

APPENDIX B: CHANGES TO TAX EXPENDITURES IN 2010

This Appendix provides an outline of the changes to the list of tax expenditures since the 2009 Tax Expenditures Statement. Since the 2009 TES, 24 new tax expenditures have been added, 26 tax expenditures have been modified and 12 tax expenditures have been deleted.

B.1 NEW TAX EXPENDITURES

Table B.1 reports new tax expenditure items arising from measures that have been announced since the 2009 Tax Expenditures Statement up to the date of the *Mid-Year Economic and Fiscal Outlook 2010-11*. The table also reports existing measures that were not previously reported as tax expenditures, but which have been recently identified as tax expenditures.

Table B.1: New tax expenditures

TES code	Tax expenditure description	Reason for new tax expenditure
INCOME TAX		
Personal income		
A10	Certain rehabilitation and compensation payments are exempt from income tax.	Existing measure not previously recognised as a tax expenditure.
A29	Certain disaster relief payments made to individuals are exempt from tax.	Existing measure not previously recognised as a tax expenditure.
A55	LPG conversion grants are exempt from income tax.	Existing measure not previously recognised as a tax expenditure.
A61	Individuals will be provided with a 50 per cent tax discount on up to \$500 of interest, including interest earned on deposits held in authorised deposit taking institutions, bonds, debentures and annuity products from 1 July 2012, and up to \$1,000 of interest from 1 July 2013.	New policy measure reported in the 2010-11 Budget.
A69	Individual taxpayers will be provided with a standard deduction of \$500 in 2012-13 and \$1,000 from 2013-14 onwards for work-related expenses and the cost of managing tax affairs.	New policy measure reported in the 2010-11 Budget.
Business income		
B21	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.	New policy measure reported in the 2010-11 Mid-Year Economic and Fiscal Outlook.

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Table B.1: New tax expenditures (continued)

TES code	Tax expenditure description	Reason for new tax expenditure
B50	Broadcasters will be provided with a licence fee rebate of 33 per cent in 2010 and 50 per cent in 2011 in order to assist them to continue to produce and screen Australian content.	New policy measure reported in the 2010-11 Budget.
B52	Regional and remote commercial television broadcasters receive a licence fee rebate to assist with the changeover to digital broadcasting.	Existing measure not previously recognised as a tax expenditure.
B59	Small business companies will have their tax rate reduced to 29 per cent from 2012-13, one year before other companies.	New policy measure reported in the 2010-11 Budget.
B62	Borrowing costs may be deducted over the shorter of the life of the loan or five years.	Existing measure not previously recognised as a tax expenditure.
B68	The Government will introduce a 5 per cent de minimis rule to allow managed investment trusts (MITs) to carry forward under and over distributions into the next income year without adverse taxation consequences.	New policy measure reported in the 2010-11 Budget.
B69	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).	Existing measure not previously recognised as a tax expenditure.
B76	The taxation treatment of finance leases can be different to their benchmark treatment.	Existing measure not previously recognised as a tax expenditure.
B111	Businesses that undertake a retrofit of certain commercial buildings between 1 July 2011 and 30 June 2015 that significantly improves their energy efficiency will be able to apply for a one-off bonus tax deduction.	New policy measure reported in the 2010-11 Mid-Year Economic and Fiscal Outlook.
Retirement savings		
C18	Foreign termination payments are non-assessable non-exempt income.	Existing measure not previously recognised as a tax expenditure.
Fringe Benefits Tax		
D49	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.	Existing measure not previously recognised as a tax expenditure.
Capital Gains Tax		
E26	Capital gains tax roll-overs not otherwise recognised.	Existing measure not previously recognised as a tax expenditure.

Table B.1: New tax expenditures (continued)

TES code	Tax expenditure description	Reason for new tax expenditure
CONSUMPTION		
Commodity and other indirect taxes		
F1	Certain producers are exempt from primary industry levies.	Existing measure not previously recognised as a tax expenditure.
F2	Certain passengers are exempt from the Passenger Movement Charge.	Existing measure not previously recognised as a tax expenditure.
Goods and Services Tax		
H8	Certain mobile telephone global roaming services are GST-free.	Existing measure not previously recognised as a tax expenditure.
H12	From 1 July 2011, eligible supplies of boats used for recreational purposes will be GST-free if the boats are exported from Australia within 12 months.	New policy measure reported in the 2010-11 Budget.
H13	Domestic air or sea travel within Australia by residents or non-residents as part of a wider international arrangement is not subject to GST.	Existing tax expenditure separately recognised for the first time.
H14	Supplies made through an inwards duty free shop to relevant travellers are not subject to GST.	Existing tax expenditure separately recognised for the first time.
H15	Travel agents in Australia arranging overseas supplies where the effective use or enjoyment of which is to take place outside Australia are not subject to GST on this supply.	Existing tax expenditure separately recognised for the first time.

B.2 MODIFIED TAX EXPENDITURES

Table B.2 reports tax expenditures that have been modified since they were last reported in the 2009 TES (the respective tax expenditure reference codes from this Statement and the 2009 TES are shown in the first two columns of the table).

Modified tax expenditures refer to tax expenditures that have changed materially, for example because of a change to the benchmark, a decision to remove a tax expenditure in a certain year, an amalgamation or split of tax expenditures, or the inclusion of a new element to an existing tax expenditure.

Table B.2: Modified tax expenditures

TES code		Modification to the tax expenditure	Nature of modification
2010	2009		
INCOME TAX			
Personal income			
A19	A17	The Education Tax Refund will be extended to include school uniforms as eligible expenses from 1 July 2011.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2010-11 Mid-Year Economic and Fiscal Outlook.
A23	A22	The Government increased the Medicare low-income thresholds to \$18,488 for individuals and \$31,196 for individuals in families, with effect from 1 July 2009.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2010-11 Budget.
A24	A23	Private Health Insurance Tiers will now commence on 1 July 2011 rather than 1 July 2010.	Modification to an existing tax expenditure to reflect the delay of a measure reported in the 2009-10 Budget.
A25	A24	The Government increased the net medical expenses tax offset claim threshold from \$1,500 to \$2,000 and commenced annually indexing the threshold to the Consumer Price Index, with effect from 1 July 2010.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2010-11 Budget.
A26	A25	The Medicare levy exemption for foreign residents is now included in the benchmark.	Reporting modification.
A28	A27	Private Health Insurance Tiers will now commence on 1 July 2011 rather than 1 July 2010.	Modification to an existing tax expenditure to reflect the delay of a measure reported in the 2009-10 Budget.
A33	A32	The senior Australians tax offset regulations affecting the calculation of the rebate threshold have been amended with effect from 1 July 2010.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2010-11 Budget.
A41	A40	Tax expenditure extended to include payments listed in Subdivision 52-H and Division 53 of the <i>Income Tax Assessment Act 1997</i> .	Modified by existing measures not previously recognised as tax expenditures.
A49	A48	Payments made by the States to first home owners are also exempt from tax.	Modified by an existing measure not previously recognised as a tax expenditure.

Table B.2: Modified tax expenditures (continued)

TES code		Modification to the tax expenditure	Nature of modification
2010	2009		
Business income			
B18	B15	The interest withholding tax paid by financial institutions on most interest paid on offshore borrowings will be phased down from 2013-14.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2010-11 Budget.
B32	B29	From 1 July 2010, two eligibility criteria for accessing the offsets will be relaxed. The qualifying expenditure threshold for the PDV offset will be reduced from \$5 million to \$500,000 and the requirement for films with qualifying expenditure of between \$15 million and \$50 million to have at least 70 per cent of the film's total production expenditure as qualifying Australian expenditure in order to qualify for the location offset will be removed.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2010-11 Budget.
B57	B54	The benchmark interest rate that applies to capital protected borrowings will be adjusted to the RBA indicator rate for standard variable housing loans plus 100 basis points. This treatment will apply to capital protected borrowings entered into from 7:30 pm (AEST) 13 May 2008. The tax expenditure benchmark rate has also been changed to the RBA indicator rate for standard variable housing loans plus 100 basis points as this is considered to better reflect the cost of capital protection.	Reporting modification.
B108	B97	Small businesses will be able to immediately write-off all assets costing less than \$5,000 and depreciate most other assets (excluding capital works) in a single pool at a 30% rate with effect from 1 July 2012.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2010-11 Budget.
Retirement savings			
C5	C5	Individuals aged 50 and over with total superannuation balances below \$500,000 will be able to make up to \$50,000 in concessional superannuation contributions with effect from 1 July 2012. In addition, the superannuation guarantee rate will be increased from 9 per cent to 12 per cent between 2013-14 and 2019-20 and the superannuation guarantee age limit will be increased from 70 to 75 from 1 July 2013.	Modification to an existing tax expenditure as a result of policy measures reported in the 2010-11 Budget.
C6	C6	New modelling has led to a shift in the timing of some superannuation entity earnings, resulting in a large decrease in the tax expenditure in 2006-07, and a large increase in the tax expenditure in 2007-08 and 2008-09.	Reporting modification.
C8	C8	Individuals aged 50 and over with total superannuation balances below \$500,000 will be able to make up to \$50,000 in concessional superannuation contributions with effect from 1 July 2012.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2010-11 Budget.

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Table B.2: Modified tax expenditures (continued)

TES code		Modification to the tax expenditure	Nature of modification
2010	2009		
C9	C9	The Government will provide a superannuation contributions tax rebate of up to \$500 annually for low income earners with effect from 1 July 2012.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2010-11 Budget.
Capital Gains Tax			
E12	E12	Loss relief for superannuation funds that merge will be extended to arrangements where existing funds merge into a new fund with effect from 24 December 2008.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2010-11 Budget.
E25	E22	Reporting modification.	Capital gains tax roll-over for changes to trust deeds of Approved Deposit Funds and superannuation funds (C18) has been merged with Capital gains tax roll-over for superannuation entities on transition to the new superannuation safety arrangements (E22).
E27	C19	A capital gains tax roll-over for the transfer by the proposed Commonwealth Superannuation Corporation of assets from the Military Superannuation Benefits Scheme will also be available.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2010-11 Budget. In addition, this tax expenditure has moved from the retirement savings benchmark to the capital gains tax benchmark.
CONSUMPTION			
Commodity and other indirect taxes			
F3	F3	The excise and excise-equivalent customs duty on aviation fuels increased to \$0.03556 per litre from 1 July 2010. In addition, fuel tax rates will not be reduced because of the deferral of the Carbon Pollution Reduction Scheme and there has been a change in modelling approach due to clarification of the benchmark.	Modification to an existing tax expenditure as a result of policy measures reported in the 2010-11 Budget and a reporting modification.
F4	F4	Fuel tax rates will not be reduced because of the deferral of the Carbon Pollution Reduction Scheme.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2010-11 Budget.
F5	F5	Fuel tax rates will not be reduced because of the deferral of the Carbon Pollution Reduction Scheme.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2010-11 Budget.
F6	F6	The excise and excise-equivalent customs duty rate for ethanol will be set at 25 cents per litre from 1 July 2011, phasing down to 12.5 cents per litre from 1 July 2015. In addition, fuel tax rates will not be reduced because of the deferral of the Carbon Pollution Reduction Scheme.	Modification to an existing tax expenditure as a result of policy measures reported in the 2010-11 Budget.

Table B.2: Modified tax expenditures (continued)

TES code		Modification to the tax expenditure	Nature of modification
2010	2009		
Goods and Services Tax			
H1	H1	The input tax credit threshold for the financial acquisitions threshold will be increased from \$50,000 to \$150,000 with effect from 1 July 2012.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2010-11 Budget.
H9	H8	Reporting modification.	This tax expenditure has been split into four components — travel agents, domestic air and sea travel, inwards duty free and the tourist refund scheme.

B.3 DELETED TAX EXPENDITURES

Table B.3 reports tax expenditures that have been deleted since the 2009 Tax Expenditures Statement. Deleted tax expenditures generally arise because the relevant tax provisions have been abolished or cease to have effect within the reported time horizon of a particular TES. Deleted tax expenditures do not include tax expenditures that have been abolished but are still relevant to some years within the reported time horizon.

Table B.3: Deleted tax expenditures

TES code	Tax expenditure description	Reason for deletion
2009		
INCOME TAX		
Business income		
B37	An immediate prepayment deduction was available for expenditure for services provided within 13 months after the prepayment expenditure was incurred.	This no longer has an impact over the reported time horizon.
B94	Expenditure incurred by small and medium size businesses on acquiring plant or software (including upgrades) for the purpose of implementing the GST was immediately deductible.	This no longer has an impact over the reported time horizon.
B101	A range of accelerated depreciation measures that were terminated as of 21 September 1999 were retained for eligible businesses until the commencement of the Simplified Tax System on 1 July 2001.	This no longer has an impact over the reported time horizon.
Retirement savings		
C18	A capital gains tax roll-over is provided where a complying superannuation fund or a complying Approved Deposit Fund amends or replaces its trust deed.	Reporting modification. This roll-over has been merged with E22.
CONSUMPTION		
Commodity and other indirect taxes		
F1	Diesel with a sulphur content higher than 50 parts per million was subject to a higher rate of excise than the benchmark rate.	This no longer has an impact over the reported time horizon.
F2	Leaded petrol was subject to a higher rate of excise than the benchmark rate.	This no longer has an impact over the reported time horizon.
F8	Snuff was excised at a highly concessional rate compared to other tobacco.	This no longer has an impact over the reported time horizon.

Table B.3: Deleted tax expenditures (continued)

TES code	Tax expenditure description	Reason for deletion
2009		
EXTERNALITIES		
Carbon Pollution Reduction Scheme		
I1	In most covered sectors under the CPRS, only entities producing above 25,000 tonnes of emissions per year were to be liable.	This no longer has an impact over the reported time horizon.
I2	Emissions from deforestation were to be excluded from the CPRS.	This no longer has an impact over the reported time horizon.
I3	Emissions from landfill sites that closed prior to 30 June 2008 were to be excluded from the CPRS.	This no longer has an impact over the reported time horizon.
I4	Emissions from agricultural activities were to be excluded from the CPRS.	This no longer has an impact over the reported time horizon.
I5	Fugitive emissions from decommissioned coal mines were to be excluded from the CPRS.	This no longer has an impact over the reported time horizon.

