Expiry date:*	
Legislative reference:	58AA of the *Fringe Benefits Tax Assessment Act 1986*		

Costs associated with the engagement of a relocation consultant where an employee moves residence as part of their employment are exempt from fringe benefits tax if certain criteria are met. A relocation consultant is a person who assists an employee, or his or her family members, to move and settle into a new location.

The criteria to be met are that the benefit is at arm's length, and documentary evidence of the expenditure is provided to the employer.

D35 Exemption for free or discounted commuter travel for employees of public transport providers

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
25	25	30	30	35	35	35	35

Tax expenditure type:	Exemption	*2010 TES code:*	D35
Estimate Reliability:	Very Low		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Subsection 47(1) of the *Fringe Benefits Tax Assessment Act 1986*		

Where an employer operates a business of providing transport to the public, the provision of free or discounted travel (other than in an aircraft) to employees of that business for the purpose of their travelling to and from work is exempt from fringe benefits tax. Where an employee's place of work is in a metropolitan area, free or discounted travel on a scheduled service within that area is also exempt from fringe benefits tax.

D36 Exemption for free or discounted travel to and from duty by police officers on public transport

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D36
Estimate Reliability:	Very Low	** Category*	1+
Commencement date:	2000	*Expiry date:*	
Legislative reference:	Subsection 47(1A) of the *Fringe Benefits Tax Assessment Act 1986*		

The provision of travel on public transport to police officers for the purpose of travel between the officer's place of residence and their primary place of employment is exempt from fringe benefits tax.

D37 Exemption for minor benefits

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D37
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 58P of the *Fringe Benefits Tax Assessment Act 1986*		

Minor benefits may be exempt from fringe benefits tax. Minor benefits are currently benefits that are less than $300 in value, infrequently provided and/or are difficult to record and value. It must also be unreasonable to treat the minor benefit as a fringe benefit.

D38 Exemption for minor private use of company motor vehicle

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D38
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Subsection 47(6) of the *Fringe Benefits Tax Assessment Act 1986*		

Where an employee is provided with the use of a motor vehicle that is not a car, such use is exempt from fringe benefits tax if any private use is restricted to travel to and from work, use which is incidental to travel in the course of duties of employment, and non-work-related use that is minor, infrequent and irregular.

D39 Exemption for private use of business property

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D39
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 41 and 47(3) of the *Fringe Benefits Tax Assessment Act 1986*		

The personal use of property (other than a motor vehicle) by an employee that is ordinarily located on the employer's business premises and is principally used directly in connection with business operations is exempt from fringe benefits tax.

From 13 May 2008, this exemption excludes meals provided under a salary sacrifice arrangement. These rules, however, do not affect subsidised canteens that are provided to all staff and that are not part of a salary sacrifice arrangement.

D40 Exemption for recreational or childcare facilities on an employer's business premises

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D40
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Subsection 47(2) of the *Fringe Benefits Tax Assessment Act 1986*		

Recreational or childcare facilities are exempt from fringe benefits tax if the facilities are provided on an employer's business premises for the benefit of employees.

D41 Exemption for small business employee car parking

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
9	9	10	11	12	13	14	15

Tax expenditure type:	Exemption	*2010 TES code:*	D41
Estimate Reliability:	Low		
Commencement date:	1997	*Expiry date:*	
Legislative reference:	Section 58GA of the *Fringe Benefits Tax Assessment Act 1986*		

Car parking benefits provided to employees of small business employers are exempt from fringe benefits tax if the parking is not provided in a commercial car park. The employer must not be a government body, listed public company or subsidiary of a listed public company, and the employer's total income must be less than $10 million.

D42 Exemption for the provision of food and drink in certain circumstances

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D42
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 54 and 58V of the *Fringe Benefits Tax Assessment Act 1986*		

Where employees receive meals that are board fringe benefits, any additional food and drink supplied to them, such as morning and afternoon teas, is exempt from fringe benefits tax. Food and drink provided to domestic employees who do not 'live-in' may be exempt from fringe benefits tax if consumed by the employee at the place of employment and the employer is a religious institution or individual.

D43 Exemption for transport for oil rig and remote area employees in certain circumstances

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D43
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Subsection 47(7) of the *Fringe Benefits Tax Assessment Act 1986*		

Transport provided to employees in remote areas or who work on oil rigs or other installations at sea may be exempt from fringe benefits tax. The exemption applies where the employees are provided with accommodation at or near the work site on working days and it would be unreasonable to expect the employees to travel to and from work on a daily basis.

D44 Exemptions for certain employees training under the Australian Traineeship System

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D44
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 58S of the *Fringe Benefits Tax Assessment Act 1986*		

Food, drink and accommodation provided to people training under the Australian Traineeship System may be exempt from fringe benefits tax. To be exempt, the benefits must be provided in accordance with an award or an industry custom and must not be provided at a party, reception or other social function.

D45 Exemptions for employees living away from home

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
250	300	370	450	490	320	360	390

Tax expenditure type:	Exemption	*2010 TES code:*	D45
Estimate Reliability:	Low		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 21, 31, 47(5), 58E, 58ZD and 63 of the *Fringe Benefits Tax Assessment Act 1986*		

Accommodation, household goods, worktime meals and payments for extra expenses provided to employees living away from their usual place of residence (in order to perform their duties of employment) are exempt from fringe benefits tax. As announced in the 2011-12 MYEFO from 1 July 2012 only expenses incurred on food, beyond a statutory amount, and accommodation by permanent resident employees who are required to live away from their usual place of residence to perform their duties of employment and by temporary resident employees who are required to live away from their usual place of residence in Australia to perform their duties of employment are exempt from fringe benefits tax.

D46 Philanthropy — Exemption for donations to deductible gift recipients

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	D46
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 2008	*Expiry date:*	
Legislative reference:	Subsection 148(2) of the *Fringe Benefits Tax Assessment Act 1986*		

Donations to deductible gift recipients made under salary sacrifice arrangements are exempt from fringe benefits tax.

D47 Reduction in taxable value of certain relocation and recruitment expenses

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Reduction in taxable value	*2010 TES code:*	D47
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 61B to 61E of the *Fringe Benefits Tax Assessment Act 1986*		

Reductions in taxable value are provided for fringe benefits associated with certain relocation and recruitment expenses. This includes benefits associated with cents per kilometre reimbursements for transport in an employee's car for relocation travel or travel to attend an interview or selection test, the provision of temporary accommodation, and meals provided to an employee (or family member) while staying in a hotel, motel, hostel or guesthouse which is used for temporary accommodation while relocating.

Some related expenses may be exempt — see the tax expenditure *Exemption for certain relocation and recruitment expenses* (D29).

D48 Reduction in the aggregate taxable value of certain fringe benefits

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption, Reduction in taxable value	*2010 TES code:*	D48
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 62 of the *Fringe Benefits Tax Assessment Act 1986*		

In working out a particular employee's fringe benefit tax liability, the combined value of in-house fringe benefits and airline transport fringe benefits is reduced by $1,000.

This means that where an employer provides $1,000 or less of in-house and airline transport fringe benefits to an individual employee, the employee will not incur a fringe benefit tax liability in relation to those benefits. Where the value exceeds $1,000, the grossed-up value of the employee's fringe benefit will be reduced by $1,000.

D49 Ability to elect a 50/50 method for working out meal entertainment fringe benefits

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Record keeping exemption	*2010 TES code:*	D49
Estimate Reliability:	Low	** Category*	2+
Commencement date:	1995	*Expiry date:*	
Legislative reference:	Sections 37B and 37BA of the *Fringe Benefits Tax Assessment Act 1986*		

An employer may elect that the taxable value of meal entertainment fringe benefits provided to the employer's employees and associates is half the value of the expenses incurred in an FBT year by the employer in providing meal entertainment benefits generally.

The ability to elect a 50/50 split creates a tax expenditure whenever the value of the fringe benefits provided to employees, but for the ability to elect the 50/50 method, would have been more than half the cost to the employer of providing the meal entertainment benefits.

D50 Philanthropy — Rebate for certain not-for-profit, non-government bodies

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
30	30	25	30	35	40	45	50

Tax expenditure type:	Rebate	*2010 TES code:*	D50
Estimate Reliability:	Medium — Low		
Commencement date:	1994	*Expiry date:*	
Legislative reference:	Section 65J of the *Fringe Benefits Tax Assessment Act 1986*		

Certain not-for-profit, non-government bodies are eligible for a 48 per cent rebate of the fringe benefits tax that would otherwise be payable on up to $30,000 of the grossed-up taxable value of fringe benefits per employee.

In general, the rebate applies to religious institutions, not-for-profit scientific or educational institutions, charitable institutions, schools, trade unions and associations of employers or employees. The rebate also applies to a range of not-for-profit societies, associations or clubs that are entitled to be exempt from income tax.

D51 Record keeping exemption

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	..	..	..	..	..	..	..

Tax expenditure type:	Record keeping exemption	*2010 TES code:*	D51
Estimate Reliability:	Low		
Commencement date:	1998	*Expiry date:*	
Legislative reference:	Part XIA of the *Fringe Benefits Tax Assessment Act 1986*		

Broadly, if an employer has kept and lodged required fringe benefits tax records, and provides aggregate fringe benefits below a threshold ($7,391 in the year ending 31 March 2012) then an employer need not keep or retain full fringe benefits tax records. Those employers' liability to pay fringe benefits tax is based on their liability in their most recent base year instead of the current year.

A base year is a year after 1 April 1996 in which the employer met the conditions given above.

CAPITAL GAINS TAX

The capital gains tax benchmark comprises:

- taxation of gains on a realisation basis (that is, at the time an asset is disposed of) rather than on accrual;
- a tax base of nominal gains or losses from the realisation of property where the realisation is not an aspect of the carrying on of a business; and
- the limitation of Australian taxation of the capital gains of foreign residents to gains on the direct or indirect disposal of interests in Australian land (and similar assets such as mining rights) and branch office assets.

Tax expenditures for defence

E1 Capital gains tax exemption for valour or brave conduct decorations

Defence ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2010 TES code:*	E1
Estimate Reliability:	Low		
Commencement date:	1985	*Expiry date:*	
Legislative reference:	Paragraph 118-5(b) of the *Income Tax Assessment Act 1997*		

Capital gains or losses arising from the disposal of a decoration awarded for valour or brave conduct are exempt from capital gains tax. This exemption is available unless the owner of the decoration had paid money or given any other property for it.

Tax expenditures for health

E2 Capital gains tax roll-over for membership interests in medical defence organisations

Health ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2010 TES code:*	E2
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	2007	*Expiry date:*	
Legislative reference:	Subdivision 124-P of the *Income Tax Assessment Act 1997*		

A capital gains tax roll-over is available for capital gains arising from the exchange of a membership interest in a medical defence organisation for a similar interest in another medical defence organisation where both organisations are companies limited by guarantee. The roll-over allows a member who exchanges their membership interest for the replacement interest to defer a capital gains tax liability arising from the exchange until the ultimate disposal of the replacement membership interest.

Tax expenditures for social security and welfare

E3 Capital gains tax exemptions for special disability trusts

Social security and welfare ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	New
Estimate Reliability:	Medium	** Category*	1+
Commencement date:	2006	*Expiry date:*	
Legislative reference:	Sections 118-85 and 118-215 to 118-230 of the *Income Tax Assessment Act 1997*		

The transfer by a taxpayer of an asset to a Special Disability Trust (SDT) for no consideration is exempt from capital gains tax (CGT). A trustee of an SDT is also eligible for the CGT main residence exemption to the extent the principal beneficiary uses the dwelling as a home.

Tax expenditures for housing and community amenities

E4 Capital gains tax concessions for conservation covenants

Housing and community amenities ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2010 TES code:*	E3
Estimate Reliability:	Low		
Commencement date:	2000	*Expiry date:*	
Legislative reference:	Section 104-47 of the *Income Tax Assessment Act 1997*		

For capital gains tax purposes, perpetual conservation covenants are treated as a part disposal of land, rather than the creation of a right. This treatment results in a reduced capital gain because a portion of the cost base of the land is taken into account. Previously the capital gain equalled the amount received for the covenant less incidental costs.

Landowners can also benefit from any capital gains tax concession or exemption that may apply to the capital gain. For example, a capital gain from a covenant granted in respect of land owned before 20 September 1985 is exempt. In addition, the capital gains tax discount may now apply if the land has been owned for at least 12 months.

E5 Capital gains tax main residence exemption

Housing and community amenities ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
18,000	13,000	19,500	16,000	15,500	16,000	16,000	16,500

Tax expenditure type:	Exemption	*2010 TES code:*	E4
Estimate Reliability:	Medium — Low		
Commencement date:	1985	*Expiry date:*	
Legislative reference:	Subdivision 118-B of the *Income Tax Assessment Act 1997*		

Capital gains or losses on the disposal of an individual's main residence and up to two hectares of adjacent land are exempt from capital gains tax, to the extent the dwelling is used as a home.

- A taxpayer is entitled to treat a dwelling as their main residence from the time they acquire it until the time when they first occupy it provided they occupy it as soon as practicable.

- A taxpayer is entitled to acquire a dwelling that is to become their main residence, whilst still owning an existing dwelling and treat both dwellings as their main residence for up to six months or until their ownership of the existing dwelling ends, whichever occurs first.

- A taxpayer is entitled to treat a block of land as their main residence, if the land was acquired for the purposes of building a dwelling, the dwelling is completed within four years of acquiring the land (or a later time allowed by the Commissioner), the taxpayer moves into the dwelling as soon as practicable and the dwelling continues to be their main residence for at least three months.

See tax expenditure E6 for the 50 per cent concession component of the main residence exemption.

E6 Capital gains tax main residence exemption — discount component

Housing and community amenities ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
22,500	16,500	24,000	19,500	20,000	20,000	20,000	20,000

Tax expenditure type:	Exemption	*2010 TES code:*	E5
Estimate Reliability:	Medium — Low		
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Division 115 of the *Income Tax Assessment Act 1997*		

Capital gains or losses on the disposal of an individual's main residence and up to two hectares of adjacent land are exempt from capital gains tax, to the extent the dwelling is used as a home. Disposals of other assets by individuals or trusts receive a capital gains tax exemption applying to 50 per cent of any nominal gain where the asset has been owned for at least 12 months.

The CGT treatment of the main residence effectively provides a 100 per cent exemption. Conceptually, this can be split into a component reflecting the 50 per cent discount provided to disposals of non-main residence assets and a 'top up' component that brings the concession up to 100 per cent.

The remainder of the value of the CGT main residence exemption, representing the value of the concession relative to the normal CGT rules, is reported in tax expenditure E5. Tax expenditure E17 provides further detail on the 50 per cent concession applying to other assets.

E7 Other extensions to the capital gains tax main residence exemption

Housing and community amenities ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	E6
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1985 and 1996	*Expiry date:*	
Legislative reference:	Sections 118-145, 118-190 and 118-200 of the *Income Tax Assessment Act 1997*		

A taxpayer's dwelling may continue to be treated as their main residence even if it ceases to be their main residence for up to six years if the dwelling is used to produce assessable income (the six-year rule); or indefinitely, if the dwelling is not used to produce assessable income. This is provided that no other dwelling is treated as the taxpayer's main residence during the period of absence.

In addition, from 20 August 1996, a taxpayer who receives a dwelling as beneficiary of a deceased estate, or who owns the dwelling as the trustee of a deceased estate, may be able to disregard a capital gain or capital loss if certain conditions are met.

E8 Relief for taxpayers affected by natural disasters

Housing and community amenities ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	New
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	2011	*Expiry date:*	
Legislative reference:	Not yet legislated		

Capital gains tax (CGT) relief will be available for taxpayers participating in an Australian government agency program that provides replacement assets to taxpayers that have been affected by a natural disaster. This will give taxpayers the option of accessing a CGT exemption on their original assets that are replaced under the program, and obtain a market value cost base for their new asset where they make that choice.

Tax expenditures for recreation and culture

E9 Philanthropy — Capital gains tax exemption for the disposal of assets under the Cultural Gifts Program

Recreation and culture ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	E7
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Subsection 118-60(2) of the *Income Tax Assessment Act 1997*		

Capital gains or capital losses arising from gifts made under the Cultural Gifts program are exempt from capital gains tax. The Cultural Gifts program, which does not apply to testamentary gifts, encourages donations of significant cultural items from private collections to public art galleries, museums and libraries by offering tax benefits to the donor.

Tax expenditures for other economic affairs

E10 Capital gains tax roll-over for worker entitlement funds

Other economic affairs — Total labour and employment affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2010 TES code:*	E8
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	2003	*Expiry date:*	
Legislative reference:	Subdivision 126-C of the *Income Tax Assessment Act 1997*		

A capital gains tax roll-over is available for a fund that amends or replaces its trust deed in order to become an approved worker entitlement fund for fringe benefits tax purposes.

E11 Capital gains tax — Demutualisation of mutual entities

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	2	1	1	2	2	3

Tax expenditure type:	Exemption	*2010 TES code:*	E9
Estimate Reliability:	Low		
Commencement date:	1995	*Expiry date:*	
Legislative reference:	Division 9AA and Schedule 2H of the *Income Tax Assessment Act 1936* Division 315 of the *Income Tax Assessment Act 1997*		

Capital gains and capital losses arising under the demutualisation of a mutual entity, including a life insurer, general insurer or health insurer are disregarded for members and/or policyholders that receive shares in the demutualised entity.

In addition:

- members and policyholders of a demutualising life insurer receive a cost base for their shares based on the embedded value of the life insurer;
- members and policyholders of a demutualising general insurer receive a cost base for their shares based on the net tangible assets value of the general insurer;
- policyholders of a demutualising private health insurer receive a cost base for their shares based on the market value of the private health insurer; and
- policyholders and members of a demutualising friendly society that is a life insurer and/or a private health insurer receive a cost base for their shares that is based on the market value of the private health insurance business (if any) and the embedded value of any other businesses of the friendly society.

E12 Capital gains tax — Exemption for incentives related to renewable resources or for preserving environmental benefits

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	New
Estimate Reliability:		** Category*	na
Commencement date:	2007	*Expiry date:*	
Legislative reference:	Not yet legislated		

Capital gains and losses arising from a right to a financial incentive granted to taxpayers under an Australian government (Commonwealth, State or Territory) scheme that encourages the acquisition of renewable resource assets or the preservation of Australia's environmental amenity are exempt from capital gains tax (CGT). This removes CGT impediments from the effective operation of Australian government environmental schemes. In addition, assets underlying such a financial incentive are exempt from the income tax and CGT recoupment rules, so that the full value of the financial incentive is preserved.

E13 Capital gains tax — Indexation of cost base

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Reduction in taxable value	*2010 TES code:*	E10
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1985	*Expiry date:*	
Legislative reference:	Division 114 and Section 110-36 of the *Income Tax Assessment Act 1997*		

For assets acquired at or before 11:45 am EST on 21 September 1999, taxpayers may choose to calculate the capital gain on the asset by reference to its indexed cost base. Taxpayers that choose to use the indexed cost base cannot access the capital gains tax discount. The indexed cost base for these assets was frozen as at 30 September 1999.

E14 Capital gains tax — Roll-overs for complying superannuation funds in certain circumstances

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2010 TES code:*	E12 and E25
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1994 (ADFs); 2004 (merging funds); 2008 (capital loss roll-over)	*Expiry date:*	2006 (merging funds); 2011 (capital loss roll-over)
Legislative reference:	Subdivision 126-C and 126-F and Division 310 of the *Income Tax Assessment Act 1997*		

Superannuation entities that merged to meet the requirements of the then new superannuation safety requirements (commencing 1 July 2004) do not incur a capital gains tax liability as a result of the merger. A roll-over was available for the transfer of an asset of a superannuation entity to another superannuation entity that was made from 1 July 2004 to 30 June 2006.

A roll-over is also available: where a complying superannuation fund or a complying Approved Deposit Fund amends or replaces its trust deed, with application from 1994; and for capital losses and the transfer of revenue losses arising on the merger of a complying superannuation fund with another complying superannuation fund with at least five members. Previously realised capital losses and revenue losses may also be transferred from the original fund to the continuing fund. These changes apply from 24 December 2008 to 30 September 2011.

E15 Capital gains tax — Roll-overs not otherwise recognised

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2010 TES code:*	E11 and E26
Estimate Reliability:	Not Applicable	** Category*	na
Commencement date:	Various	*Expiry date:*	
Legislative reference:	Division 122, 124, 126 of the *Income Tax Assessment Act 1997* and other CGT roll-overs not yet legislated		

This tax expenditure encompasses other capital gains tax (CGT) roll-overs not specifically covered in existing CGT roll-over tax expenditures. For example, the crown lease roll-over in Subdivision 124-J, the roll-over for the disposal of assets by a trust to a company provided in Subdivision 124-N, and the roll-overs facilitating a change to a company structure in Division 122.

E16 Capital gains tax deferral of liability when taxpayer dies

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2010 TES code:*	E13
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1985	*Expiry date:*	
Legislative reference:	Division 128 of the *Income Tax Assessment Act 1997*		

Generally, there is no capital gains tax taxing point when a taxpayer dies. Recognition of the gains or losses accruing during the life of the deceased is deferred for post-CGT assets until the person inheriting the asset later disposes of it. An exception applies if the capital gains tax asset passes to an exempt entity, the trustee of a complying superannuation entity, or a non-resident of Australia.

E17 Capital gains tax discount for individuals and trusts

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
9,780	9,160	4,150	4,290	4,700	5,190	6,090	7,160

Tax expenditure type:	Exemption	*2010 TES code:*	E14
Estimate Reliability:	Medium		
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Division 115 of the *Income Tax Assessment Act 1997*		

A capital gains tax exemption applies to 50 per cent of any nominal capital gain made by an individual or trust where the asset has been owned for at least 12 months. For assets acquired before 21 September 1999 and held for at least 12 months, an individual or trust may instead choose to be taxed on the difference between the disposal price and the indexed cost base frozen as at 30 September 1999.

This item includes the CGT discount component of the value of all capital gains tax expenditures except the CGT discount associated with the main residence exemption, which is reported separately at E6.

E18 Capital gains tax discount for investors in listed investment companies

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
40	35	40	25	25	30	30	40

Tax expenditure type:	Deduction	*2010 TES code:*	E15
Estimate Reliability:	Low		
Commencement date:	2001	*Expiry date:*	
Legislative reference:	Subdivision 115-D of the *Income Tax Assessment Act 1997*		

The shareholders of a listed investment company (LIC) who receive dividends that represent a distribution of capital gains made by that company are entitled to a deduction in respect of those dividends equivalent to the capital gains tax discount they would have received if they had realised the capital gains themselves. This concession applies in respect of gains realised by a LIC on or after 1 July 2001, provided the assets have been held by the LIC for at least 12 months.

E19 Capital gains tax exemption for assets acquired before 20 September 1985

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	E16
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1985	*Expiry date:*	
Legislative reference:	Division 104 of the *Income Tax Assessment Act 1997*		

Capital gains or losses on assets acquired before 20 September 1985 (the commencement date of the capital gains tax regime) are generally exempt from capital gains tax.

E20 Capital gains tax exemption of non-portfolio interests in foreign companies with active businesses

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Reduction in taxable value	*2010 TES code:*	E17
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1 April 2004	*Expiry date:*	
Legislative reference:	Subdivision 768-G of the *Income Tax Assessment Act 1997*		

Capital gains and losses by Australian companies and controlled foreign companies arising from certain capital gains tax events related to non-portfolio interests in foreign companies with active business assets are reduced.

E21 Capital gains tax roll-over and exemption and related taxation relief for demergers

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption, Deferral	*2010 TES code:*	E18
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	2002	*Expiry date:*	
Legislative reference:	Division 125 of the *Income Tax Assessment Act 1997* Subsection 44(4) of the *Income Tax Assessment Act 1936*		

Capital gains tax (CGT) concessions are available to defer or exempt the CGT payable in respect of the restructuring of a corporate or trust group, where the group is split into two or more entities or groups (that is, by demerging). There are three elements to demerger relief:

- CGT roll-over at the shareholder or trust membership interest level for interests such as shares that are exchanged during the demerger process;
- a CGT exemption for certain capital gains and losses at the entity level; and
- an income tax exemption for certain 'demerger dividends'.

These concessions are available to demergers that occur on or after 1 July 2002.

From 11 May 2010, demerger relief also applies to groups where the head entity is a corporation sole or a complying superannuation entity, subject to enactment of the legislation.

E22 Capital gains tax roll-over for financial service providers on transition to the Financial Services Reform regime

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	-	-	-	-	-

Tax expenditure type:	Deferral	*2010 TES code:*	E19
Estimate Reliability:	Not Applicable	** Category*	1-
Commencement date:	2002	*Expiry date:*	2004
Legislative reference:	Subdivision 124-O of the *Income Tax Assessment Act 1997*		

An automatic capital gains tax (CGT) roll-over is available to eligible financial service providers on transition to the Financial Services Reform regime. Financial service providers were provided the roll-over when, during the Financial Services Reform transitional period:

- an existing statutory licence, registration or authority was replaced with an Australian financial services licence;
- a qualified Australian financial services licence was replaced with an Australian financial services licence; or
- an intangible CGT asset was replaced with another intangible CGT asset.

E23 Capital gains tax roll-over for replacement small business active assets

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
220	350	190	160	170	170	180	190

Tax expenditure type:	Deferral	*2010 TES code:*	E20
Estimate Reliability:	Medium — High		
Commencement date:	1997	*Expiry date:*	
Legislative reference:	Subdivision 152-E of the *Income Tax Assessment Act 1997*		

A capital gains tax roll-over is available for capital gains arising from the disposal of active small business assets if the proceeds of the sale are used to purchase other active small business assets. Active assets include assets used in carrying on a business and intangible assets inherently connected with a business (for example, goodwill). An eligible small business is one where the net value of assets that the taxpayer and connected entities own is no more than $6 million, or where the aggregated annual turnover is less than $2 million.

E24 Capital gains tax roll-over for statutory licenses and water entitlements

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
90	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2010 TES code:*	E21
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1985, 2005 and 2006	*Expiry date:*	
Legislative reference:	Subdivisions 124-C (statutory licences) and 124R (water entitlements) of the *Income Tax Assessment Act 1997*		

A capital gains tax roll-over is available where a statutory licence ends and is replaced with a new licence that authorises substantially similar activity to the original licence. In addition, a capital gains tax roll-over is available on an optional basis from the 2005-06 income year where a taxpayer's ownership of one or more water entitlements ends and the taxpayer receives one or more replacement water entitlements.

A partial capital gains tax roll-over is available for statutory licences (from the 2006-07 income year) and water entitlements (on an optional basis from the 2005-06 income year) where part of the capital proceeds received does not take the form of a replacement statutory licence or water entitlement, as applicable. The component of any capital gains or losses that is referable to the replacement licence or water entitlement will be rolled over. Any part of the capital gain or loss from proceeds that do not take the form of a replacement licence or water entitlement will not qualify for the roll-over.

E25 Capital gains tax roll-over for transfer of assets on marriage or relationship breakdown

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2010 TES code:*	E22
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	2006 (expanded 2009)	*Expiry date:*	
Legislative reference:	Subdivision 126-A of the *Income Tax Assessment Act 1997*		

An automatic roll-over is available where a capital gains tax asset is transferred to a spouse or former spouse because of a marriage or relationship breakdown.

The roll-over also applies to assets transferred under a binding financial agreement or an arbitral award entered into under the *Family Law Act 1975* or similar arrangements under state, territory or foreign legislation.

This also includes roll-over where there is a transfer of a capital gains tax asset from a small superannuation fund to another complying superannuation fund following marriage breakdown but only where such transfers meet specific conditions.

E26 Capital gains tax roll-over for transfer of Public Sector Superannuation Fund assets to pooled superannuation trust

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-15	-15	-15	-15	-	-	-	-

Tax expenditure type:	Deferral	*2010 TES code:*	E23
Estimate Reliability:	Medium		
Commencement date:	2005	*Expiry date:*	
Legislative reference:	Item 3 of Schedule 7 to the *Superannuation (Consequential Amendments) Act 2005*		

An automatic capital gains tax roll-over will occur for the transfer of capital gains tax assets from the Public Sector Superannuation Board to the trustee of a pooled superannuation trust to establish the Public Sector Superannuation Accumulation Plan.

E27 Capital gains tax roll-over relief for assets compulsorily acquired, lost or destroyed

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2010 TES code:*	E24
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1985	*Expiry date:*	
Legislative reference:	Subdivision 124-B of the *Income Tax Assessment Act 1997*		

A capital gains tax roll-over is available for capital gains where an asset is compulsorily acquired, lost or destroyed and the taxpayer purchases a replacement asset. In recognition that the disposal was not initiated by the taxpayer, the capital gains liability is deferred from the time of the compulsory acquisition, loss or destruction until the ultimate disposal of the replacement asset.

This measure has been extended to establish the same treatment for a compulsory acquisition whether by a private or public acquirer and to provide greater flexibility for landowners whose land is compulsorily subject to a mining lease.

E28 Capital gains tax roll-overs to facilitate the consolidation of Commonwealth Superannuation Schemes

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
70	-15	-15	-15	5	-5	-5	-5

Tax expenditure type:	Deferral	*2010 TES code:*	E27
Estimate Reliability:	Medium — High		
Commencement date:	2006 (CSS); 2010 (ARIA)	*Expiry date:*	30 June 2012 (ARIA)
Legislative reference:	Schedule 1, Part 3 of the *Superannuation Legislation Amendment (Trustee Board and Other Measures) Act 2006* (CSS); *Superannuation Legislation (Consequential Amendments and Transitional Provisions) Act 2011* (ARIA)		

An automatic capital gains tax (CGT) roll-over is available for the transfer of CGT assets from the Commonwealth Superannuation Scheme (CSS) to the Public Sector Superannuation Investments Trust as part of a restructure of the CSS.

A roll-over will also be available for the transfer by the proposed Commonwealth Superannuation Corporation of assets from the Military Superannuation Benefits Scheme to the Australian Reward Investment Alliance.

E29 Capital gains tax scrip-for-scrip roll-over

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
125	1,110	-130	475	*	*	*	*

Tax expenditure type:	Deferral	*2010 TES code:*	E28
Estimate Reliability:	Low	** Category*	3+
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Subdivision 124-M of the *Income Tax Assessment Act 1997*		

A capital gains tax roll-over is available for capital gains arising from an exchange of interests in companies or fixed trusts. The roll-over ensures that an equity holder who exchanges original shares or other equity for new equity in a takeover or merger can defer a capital gains tax liability arising from the exchange until the ultimate disposal of the replacement asset. The roll-over ensures that capital gains tax does not impede takeovers and similar arrangements. This tax expenditure is likely to vary considerably depending upon actual takeover and merger activity. Estimates of the magnitude of this item for the projection years are based on the average activity in preceding periods.

E30 Exemption from the market value substitution rule in relation to the cancellation or surrender of interests in widely held entities

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	E29
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	2006	*Expiry date:*	
Legislative reference:	Section 116-30 of the *Income Tax Assessment Act 1997*		

The capital gains tax market value substitution rule deems assets that are disposed of for less than their market value to have been disposed for a consideration equal to their market value. This measure exempts membership interests in widely-held entities that are disposed of by way of a redemption, cancellation or surrender (capital gains tax event C2) of the interest from the market value substitution rule, with effect from the 2006-07 income year.

E31 Philanthropy — Capital gains tax exemption for testamentary gifts to deductible gift recipients

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	E30
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1999 (expanded 2005)	*Expiry date:*	
Legislative reference:	Subsections 118-60(1) and (1A) of the *Income Tax Assessment Act 1997*		

Testamentary gifts (that is, gifts made under a will) of certain property to deductible gift recipients are exempt from capital gains tax. From 2005 the requirement that a gift be valued at greater than $5,000 to access the exemption was removed.

E32 Quarantining of capital losses

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Denial of deduction	*2010 TES code:*	E31
Estimate Reliability:	Low	** Category*	4-
Commencement date:	1985	*Expiry date:*	
Legislative reference:	Section 100-50 of the *Income Tax Assessment Act 1997*		

Capital losses may only be offset against capital gains, which means they are quarantined from ordinary income.

E33 Removal of taxation of certain financial instruments at point of conversion or exchange

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2010 TES code:*	E32
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	2002	*Expiry date:*	
Legislative reference:	Sections 26BB and 70B of the *Income Tax Assessment Act 1936*		

Gains or losses from conversion or exchange of convertible or exchangeable interests issued after 14 May 2002 are not subject to taxation at the point of conversion or exchange, but, instead, taxation is deferred until the ultimate disposal of the shares.

Convertible interests are financial instruments that may convert into shares in the company that issued the convertible interest. Exchangeable interests are instruments that may convert into shares in a company other than the issuer.

E34 Small business capital gains tax 50 per cent reduction

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
780	1,010	590	500	520	540	550	570

Tax expenditure type:	Exemption	*2010 TES code:*	E33
Estimate Reliability:	Medium — High		
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Subdivision 152-C of the *Income Tax Assessment Act 1997*		

Fifty per cent of the capital gains arising from the sale of active assets in an eligible small business are exempt from capital gains tax. This applies in addition to any capital gains tax discount entitlement of the taxpayer. Active assets include assets used in carrying on a business and intangible assets inherently connected with a business (for example, goodwill). An eligible small business is one where the net value of assets that the taxpayer and connected entities own is no more than $6 million, or where the aggregated annual turnover is less than $2 million.

E35 Tax exemption for certain foreign investment in venture capital

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	E34
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Sections 51-54 and 51-55 and Subdivisions 118-F and 118-G of the *Income Tax Assessment Act 1997*		

Certain non-resident investors are exempt from tax on profits and gains in respect of their eligible venture capital investments.

The concession introduced in 1999 provides an exemption from tax on the disposal of investments in new equity in eligible venture capital investments to non-resident pension funds that are tax exempt in their home jurisdiction (being either Canada, France, Germany, Japan, the United Kingdom, the United States or other approved jurisdictions).

The concession introduced in 2002 provides an exemption from tax on the profits and gains in equity investments made by a venture capital limited partnership to certain non-resident partners in the partnership. The exemption is available to a partner who is a tax exempt resident of Canada, France, Germany, Japan, the United Kingdom, the United States or other approved jurisdictions, a venture capital fund of funds established and maintained in those countries, or a taxable resident of Canada, Finland, France, Germany, Italy, Japan, the Netherlands (excluding the Netherlands Antilles), New Zealand, Norway, Sweden, Taiwan, the United Kingdom, the United States or other approved jurisdictions, that holds less than 10 per cent of the committed capital of a venture capital limited partnership.

In 2007, the venture capital limited partnerships regime was enhanced by:

- removing a range of restrictions including allowing investment in unit trusts and convertible notes as well as shares;
- relaxing the requirement that 50 per cent of assets and employees must be in Australia for 12 months after making the investment; and
- removing restrictions on the country of residence of investors.

3.7 Indirect taxes benchmark

The Australian Government imposes taxes on a range of activities that do not directly relate to income. These 'indirect' taxes are imposed on the consumption of particular goods and services and on a range of other economic activities. The tax base for the indirect taxes benchmark is made up of five components.

- The commodity and other indirect taxes benchmark relates to taxes on the consumption of fuel (or energy), tobacco, types of alcoholic beverages and motor vehicles, as well as including some other miscellaneous taxes such as agricultural levies and the passenger movement charge.

- The customs duty benchmark relates to taxes on the importation of goods into Australia (the tax expenditure related to this benchmark is reported under the commodity and other indirect taxes heading).

- The natural resources tax benchmark relates to taxes on the extraction and production of Australia's natural resources.

- The goods and services tax benchmark relates to tax on the final consumption of goods and services by households.

- The carbon pricing benchmark relates to taxes or other revenue-raising arrangements imposed to recover the external costs of particular activities.

COMMODITY AND OTHER INDIRECT TAXES

Commodity taxes include volumetric taxes on the consumption of tobacco, fuel, beer, spirits (and equivalent imports), and *ad valorem* taxes on the consumption of wine and luxury cars. These taxes are imposed at either the retail, manufacture or importation stage. Other indirect taxes covered by this benchmark include the Passenger Movement Charge and agricultural levies.

For these taxes, the benchmark comprises:

- either the value or quantity of the commodity sold as the tax base;

- the rate of tax that applies to the price or quantity of the commodity sold as the tax rate; and

- the entity that has the legal obligation to pay the tax as the tax unit.

Commodity taxes also include customs duties on goods imported into Australia. The benchmark for customs duties comprises duty-free imports of goods into Australia, except to the extent that the customs duty imposed is equivalent to taxes imposed on domestically produced goods, such as excise equivalent customs duties.

Tax expenditures for agriculture, forestry and fishing

F1 Primary industry levies — Exemptions for small and large producers

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	F1
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	*Primary Industries (Customs) Charges Act 1999* *Primary Industries (Excise) Levies Act 1999*		

Certain producers are exempt from primary industry levies. While the specific exemptions differ on a commodity by commodity basis, they are all in some way related to the quantity or value of the particular commodity produced in a given year.

Tax expenditures for transport and communications

F2 Exemptions to radiocommunications taxes for not-for-profit community or government entities

General public services — General services ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
5	5	5	5	5	5	5	5

Tax expenditure type:	Exemption	*2010 TES code:*	B49
Estimate Reliability:	Medium		
Commencement date:	1992	*Expiry date:*	
Legislative reference:	Section 294, Part 5.7 of the *Radiocommunications Act 1992*		

The apparatus licence fee is an annual tax applicable to broadcasting licence holders to recover the indirect costs of spectrum management and provide incentives for efficient spectrum use.

Exemption of the apparatus licence fee is available to organisations or individuals who are: diplomatic and consular missions; surf life saving and remote area ambulance services; emergency services or services for the safe-guarding of human life — including rural fire fighting; search and rescue and coast guard services. These must be staffed principally by volunteers and be exempt from paying income tax.

F3 Exemptions under the Passenger Movement Charge

Transport and communication ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
30	40	40	50	50	50	50	60

Tax expenditure type:	Exemption	*2010 TES code:*	F2
Estimate Reliability:	Medium — High		
Commencement date:	1978	*Expiry date:*	
Legislative reference:	*Passenger Movement Charge Act 1978*		

Certain passengers are exempt from the Passenger Movement Charge.

F4 Incentives for licensees to facilitate new arrangements in the 400 MHz band

Recreation and culture ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	*	*	*	*

Tax expenditure type:	Exemption, Concessional rate	*2010 TES code:*	New
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	2010	*Expiry date:*	31 December 2015
Legislative reference:	*Radiocommunications (Transmitter Licence Tax) Determination 2003 (No.2)* *Radiocommunications (Receiver Licence Tax) Determination 2003 (No.2)*		

The apparatus licence fee is an annual tax applicable to broadcasting licence holders to recover the indirect costs of spectrum management and provide incentives for efficient spectrum use.

A 50 per cent reduction in the apparatus licence tax component of the apparatus licence fee is available for certain licensees who relocate in the radio spectrum. To be eligible for the reduction, relocation must occur before certain dates, depending on the band from which they are relocating, and the reduction in tax continues until the licence expires or 31 December 2015, whichever comes first.

F5 Rebate for broadcasting licence fees

Recreation and culture ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	50	129	72	-21	-9

Tax expenditure type:	Rebate	*2010 TES code:*	B50
Estimate Reliability:	Medium		
Commencement date:	2010	*Expiry date:*	2011
Legislative reference:	*Television License Fees Amendment Regulations 2010 (No. 1)*		

Television broadcasters receive one-off licence fee rebates of 33 per cent in 2010 and 50 per cent in 2011.

F6 Regional Equalisation Plan rebates

Transport and communication ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
9	4	4	4	4	3	1	1

Tax expenditure type:	Rebate	*2010 TES code:*	B52
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*Television Licence Fees Act 1964*		

Regional and remote commercial television broadcasters receive a licence fee rebate to assist with the changeover to digital broadcasting.

Fuel

F7 Concessional rate of excise levied on aviation gasoline and aviation turbine fuel

Fuel and energy ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
950	970	980	1,020	1,060	920	940	970

Tax expenditure type:	Concessional rate	*2010 TES code:*	F3
Estimate Reliability:	Low		
Commencement date:	15 March 1956	*Expiry date:*	
Legislative reference:	Item 10 of the Schedule to the *Excise Tariff Act 1921*		

Aviation gasoline and aviation turbine fuel are subject to a lower rate of excise than the benchmark rate. Aviation gasoline and aviation turbine fuel are currently excised at 3.556 cents per litre and this rate will be increased from 1 July 2012 to include a 'carbon component rate', which is determined by the emission factor of each fuel.

Excise on aviation fuel has been used to fund the provision of air services by the Australian Government. Excise on aviation fuel is currently directed to the funding of the Civil Aviation Safety Authority (CASA). From 1 July 2012, the carbon component of the tax will not be directed to CASA.

F8 Excise concessions for 'alternative fuels'

Fuel and energy ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
590	580	530	550	510	430	370	310

Tax expenditure type:	Concessional rate, Increased rate	*2010 TES code:*	F6
Estimate Reliability:	Low		
Commencement date:	1985	*Expiry date:*	
Legislative reference:	*Excise Tariff Act 1921*		

The benchmark rates for alternative fuels vary depending on energy content. The bio-fuels (ethanol and biodiesel) fuel tax rate is based upon the petrol and diesel rate. This gives rise to a negative tax expenditure for ethanol which is taxed at a higher rate than its benchmark. There is no tax expenditure for biodiesel as it is taxed at its benchmark rate.

The fuel tax on liquefied petroleum gas, liquefied natural gas and compressed natural gas began to be phased-in from 1 December 2011. The initial rate of excise applying to these fuels will progressively increase each year until the final excise rate is reached on 1 July 2015, to reflect a tax rate discount of 50 per cent of each fuel's respective benchmark fuel tax rate. This gives rise to a positive tax expenditure for these fuels, as they will be taxed at a lower rate than their respective benchmark rates.

Users of small, non-commercial scale, domestically-based compressed natural gas refuellers are exempt from paying excise duty on compressed natural gas used to fuel their vehicles.

The tax expenditure estimates do not include the impact of the Cleaner Fuels Grants Scheme and the Ethanol Production Grants Program, which are reported as expenditure programs for budget purposes.

F9 Excise levied on fuel oil, heating oil and kerosene

Fuel and energy ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-435	-440	-455	-445	-445	-445	-440	-440

Tax expenditure type:	Increased rate	*2010 TES code:*	F4
Estimate Reliability:	Medium		
Commencement date:	1983	*Expiry date:*	
Legislative reference:	Item 10 of the Schedule to the *Excise Tariff Act 1921*		

The benchmark excise rate for fuels consumed for a purpose other than in an internal combustion engine is zero.

Since 1 July 2006, fuel oil, heating oil, and kerosene have been subject to an excise of 38.143 cents per litre. Users of these products are eligible for a fuel tax credit of 38.143 cents per litre that effectively removes the incidence of excise. The tax expenditure estimates do not include the impact of fuel tax credits which are reported as an expenditure program for budget purposes.

F10 Excise levied on fuel products used for purposes other than as fuel

Fuel and energy ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-65	-55	-55	-55	-55	-55	-55	-55

Tax expenditure type:	Increased rate	*2010 TES code:*	F5
Estimate Reliability:	Medium — Low		
Commencement date:	1 July 2006	*Expiry date:*	
Legislative reference:	Item 10 of the Schedule to the *Excise Tariff Act 1921*		

Since 1 July 2006, fuels consumed for a purpose other than in an internal combustion engine (such as toluene used as a solvent) are subject to excise of 38.143 cents per litre. Business users of these products are eligible for a fuel tax credit of 38.143 cents per litre that effectively removes the incidence of excise. The tax expenditure estimates do not include the impact of fuel tax credits which are reported as an expenditure program for budget purposes.

Tobacco

F11 Higher rate of excise levied on cigarettes not exceeding 0.8 grams of tobacco

Health ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-1,435	-1,455	-1,480	-1,725	-1,760	-1,790	-1,845	-1,890

Tax expenditure type:	Increased rate	*2010 TES code:*	F7
Estimate Reliability:	Medium		
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Item 5 of the Schedule to the *Excise Tariff Act 1921*		

Cigarettes and cigars not exceeding 0.8 grams of tobacco are subject to excise at a higher rate than the benchmark. The benchmark excise rate for tobacco products (including imported tobacco products) is based on weight (per kilogram of tobacco content) and applies to loose tobacco and to cigarettes and cigars with more than 0.8 grams of tobacco. Cigarettes and cigars with less than 0.8 grams of tobacco are subject to excise on a per stick basis.

Alcohol

F12 Concessional rate of excise levied on brandy

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
4	5	4	4	4	4	5	5

Tax expenditure type:	Concessional rate	*2010 TES code:*	F8
Estimate Reliability:	Medium		
Commencement date:	9 November 1979	*Expiry date:*	
Legislative reference:	Item 3 of the Schedule to the *Excise Tariff Act 1921*		

Brandy is subject to a lower rate of excise than other spirits ($69.35 per litre of alcohol, compared to $74.27 per litre of alcohol as at 1 August 2011). The excise rate on brandy is indexed to the consumer price index biannually.

F13 Concessional rate of excise levied on brew-on-premise beer

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
4	5	5	4	4	4	4	4

Tax expenditure type:	Concessional rate	*2010 TES code:*	F9
Estimate Reliability:	Medium		
Commencement date:	1993	*Expiry date:*	
Legislative reference:	Item 1 of the Schedule to the *Excise Tariff Act 1921*		

Brew-on-premise beer (that is, beer produced for non-commercial purposes using commercial facilities or equipment) is subject to a lower rate of excise than the benchmark rate of full strength beer packaged in individual containers not exceeding 48 litres.

F14 Concessional rate of excise levied on draught beer

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
160	160	160	160	170	175	185	195

Tax expenditure type:	Concessional rate	*2010 TES code:*	F10
Estimate Reliability:	Medium		
Commencement date:	2001	*Expiry date:*	
Legislative reference:	Item 1 of the Schedule to the *Excise Tariff Act 1921*		

Draught beer (that is, beer packaged in individual containers exceeding 48 litres) is subject to a lower rate of excise than the benchmark rate of full strength beer packaged in individual containers not exceeding 48 litres.

F15 Concessional rate of excise levied on low-strength packaged beer

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
12	11	10	9	8	8	8	9

Tax expenditure type:	Concessional rate	*2010 TES code:*	F11
Estimate Reliability:	Medium		
Commencement date:	21 August 1984	*Expiry date:*	
Legislative reference:	Item 1 of the Schedule to the *Excise Tariff Act 1921*		

Low-strength beer with an alcohol content of no more than 3 per cent packaged in containers not exceeding 48 litres is subject to a lower rate of excise than the benchmark rate of similarly packaged full strength beer.

F16 Consumption tax exemptions for privately produced beer

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
40	45	45	45	45	45	50	50

Tax expenditure type:	Exemption	*2010 TES code:*	F12
Estimate Reliability:	Medium		
Commencement date:	18 April 1973	*Expiry date:*	
Legislative reference:	Schedule to the *Excise Tariff Act 1921*		

Beer made for personal use by private individuals is exempt from the payment of excise.

F17 Consumption tax exemptions for privately produced wine

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
8	9	10	10	10	11	12	12

Tax expenditure type:	Exemption	*2010 TES code:*	F13
Estimate Reliability:	Medium		
Commencement date:	19 August 1970	*Expiry date:*	
Legislative reference:	*A New Tax System (Wine Equalisation Tax) Act 1999*		

Wine made for personal use by private individuals is exempt from the wine equalisation tax.

F18 Excise concession for microbreweries

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
..	..	..	..	..	..	..	..

Tax expenditure type:	Concessional rate	*2010 TES code:*	F14
Estimate Reliability:	Medium		
Commencement date:	2000	*Expiry date:*	
Legislative reference:	Paragraph 50(1)(zzd) of the *Excise Regulations 1925*		

Microbreweries producing not more than 30,000 litres of beer per annum receive excise concessions in the form of a refund of excise paid. The refund paid in any financial year cannot exceed the lesser of $10,000 or 60 per cent of the excise payable.

F19 Increased rate of excise levied on excisable alcoholic beverages (other than beer) not exceeding 10 per cent alcohol

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-215	-490	-490	-510	-530	-540	-580	-605

Tax expenditure type:	Increased rate	*2010 TES code:*	F15
Estimate Reliability:	Medium		
Commencement date:	2000	*Expiry date:*	
Legislative reference:	Item 2 of the Schedule to the *Excise Tariff Act 1921*		

Alcoholic beverages (other than beer) with an alcohol content not exceeding 10 per cent are subject to a higher rate of excise than the benchmark rate of full strength beer packaged in individual containers not exceeding 48 litres.

Under the benchmark, the first 1.15 per cent of alcohol content is not excisable. This excise-free threshold is not available to alcoholic beverages other than beer.

From 27 April 2008 the excise rate on these other excisable beverages increased to the same excise rate as applies to most spirits ($74.27 per litre of alcohol as at 1 August 2011).

F20 Wine equalisation tax producer rebate

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
220	220	240	250	260	270	290	300

Tax expenditure type:	Rebate	*2010 TES code:*	F16
Estimate Reliability:	Medium		
Commencement date:	1 October 2004	*Expiry date:*	
Legislative reference:	*A New Tax System (Wine Equalisation Tax) Act 1999*		

Wine producers are able to claim a rebate of up to $500,000 of wine equalisation tax payable on eligible wine sales per financial year. The producer rebate was introduced on 1 October 2004 and the current maximum rebate was introduced on 1 July 2006. The rebate also extends to cider, mead, perry and sake.

Motor vehicles

F21 Luxury car tax

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-460	-380	-500	-500	-510	-530	-560	-590

Tax expenditure type:	Increased rate	*2010 TES code:*	F17
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Luxury Car Tax) Act 2000*		

The luxury car tax currently applies to cars that have a GST inclusive price over $57,466 (the luxury car tax threshold for the 2011-12 financial year). However, the tax applies only to the GST exclusive value of the car that exceeds the luxury car tax threshold. As motor vehicle purchases are not taxed under the benchmark, the luxury car tax is a negative tax expenditure.

On 1 July 2008 the luxury car tax rate increased from 25 per cent to 33 per cent. ‘Primary producers’ or certain tourism businesses that acquire a ‘refund-eligible car’ after 30 June 2008 are eligible to claim a tax refund of up to $3,000 of the amount of luxury car tax paid.

From 3 October 2008 a higher luxury car tax threshold has applied to fuel efficient cars. Eligible fuel efficient cars are subject to a threshold of $75,375 for luxury car tax purposes (for the 2011-12 financial year).

General consumption tax expenditures

F22 Certain exemptions for diplomatic missions and foreign diplomats

General public services — Foreign affairs and economic aid ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
1	1	1	1	1	1	1	1

Tax expenditure type:	Concessional rate	*2010 TES code:*	F18
Estimate Reliability:	Medium — High		
Commencement date:	21 August 1940	*Expiry date:*	
Legislative reference:	Regulation 50 of the *Excise Regulations 1925* Section 10 of the *Diplomatic Privileges and Immunities Act 1967* Section 10 of the *Consular Privileges and Immunities Act 1972* Section 11 of the *International Organisations (Privileges and Immunities) Act 1963* Section 12 of the *Overseas Missions (Privileges and Immunities) Act 1995*		

Note: estimates represent excise duty only.

Excise, luxury car tax and wine equalisation tax are not payable (or an equivalent amount of that paid is claimable) for alcohol, fuel, motor vehicles and tobacco used for official purposes by diplomatic missions or for personal use by persons identified in the *Diplomatic Privileges and Immunities Act 1967*.

F23 Certain exemptions for Australian military sea vessels

Defence ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Concessional rate	*2010 TES code:*	F19
Estimate Reliability:	Low	** Category*	1+
Commencement date:	2 August 1934	*Expiry date:*	
Legislative reference:	Schedule 1 to the *Excise Regulations 1925*		

Note: estimates represent excise duty only.

Excise on tobacco and certain alcoholic products is not payable by Australian military seagoing vessels in full commission when the products are consumed on board.

F24 Customs duty

Mining, manufacturing and construction ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-3,630	-3,050	-2,530	-2,080	-2,460	-2,860	-3,060	-3,060

Tax expenditure type:	Increased rate	*2010 TES code:*	F20
Estimate Reliability:	Medium — High		
Commencement date:	4 October 1901	*Expiry date:*	
Legislative reference:	*Customs Act 1901* *Customs Tariff Act 1995*		

Customs duty is collected on certain goods imported into Australia. Under the benchmark, goods imported into Australia are free from customs duty (except for excise-equivalent customs duty).

NATURAL RESOURCES TAXES

The resource tax benchmark comprises a rent based tax on selected non-renewable resources with a full tax-loss offset. The tax-loss offset can be utilised by transferring tax losses among commonly owned projects that are subject to the same tax rate or through a refund of the tax credit.

The benchmark includes immediate expensing of project expenditures. To the extent that losses are carried forward because they cannot be utilised immediately, they are uplifted at the long-term bond rate (a proxy for the risk-free rate). The uplift rate compensates investors for the delay in the recognition of the tax credit and preserves the value of the tax credit over time.

Tax expenditures for manufacturing and mining

G1 MRRT — Denial of refund of tax credits for losses at project end

Mining, manufacturing and construction ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	*	*	*

Tax expenditure type:	Denial of refund	*2010 TES code:*	New
Estimate Reliability:	Low	** Category*	1-
Commencement date:	1 July 2012	*Expiry date:*	
Legislative reference:	Not yet legislated		

Under the Minerals Resource Rent Tax (MRRT) regime, no refund of the tax value of losses is available when the project closes down.

G2 MRRT — Exemption for smaller miners

Mining, manufacturing and construction ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	New
Estimate Reliability:	Low	** Category*	2+
Commencement date:	1 July 2012	*Expiry date:*	
Legislative reference:	Not yet legislated		

A low profit offset applies under the MRRT which offsets the MRRT payable on mining profits up to $75 million. The offset phases out for profits between $75 million to $125 million. A miner that has group MRRT mining profits less than or equal to $75 million will not be liable to pay any MRRT. A miner that has group MRRT mining profits between $75 million and $125 million will not be liable to pay MRRT at the full rate.

G3 MRRT — Loss uplift rates exceeding the 10 year bond rate

Mining, manufacturing and construction ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	-	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	New
Estimate Reliability:	Low	** Category*	2+
Commencement date:	1 July 2012	*Expiry date:*	
Legislative reference:	Not yet legislated		

Under the MRRT, losses, other than those attributable to the starting base allowance, are uplifted at a concessional rate of the long term bond rate plus 7 per cent rather than the benchmark rate which is the long term bond rate.

G4 MRRT — Royalty Allowance Uplift

Mining, manufacturing and construction ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	-	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	New
Estimate Reliability:	Low	** Category*	2+
Commencement date:	1 July 2012	*Expiry date:*	
Legislative reference:	Not yet legislated		

Unused MRRT royalty credits are uplifted at a concessional rate of the long term bond rate plus 7 per cent.

G5 MRRT — Starting base and uplift rate for capital assets

Mining, manufacturing and construction ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	-	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	New
Estimate Reliability:	Low	** Category*	2+
Commencement date:	1 July 2012	*Expiry date:*	
Legislative reference:	Not yet legislated		

Under the MRRT, existing investments are recognised through the provision of a starting base allowance. The starting base allowance recognises assets relating to the upstream assets of an MRRT project on 2 May 2010. The starting base may be calculated using the market value method or the accounting book value method. Unused market value starting base losses are uplifted at the CPI. Unused accounting book value starting base losses are uplifted at the long term bond rate plus 7 per cent.

Petroleum

G6 Crude Oil Excise

Fuel and energy ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	*	*	*

Tax expenditure type:	Concessional rate	*2010 TES code:*	New
Estimate Reliability:	Low	** Category*	na
Commencement date:	1 July 2012	*Expiry date:*	
Legislative reference:	Not yet legislated		

Under the expanded Petroleum Resource Rent Tax (PRRT) regime, the North West Shelf will become subject to PRRT from 1 July 2012 and subject to the revised natural resource benchmark from that time. However, crude oil excise will still be payable and will be credited against any PRRT liability. Under the post 1 July 2012 natural resource benchmark, crude oil excise will be treated as a prepayment of PRRT liabilities and to the extent that the crude oil excise exceeds the PRRT payable in a year, a negative tax expenditure will arise for that period. Where crude oil excise credits are carried forward and used to reduce PRRT later periods, a tax expenditure will arise in the year the carried forward credit is utilised.

G7 Crude Oil Excise — Condensate

Fuel and energy ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
980	580	600	590	550	-	-	-

Tax expenditure type:	Exemption	*2010 TES code:*	G4
Estimate Reliability:	Medium		
Commencement date:	1977	*Expiry date:*	
Legislative reference:	Schedule to the *Excise Tariff Act 1921*		

Prior to midnight (Canberra time), 13 May 2008, condensate produced in a State or Territory, or inside the outer limits of the territorial sea of Australia, or marketed separately from a crude oil stream, or in the North West Shelf project area was exempt from the crude oil excise. Condensate is light oil extracted from 'wet' gas and primarily processed for use in motor vehicles (commonly known as petrol).

As announced in the 2008-09 Budget, the tax exemption for condensate was abolished with effect from midnight (Canberra time) 13 May 2008. From this date, condensate production from petroleum fields located in the North West Shelf project area and onshore Australia have been subject to the same excise rates as those applicable to petroleum fields discovered after 18 September 1975.

However, the benchmark for condensate produced from fields discovered prior to 18 September 1975 are the higher excise rates applied to production from fields discovered prior to 18 September 1975.

From 1 July 2012, the petroleum condensate will become taxable under the PRRT and will be subject to the revised natural resource taxes benchmark. Any residual tax expenditures relating to petroleum condensate will be included in the estimate for crude oil excise (G6).

G8 PRRT — Denial of refund of tax credits for losses at project end

Fuel and energy ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	*	*	*

Tax expenditure type:	Denial of refund	*2010 TES code:*	New
Estimate Reliability:	Low	** Category*	1-
Commencement date:	1 July 1990	*Expiry date:*	
Legislative reference:	*Petroleum Resource Rent tax Act 1987*		

Under the PRRT regime, no refund of the tax value of losses is available when the project closes down.

This treatment is consistent with the benchmark prior to 1 July 2012 but gives rise to a tax expenditure under the benchmark applying from 1 July 2012.

G9 PRRT — Expenditure Uplift Rate

Fuel and energy ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	New
Estimate Reliability:	Low	** Category*	2+
Commencement date:	1 July 1990	*Expiry date:*	
Legislative reference:	*Petroleum Resource Rent Tax Act 1987*		

Under the PRRT regime, expenditure is uplifted at a number of different rates depending on when the expenditure took place and the nature of the expenditure. Most of these rates are beyond the appropriate benchmark rate of the long term bond rate.

G10 PRRT — Gas transfer price regulations

Fuel and energy ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	G1
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	20 December 2005	*Expiry date:*	
Legislative reference:	*Petroleum Resource Rent Tax Assessment Regulations 2005*		

For PRRT purposes, the gas transfer price regulations stipulate rules for calculating the gas transfer price where there is no arm's length transaction. The regulations provide an allowance for capital expenditure which is based on the long term bond rate plus 7 percentage points rather than the applicable benchmark rate. The regulations also provide further concessions in the calculation of the gas transfer price by reducing the estimated upstream gas price by half the difference between the estimated of 'upstream' price and the estimated 'downstream' price where the upstream price is the higher. Prior to 1 July 2012, the benchmark rate is the long term bond rate plus 5 percentage points. From 1 July 2012, the benchmark rate is the long term bond rate.

G11 PRRT — Increased deduction for petroleum exploration expenditure in designated offshore frontier areas

Fuel and energy ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	G2
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	29 March 2004	*Expiry date:*	2009
Legislative reference:	Section 36C of the *Petroleum Resource Rent Tax Assessment Act 1987*		

For PRRT purposes, petroleum exploration companies receive a 150 per cent uplift on pre-appraisal exploration expenditure conducted in the first term of an exploration permit in a designated frontier area.

G12 PRRT — Starting base for North West Shelf

Fuel and energy ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	*	*	*

Tax expenditure type:	Deduction	*2010 TES code:*	New
Estimate Reliability:	Low	** Category*	2+
Commencement date:	1 July 2012	*Expiry date:*	
Legislative reference:	Not yet legislated		

Under the expanded PRRT regime, the North West Shelf will be able to deduct a starting base equivalent to the market value of the project at 2 May 2010.

G13 PRRT — Transfer of exploration expenditure between petroleum resource rent tax projects

Fuel and energy ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	-	-	-

Tax expenditure type:	Deduction	*2010 TES code:*	G3
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 1990	*Expiry date:*	
Legislative reference:	*Petroleum Resource Rent Tax Assessment Act 1987*		

Exploration expenditure can be transferred, under certain circumstances, between projects for PRRT purposes.

Under the benchmark applicable until 1 July 2012, the taxable entity is the project and undeducted expenditure is compounded and applied against future PRRT assessable receipts.

From 1 July 2012, the benchmark has been modified to include full loss offset as an element of the benchmark, including by way of transferring tax losses among commonly owned projects that are subject to the same tax rate. Consequently, no tax expenditure is shown for this item for the 2012-13 and later years.

GOODS AND SERVICES TAX

The goods and services tax (GST) benchmark comprises:

- the value of the final supply of all goods and services privately consumed and investment in residential housing in Australia as the tax base;
- the entity making a supply (or receiving a supply in the case of reverse charges) as the tax unit;
- the existing GST rate as the tax rate; and
- the financial year as the taxation period.

Tax expenditures for general public services

H1 GST — Financial Supplies; financial acquisitions threshold

General public services — Financial and fiscal affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Concessional rate	*2010 TES code:*	H1
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Generally, financial supplies are input taxed, meaning that an entity is not entitled to input tax credits for acquisitions relating to the financial supplies made by the entity. However, an entity can be entitled to input tax credits for its financial acquisitions if it does not exceed the financial acquisitions threshold. The entitlement to input tax credits for financial acquisitions in these circumstances is regarded as a positive tax expenditure.

An entity does not exceed the financial acquisitions threshold if the input tax credits it would have been entitled to, had the acquisitions been for a creditable purpose, do not exceed $50,000 or 10 per cent of their total input tax credits for the year.

From 1 July 2012, the financial acquisitions threshold will be increased to $150,000. The 10 per cent threshold will remain unchanged.

H2 GST — Financial Supplies; input taxed treatment

General public services — Financial and fiscal affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
2,050	2,050	2,150	2,250	2,450	2,600	2,800	3,050

Tax expenditure type:	Exemption, Concessional rate	*2010 TES code:*	H2
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Financial supplies and acquisitions of financial supplies are input taxed. This means financial supplies are not subject to GST, but input tax credits cannot be claimed on inputs to either the supply or to the acquisition of the supply. When input-taxed supplies are made to consumers, a tax expenditure arises as less than 10 per cent of the total value added is remitted to the Australian Taxation Office. When input-taxed supplies are made to other registered businesses a negative tax expenditure arises as input tax credits cannot be claimed for this supply.

H3 GST — Financial Supplies; reduced input tax credits

General public services — Financial and fiscal affairs ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
1,000	1,050	1,120	1,200	1,290	1,380	1,480	1,590

Tax expenditure type:	Exemption, Concessional rate	*2010 TES code:*	H3
Estimate Reliability:	Low		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Financial supplies are generally input taxed. However, the acquisition of certain supplies (known as reduced credit acquisitions) allows financial service suppliers to claim a credit of 75 per cent of the standard input tax credit entitlement. The entitlement to the 75 per cent credit in these instances is a tax expenditure.

H4 GST — Supplies by charitable institutions and non-profit bodies

General public services — General services ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	H4
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Charities and other gift deductible bodies are entitled to a higher registration threshold of $150,000. They are entitled to GST-free treatment on non-commercial activities, certain retirement village services, bingo, and sale of second hand goods. Charities can elect to have fund raising treated as input taxed. This option is also available to gift deductible entities and government schools. Simplified accounting methods may be available and a range of other concessions apply.

Certain entities have the option of separately identifying some or all of their operations and treating each as a separate entity for GST purposes.

H5 GST — Child Care Services

Housing and community amenities ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
440	500	530	580	620	660	710	760

Tax expenditure type:	Exemption	*2010 TES code:*	H5
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Generally, child care will be GST-free if the provider is a registered carer or approved child care service as specified under the relevant Commonwealth legislation. In addition, child care supplied at facilities eligible to receive Commonwealth government funding under guidelines made by the Child Care Minister is also GST-free. All supplies that are directly related to child care are also GST-free.

H6 GST — Water, sewerage and drainage

Housing and community amenities ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
480	550	640	730	810	880	970	1,070

Tax expenditure type:	Exemption	*2010 TES code:*	H6
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

A supply of water is GST free unless it is supplied in, or transferred into, a container with a capacity of less than 100 litres. The draining of storm water, the emptying of a septic tank and sewerage and sewerage-like services are also GST free. Water sold as a beverage is included in item H29.

International tax expenditures

H7 GST — GST free status to diplomats, diplomatic missions and approved international organisations

General public services — Foreign affairs and economic aid ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
6	6	8	7	7	7	8	8

Tax expenditure type:	Exemption	*2010 TES code:*	H7
Estimate Reliability:	High		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Diplomatic missions, consulates and certain international organisations may be reimbursed the GST included in their purchases of certain goods and services, where the purchase is for the official use of the organisation. The GST included in purchases by diplomatic and consular staff, or certain staff of some international organisations, for the private use of the person may also be refundable. The refund must be within the scope of the *Diplomatic Privileges and Immunities Act 1967,* the *Consular Privileges and Immunities Act 1972*, or the *International Organisations (Privileges and Immunities) Act 1963*.

H8 GST — Global roaming by visitors to Australia

Transport and communication ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	H8
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Telecommunication supplies for global roaming by visitors to Australia are GST-free, consistent with Australia's treaty obligations under the International Telecommunication Regulations (the Melbourne Agreement). These supplies are consumed in Australia and under the benchmark would therefore be taxable.

H9 GST — Tourism; tourist refund scheme

Other economic affairs — Tourism and area promotion ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	H9
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

International travellers visiting Australia and Australians travelling overseas may be able to claim a refund of GST paid on certain goods bought in Australia if the total value of the goods is $300 or more, they are purchased within 60 days of departure, and the goods are taken with the traveller when they depart Australia.

In addition, residents of Australia's External Territories (such as Norfolk, Cocos (Keeling) and Christmas Islands) can claim refunds of GST under the tourist refund scheme. Claims can be made if Australian External Territory residents leaving Australia can show proof that the goods have been exported to their External Territory within the required period after the goods were acquired.

H10 GST — Importation threshold

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
320	300	390	470	630	690	760	830

Tax expenditure type:	Exemption	*2010 TES code:*	H10
Estimate Reliability:	Low		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

With the exception of consignments containing tobacco, tobacco products or alcoholic beverages, a GST exemption applies to imports of goods with a customs value of no more than $1000.

H11 GST — Imported services

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
900	950	900	950	1,050	1,100	1,200	1,250

Tax expenditure type:	Exemption	*2010 TES code:*	H11
Estimate Reliability:	Low		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Imported services (those that are not done in Australia as specified in section 9-25 of *A New Tax System (Goods and Services Tax) Act 1999)* which are not subject to a reverse charge are not subject to GST.

H12 GST — Sale of boats for export within 12 months of supply

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	H12
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1 July 2011	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Supplies of eligible boats used for recreational purposes are GST-free if the boats are exported from Australia within 12 months of delivery, with effect from 1 July 2011. Other goods must be exported from Australia within 60 days in order to be GST-free.

H13 GST — Tourism; domestic air or sea travel

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	H13
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Domestic air or sea travel within Australia by residents or non-residents as part of a wider international arrangement is not subject to GST. Domestic air travel within Australia by non-residents is also GST-free if the ticket is purchased outside Australia. Transport insurance for the above supplies is also GST free.

H14 GST — Tourism; inwards duty free

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	H14
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Supplies made through an inwards duty free shop to inbound international travellers are not subject to GST.

H15 GST — Tourism; travel agents

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
75	80	90	95	100	105	110	110

Tax expenditure type:	Exemption	*2010 TES code:*	H15
Estimate Reliability:	Low		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

The arranging of overseas travel, accommodation and other services by travel agents in Australia in the course of their business is GST-free. The arranging service must relate to a holiday or supply takes place or is used overseas.

Tax expenditures for education

H16 GST — Education

Education ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
2,100	2,300	2,450	2,700	2,900	3,150	3,400	3,650

Tax expenditure type:	Exemption	*2010 TES code:*	H16
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Certain education supplies are GST-free. These include education courses, directly related administrative services, curriculum-related goods, student accommodation for students attending a primary, secondary or special education course, excursions and field trips and supplies related to the recognition of prior learning.

Tax expenditures for health

H17 GST — Health; drugs and medicinal preparations

Health ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
320	350	380	410	450	490	530	580

Tax expenditure type:	Exemption	*2010 TES code:*	H17
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Most medicines for human use are GST-free. GST-free medicines include: medicines that can only be supplied on prescription; medicines listed on the Pharmaceutical Benefits Scheme (PBS); medicines listed on the Repatriation Pharmaceutical Benefits Scheme (RPBS); non-prescription drugs that can only be supplied by a doctor, dentist, pharmacist or other prescribed person as described by relevant state or territory law; medicines supplied under the Special Access Scheme; and medicines covered by a written determination by the Federal Health Minister.

H18 GST — Health; medical aids and appliances

Health ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
35	35	40	45	45	50	55	60

Tax expenditure type:	Exemption	*2010 TES code:*	H18
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

A medical aid or appliance is GST-free if the medical aid or appliance is listed in Schedule 3 to the *A New Tax System (Goods and Services Tax) Act 1999*, or specified in the regulations and specifically designed for people with an illness or disability and not widely used by others.

The supply of cars for use by disabled persons, spare parts for medical aids and appliances and the services related to the provision of the medical aid or appliance are GST-free. Goods that are the subject of a written determination by the Federal Health Minister are also GST-free.

H19 GST — Health; medical and health services

Health ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
2,200	2,400	2,600	2,800	3,050	3,350	3,650	3,950

Tax expenditure type:	Exemption	*2010 TES code:*	H19
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Medical services are GST-free if: they are a service for which a Medicare benefit is payable under the *Health Insurance Act 1973*; they are supplied by, or on behalf of, a medical practitioner; and they constitute a service that is generally accepted in the medical profession as being necessary for the treatment of the patient.

Health services rendered by a recognised professional, as well as hospital treatment are also GST-free. Goods supplied in the course of making GST-free health care services are generally GST-free.

H20 GST — Health; private health insurance

Health ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
190	180	210	240	270	300	340	390

Tax expenditure type:	Exemption	*2010 TES code:*	H20
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

A supply of private health insurance by a private health insurer (within the meaning of the *Private Health Insurance Act 2007*) is GST-free. In line with the GST treatment of general insurance, the tax expenditure for this item is based on the difference between the premium income of private health insurers and the value of benefits paid out.

H21 GST — Health; residential care, community care and other care services

Health ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
90	90	100	110	120	130	140	160

Tax expenditure type:	Concessional rate	*2010 TES code:*	H21
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Some services provided by care and specialist disability providers are GST-free. The quality of care principles found in the *Aged Care Act 1997* apply in determining the tax status of specific care services. In general, publicly funded aged or disability care services are GST-free, as are privately funded aged care services which meet the quality of care principles found in the *Aged Care Act 1997* and are provided to those needing daily living activities assistance or nursing services.

Tax concessions for certain taxpayers

H22 GST — Religious services

Recreation and culture ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
20	25	25	25	25	30	30	30

Tax expenditure type:	Exemption	*2010 TES code:*	H22
Estimate Reliability:	Low		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Supplies of religious services are GST-free if supplied by a religious institution and the supplied service is integral to the practice of that religion.

H23 GST — Supplies of farm land

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	H23
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Specific supplies of farm land are GST-free. This includes: farm land supplied for farming on which a farming business has been carried on for at least five years and upon which a farming business is intended to continue to be carried on, on the land; and subdivided farm land that is potential residential land that is supplied to associates.

Under the GST benchmark, farm land supplied to an unregistered purchaser for farming; or farm land that is potential residential land supplied to an unregistered associate for nil or inadequate consideration; gives rise to a tax expenditure under this item.

No net GST would be collected under the benchmark from farm land supplied for farming to a registered business purchaser.

H24 GST — Registration thresholds (Small Business concessions)

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	H24
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Entities with a GST turnover less than $75,000 ($150,000 for non-profit entities), are not required to register for GST. Supplies made by unregistered entities are not subject to GST.

H25 GST — Simplified Accounting Methods

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
12	11	11	10	9	9	8	7

Tax expenditure type:	Concessional rate	*2010 TES code:*	H25
Estimate Reliability:	Low		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

The Commissioner of Taxation can create simplified accounting methods (SAMs) that some small businesses can choose to apply to reduce their GST compliance costs. SAMs allow taxpayers to apply simple ratios to calculate their GST liabilities (or components of them) rather than accounting for each supply to determine if it is taxable or non-taxable. Being ratios, SAMs will benefit some taxpayers by reducing their GST liabilities while increasing the GST liabilities of others, relative to the amounts calculated using a full GST calculation.

While SAMs are designed to reduce compliance costs rather than provide a tax concession, entities that expect to receive a tax benefit from applying SAMs are more likely to adopt this methodology than those that do not. This would be expected to result in a net tax concession.

Tax expenditures for manufacturing and mining

H26 GST — Supply of precious metal

Mining, manufacturing and construction ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	H26
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

The first supply of a precious metal (after its refining by or on behalf of the supplier) to a precious metal dealer is GST-free. Subsequent supplies of precious metals are input taxed. The importation of precious metals is a non-taxable importation and GST is not charged on the importation. The tax expenditure here is the loss of tax on the GST-free and input taxed supplies and imports (where this would not be offset by input tax credits) reduced by any input tax credits denied for acquisitions related to the input taxed activities.

Tax expenditures for transport and communications

H27 GST — Cross-border transport supplies

Transport and communication ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	2	2	2	2	2

Tax expenditure type:	Exemption	*2010 TES code:*	H27
Estimate Reliability:	Low		
Commencement date:	1 July 2010	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Since 1 July 2010, the total transport and insurance cost of imported goods has been included in the calculation of the value of the taxable importation. If the imported good is a non-taxable importation (for example, the supply of the good would be GST-free or the value of the good does not exceed the import threshold of $1,000), any domestic transport or insurance component of the transportation supplied will not be taxed.

Tax expenditures for other economic affairs

H28 GST — Clean Energy Future

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	-	-	-

Tax expenditure type:	Exemption	*2010 TES code:*	New
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	The day after the Treasurer announces by notice in the Gazette that the States, the Australian Capital Territory and the Northern Territory have agreed to GST-free treatment.	*Expiry date:*	
Legislative reference:	*Clean Energy (Consequential Amendments) Act 2011*		

A supply of an eligible emissions unit (within the meaning of the *Clean Energy Act 2011*) under the carbon pricing mechanism will be GST-free. This includes a supply of an eligible emissions unit by a registered entity to another registered entity in carrying on an enterprise as an input into production of goods and services.

Most supplies of eligible emissions units will be creditable acquisitions by GST registered entities with no net GST payable on the transaction, with the result that GST-free treatment does not result in a tax expenditure. Under the GST benchmark, a GST-free supply of an eligible emissions unit will only give rise to a tax expenditure where it is made to an unregistered entity or registered entity for private use.

H29 GST — Food; uncooked, not prepared, not for consumption on premises of sale and some beverages

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
4,900	5,200	5,300	5,600	5,900	6,300	6,600	7,000

Tax expenditure type:	Exemption	*2010 TES code:*	H28
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Goods and Services Tax) Act 1999*		

Most food items for human consumption that are prepared and/or consumed at home are GST-free. Examples of GST-free food include fresh fruit and vegetables, fish, dairy products, bread and meat. Examples of GST-free beverages include milk products, tea, coffee, water and fruit juices. In addition, generally the packaging used in the supply of GST-free food will itself be GST-free.

CARBON PRICING MECHANISM

The externalities benchmark deals with taxes (or other revenue raising arrangements) that are imposed to ensure that the private costs of certain activities align with the social costs of those activities.

Tax expenditures reported under this benchmark have a different purpose to the taxation of income or consumption, although they may involve changes to income or consumption behaviours.

This benchmark is only applicable to the carbon pricing mechanism (CPM).

The carbon pricing benchmark comprises:

- a tax rate set by the value of the Australian carbon units in each year, including the fixed prices applying in years 2012-13 to 2014-15 and the fully flexible cap-and-trade arrangements from 1 July 2015;
- a tax base consisting of full coverage of the emissions covered by the Kyoto Protocol to the United Nations Framework Convention on Climate Change by entities in Australia, with the exception of emissions from liquid fuels and gaseous fuels used for transport. These fuels generally already face other taxation that significantly exceeds tax under the carbon pricing benchmark; and
- the financial year as the period for liability.

Tax concessions for certain taxpayers

I1 CPM thresholds for obligations

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	New
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 2012	*Expiry date:*	
Legislative reference:	*Clean Energy Act 2011*		

In most covered sectors under the CPM, only entities producing above 25,000 tonnes of emissions per year are liable. This is largely for practical reasons — participation thresholds are designed to balance the benefits of increased CPM coverage against the costs of scheme compliance.

I2 CPM uncovered sectors — deforestation

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	1,090	1,130	1,200

Tax expenditure type:	Exemption	*2010 TES code:*	New
Estimate Reliability:	Medium — Low		
Commencement date:	1 July 2012	*Expiry date:*	
Legislative reference:	*Clean Energy Act 2011*		

Emissions from deforestation will be excluded from the CPM. However, the Carbon Farming Initiative will create economic incentives for land managers to reduce carbon emissions and store carbon in the landscape by allowing them to generate carbon credits.

I3 CPM uncovered sectors — legacy emissions from synthetic greenhouse gases

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	*	*	*

Tax expenditure type:	Exemption	*2010 TES code:*	New
Estimate Reliability:	Very Low	** Category*	1+
Commencement date:	1 July 2012	*Expiry date:*	
Legislative reference:	*Ozone Protection and Synthetic Greenhouse Gas Management Act 1989*		

Emissions from Kyoto protocol synthetic greenhouses gases imported or produced prior to the start of the CPM on 1 July 2012 will not incur a liability.

I4 CPM uncovered sectors — legacy landfill emissions

Other economic affairs — Other economic affairs, nec ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	250	240	230

Tax expenditure type:	Exemption	*2010 TES code:*	New
Estimate Reliability:	Medium — Low		
Commencement date:	1 July 2012	*Expiry date:*	
Legislative reference:	*Clean Energy Act 2011*		

Emissions from waste deposited at landfills prior to the start of the CPM on 1 July 2012, known as legacy emissions, will not incur a liability. However, these legacy emissions will continue to count towards a landfill facility's threshold in order to ensure broad coverage of new waste emissions.

Tax expenditures for agriculture, forestry and fishing

I5 CPM uncovered sectors — agriculture

Agriculture, forestry and fishing ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	1,970	2,100	2,240

Tax expenditure type:	Exemption	*2010 TES code:*	New
Estimate Reliability:	Medium — Low		
Commencement date:	1 July 2012	*Expiry date:*	
Legislative reference:	*Clean Energy Act 2011*		

Emissions from agricultural activities are to be excluded from the CPM. However, the Carbon Farming Initiative will create economic incentives for farmers and land managers to reduce carbon emissions and store carbon in the landscape by allowing them to generate carbon credits.

Tax expenditures for manufacturing and mining

I6 CPM uncovered sectors — decommissioned mines

Mining, manufacturing and construction ($m)

2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
-	-	-	-	-	20	40	30

Tax expenditure type:	Exemption	*2010 TES code:*	New
Estimate Reliability:	Medium — Low		
Commencement date:	1 July 2012	*Expiry date:*	
Legislative reference:	*Clean Energy Act 2011*		

Fugitive emissions from decommissioned coal mines will be excluded from the CPM. This is partly because of measurement difficulties caused by sealing a mine, but also because fugitive emissions from most decommissioned mines are expected to be below the 25,000 tonne emissions threshold. Decommissioned mines that may initially exceed the threshold are expected to fall below it within a few years.