APPENDIX C: CHANGES TO TAX EXPENDITURES IN 2013

This Appendix provides an outline of the changes to the list of tax expenditures since the 2012 Tax Expenditures Statement. Since the 2012 TES, three new tax expenditures have been added, 52 tax expenditures have been modified and 11 tax expenditures have been deleted.

C.1 NEW TAX EXPENDITURES

Table C.1 reports new tax expenditure items arising from measures that have been announced since the 2012 TES up to the date of the *2013-14 Mid-Year Economic and Fiscal Outlook*. The table also reports existing measures that were not previously reported as tax expenditures, but which have been recently identified as tax expenditures.

Table C.1: New tax expenditures

TES code	Tax expenditure description	Reason for new tax expenditure
INCOME TAX		
Personal income		
A25	Reparation payments to individuals under the Defence Abuse Reparation Payment Scheme will be income tax exempt and capped at $50,000.	New tax expenditure as a result of a new policy measure reported in the 2013-14 Budget.
A26	Payments and benefits provided under the National Disability Insurance Scheme (NDIS), whether directly or otherwise, to NDIS participants for approved reasonable and necessary supports are exempt from income tax.	New tax expenditure as a result of a new policy measure reported in the 2013-14 Budget.
Fringe Benefits Tax		
D15	Charitable institutions whose principal activity is to promote the prevention or control of diseases in human beings, public and not for profit hospitals and public ambulance services and public benevolent institutions (excluding hospital activities) are provided with an exemption from fringe benefits tax for meal entertainment and entertainment facility leasing expenses. The fringe benefits tax exemption on these items is unlimited.	Reporting modification. This tax expenditure was previously reported as a component of D10 *Philanthropy — exemption for charities promoting the prevention or control of disease in human beings*, D11 *Philanthropy — exemption for public and not-for-profit hospitals and public ambulance services*, and D14 *Philanthropy — exemption for public benevolent institutions (excluding public and not-for-profit hospitals)*.

C.2 MODIFIED TAX EXPENDITURES

Table C.2 reports tax expenditures that have been modified since they were last reported in the 2012 TES (the respective tax expenditure reference codes from this Statement and the 2012 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 measure that has been announced since the 2012 TES, 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 C.2: Modified tax expenditures

TES code			
2013	**2012**	**Modification to the tax expenditure**	**Nature of modification**
INCOME TAX			
Personal income			
A4	A4, A12	*Exemption of income of certain visitors to Australia* (A4 in the 2012 TES) has been merged with *Exemption of pay and allowances earned in Australia by foreign forces* (A12 in the 2012 TES).	Reporting modification.
A7	A7	From 1 July 2014, the Medicare levy will increase from 1.5 to 2 per cent.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2013-14 Budget.
A19	A20	From 1 July 2014, the Medicare levy will increase from 1.5 to 2 per cent.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2013-14 Budget.
A22	A23	The medical expenses tax offset is being phased out, with transitional arrangements for those currently claiming the offset.	Modification to an existing tax expenditure as a result of a policy measure announced in the 2013-14 Budget.
A23	A24	From 1 July 2014, the Medicare levy will increase from 1.5 to 2 per cent.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2013-14 Budget.
A27	A26	Disaster Income Recovery Subsidy payments provided between 3 January 2013 and 30 September 2013 and ex-gratia payments to New Zealand non-protected Special Category Visa holders have been made exempt from income tax.	Modification to an existing tax expenditure as a result of a policy measure announced in the 2013-14 Budget.
A28	A27	The Baby Bonus will be discontinued from 1 March 2014 and replaced by changes to Family Tax Benefit Part A.	Modification to an existing tax expenditure as a result of a policy measure announced in the 2013-14 Budget.

Table C.2: Modified tax expenditures (continued)

TES code			
2013	**2012**	**Modification to the tax expenditure**	**Nature of modification**
INCOME TAX			
A30	A29	The Schoolkids Bonus will be abolished from 30 June 2014.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2013-14 Mid-Year Economic and Fiscal Outlook.
A35	A35, A36	*Tax offsets for dependent spouse, child-housekeeper and housekeeper who cares for a prescribed dependant* (A35 in the 2012 TES) has been merged with *Tax offsets for taxpayers supporting a parent, parent-in-law, or invalid relative* (A36 in the 2012 TES).	Reporting modification.
A42	A43	From 1 March 2014, the Baby Bonus will be replaced by changes to Family Tax Benefit Part A payments.	Modification to an existing tax expenditure as a result of a policy measure announced in the 2013-14 Budget.
A45	A47	From 1 July 2013, an income tax exemption for compensation has been provided for legal advice to beneficiaries under the *Military Rehabilitation and Compensation Act 2004*.	Modification to an existing tax expenditure as a result of a policy measure announced in the 2013-14 Budget.
A59	A61	On 12 December 2013, a Bill was introduced into the Parliament to ensure that the ATO does not issue any further cheques for tax bonus payments. Subject to passage, the legislation will take effect from the day after Royal Assent.	Modification to an existing tax expenditure as a result of a policy measure announced in the 2013-14 Mid-Year Economic and Fiscal Outlook.
A62	A64	A new deductible gift recipient category has been established for organisations established and maintained solely for the purpose of providing ethics education in government schools in Australia in accordance with the relevant State or Territory law, as an alternative to religious instruction.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2013-14 Budget.

Table C.2: Modified tax expenditures (continued)

TES code			
2013	**2012**	**Modification to the tax expenditure**	**Nature of modification**
INCOME TAX			
Business income			
B18	B18	The phasedown of interest withholding tax applying to financial institutions will not proceed, as part of the 'Removal of the Mining Tax Package'.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2013-14 Mid-Year Economic and Fiscal Outlook.
B39	B40	The conservation tillage refundable tax offset will be repealed from 1 July 2014.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2013-14 Mid-Year Economic and Fiscal Outlook.
B42	B43	The non-primary production income threshold for primary producers to make a farm management deposit will be increased from $65,000 to $100,000. Primary producers will also be able to consolidate existing farm management deposits without triggering tax consequences. This treatment will apply from 1 July 2014.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2013-14 Budget.
B85	B87, B88	*Accelerated depreciation for mining buildings* (B87 in the 2012 TES) has been merged with *Capital expenditure deduction for mining, quarrying and petroleum operations* (B88 in the 2012 TES).	Reporting modification.
B87	B90	From 14 May 2013, the cost of a mining, quarrying or prospecting right or information first used for exploration will generally be depreciated over 15 years or the asset's effective life.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2013-14 Budget.
B98	B101	Better targeting measure to deny access to the R&D tax incentive for companies with aggregated assessable income of $20 billion or more.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2013-14 Budget.
B101	B104	Instant asset write-off threshold reduced from $6,500 to $1,000 commencing 1 January 2014. Accelerated deduction for motor vehicles repealed commencing 1 January 2014.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2013-14 Mid-Year Economic and Fiscal Outlook.
B106	B109	Measure is to be repealed as part of the MRRT repeal package. Loss carry back will no longer be available to eligible companies commencing in the 2013-14 income year.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2013-14 Mid-Year Economic and Fiscal Outlook.

Table C.2: Modified tax expenditures (continued)

TES code			
2013	**2012**	**Modification to the tax expenditure**	**Nature of modification**
INCOME TAX			
Retirement savings			
C5	C5	A higher concessional contributions cap was introduced for individuals aged 60 and over from 1 July 2013 and will be available to individuals aged 50 and over from 1 July 2014. The Government intends to rephase the superannuation guarantee so it remains at 9.25 per cent until 1 July 2016 before gradually increasing to 12 per cent.	Modification to an existing tax expenditure as a result of policy measures reported in the 2013-14 Budget and the 2013-14 Mid-Year Economic and Fiscal Outlook.
C7	C7	Improvements to modelling methodology and data.	Modelling updates.
C8	C8	A higher concessional contributions cap was introduced for individuals aged 60 and over from 1 July 2013 and will be available to individuals aged 50 and over from 1 July 2014.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2013-14 Budget.
C9	C9, C10	*Superannuation — measures for low-income earners* (C9 in the 2012 TES) has been merged with *Superannuation — spouse contribution offset* (C10 in the 2012 TES). The Government intends that the low income superannuation contribution (LISC) will not apply on eligible contributions from the 2013-14 income year.	Reporting modification and modification to an existing tax expenditure as a result of a policy measure reported in the 2013-14 Mid-Year Economic and Fiscal Outlook.
C10	C11	A higher concessional contributions cap was introduced for individuals aged 60 and over from 1 July 2013 and will be available to individuals aged 50 and over from 1 July 2014. Excess concessional contributions made on or after 1 July 2013 are taxed at the individual's own marginal tax rate and an interest charge instead of the top marginal tax rate. Excess contributions will be permitted to be withdrawn from superannuation.	Modification to an existing tax expenditure as a result of policy measures reported in the 2013-14 Budget.

Table C.2: Modified tax expenditures (continued)

TES code			
2013	**2012**	**Modification to the tax expenditure**	**Nature of modification**
INCOME TAX			
Fringe Benefits Tax			
D10	D10	The fringe benefits tax exemption for meal entertainment and entertainment facility leasing expenses are now captured in D15 *Philanthropy — exemption from the fringe benefit cap for meal entertainment and entertainment facility leasing expenses.*	Reporting modification.
D11	D11	The fringe benefits tax exemption for meal entertainment and entertainment facility leasing expenses are now captured in D15 *Philanthropy — exemption from the fringe benefit cap for meal entertainment and entertainment facility leasing expenses.*	Reporting modification.
D14	D14	The fringe benefits tax exemption for meal entertainment and entertainment facility leasing expenses are now captured in D15 *Philanthropy — exemption from the fringe benefit cap for meal entertainment and entertainment facility leasing expenses.*	Reporting modification.
D23	D22	This item has been modified to include the discounted valuation of airline transport fringe benefits provided to airline employees and travel agents after 7.30pm (AEST) on 8 May 2012 as a result of a legislative change. These fringe benefits were previously included in D24 *Discounted valuation of travel for airline employees and travel agents*.	Reporting modification.
D25	D24	This item has been modified to include only the discounted valuation of airline transport fringe benefits provided to airline employees and travel agents before 7.30pm (AEST) on 8 May 2012.	Reporting modification.

Table C.2: Modified tax expenditures (continued)

TES code			
2013	**2012**	**Modification to the tax expenditure**	**Nature of modification**
INCOME TAX			
Capital Gains Tax			
E13	E15	Some unenacted roll-overs that form part of this tax expenditure have not proceeded.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2013-14 Mid-Year Economic and Fiscal Outlook.
INDIRECT TAXES			
Commodity and other indirect taxes			
F8	F8	Modification to take into account the discontinuation of the carbon component as part of the revised carbon pricing mechanism benchmark applying from 1 July 2014.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2013-14 Mid-Year Economic and Fiscal Outlook.
F9	F9	Improvements to modelling methodology and data following first full year of reporting for gaseous fuels.	Modelling updates.
F12	F12	Estimates for excise levied on cigarettes are now reported from 2013-14 onwards due to an amendment of the *Tax Administration Act 1953*.	Reporting modification.
Natural resources taxes			
G1	G1	The revised benchmark applying from 1 July 2014 sets the benchmark to zero.	Modification to an existing tax expenditure as a result of a revised benchmark to apply from 1 July 2014.
G2	G2	The revised benchmark applying from 1 July 2014 sets the benchmark to zero.	Modification to an existing tax expenditure as a result of a revised benchmark to apply from 1 July 2014.
G3	G3	The revised benchmark applying from 1 July 2014 sets the benchmark to zero.	Modification to an existing tax expenditure as a result of a revised benchmark to apply from 1 July 2014.
G4	G4	The revised benchmark applying from 1 July 2014 sets the benchmark to zero.	Modification to an existing tax expenditure as a result of a revised benchmark to apply from 1 July 2014.
G5	G5	The revised benchmark applying from 1 July 2014 sets the benchmark to zero.	Modification to an existing tax expenditure as a result of a revised benchmark to apply from 1 July 2014.

Table C.2: Modified tax expenditures (continued)

TES code 2013	TES code 2012	Modification to the tax expenditure	Nature of modification
INDIRECT TAXES			
Goods and Services Tax			
H10	H10	Improvements to modelling methodology and data.	Modelling updates.
H18	H18	The GST law was amended from 1 July 2013 to make the supply of certain disability supports delivered under the *National Disability Insurance Scheme Act 2013* GST-free to mirror the existing GST treatment of supplies of certain medical aids or appliances to people with disability.	Modification to an existing tax expenditure as a result of policy measures reported in the 2013-14 Budget.
H21	H21	The GST law was amended from 1 July 2013 to make the supply of certain disability supports delivered under the *National Disability Insurance Scheme Act 2013* GST-free to mirror the existing GST treatment of certain services to people with disability.	Modification to an existing tax expenditure as a result of policy measures reported in the 2013-14 Budget.
H28	H28	From 1 July 2014 the range of eligible emissions units receiving GST-free treatment will be reduced to international emissions units and eligible Australian carbon credits.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2013-14 Mid-Year Economic and Fiscal Outlook.
Carbon Pricing Mechanism			
I1	I1	The revised benchmark applying from 1 July 2014 sets the benchmark to zero. Consequently, there is no tax expenditure arising from this date.	Modification to an existing tax expenditure as a result of a revised benchmark to apply from 1 July 2014.
I2	I2	The revised benchmark applying from 1 July 2014 sets the benchmark to zero. Consequently, there is no tax expenditure arising from this date.	Modification to an existing tax expenditure as a result of a revised benchmark to apply from 1 July 2014.
I3	I3	The revised benchmark applying from 1 July 2014 sets the benchmark to zero. Consequently, there is no tax expenditure arising from this date.	Modification to an existing tax expenditure as a result of a revised benchmark to apply from 1 July 2014.
I4	I4	The revised benchmark applying from 1 July 2014 sets the benchmark to zero. Consequently, there is no tax expenditure arising from this date.	Modification to an existing tax expenditure as a result of a revised benchmark to apply from 1 July 2014.
I5	I5	The revised benchmark applying from 1 July 2014 sets the benchmark to zero. Consequently, there is no tax expenditure arising from this date. Certain additional products were exempted from the equivalent carbon price applied to synthetic greenhouse gases.	Modification to an existing tax expenditure as a result of a revised benchmark to apply from 1 July 2014 and policy measures reported in the 2013-14 Budget and 2013-14 Mid-Year Economic and Fiscal Outlook.
I6	I6	The revised benchmark applying from 1 July 2014 sets the benchmark to zero. Consequently, there is no tax expenditure arising from this date.	Modification to an existing tax expenditure as a result of a revised benchmark to apply from 1 July 2014.

Table C.2: Modified tax expenditures (continued)

TES code			
2013	2012	Modification to the tax expenditure	Nature of modification
INDIRECT TAXES			
I7	I7	The revised benchmark applying from 1 July 2014 sets the benchmark to zero. Consequently, there is no tax expenditure arising from this date.	Modification to an existing tax expenditure as a result of a revised benchmark to apply from 1 July 2014.
I8	I8	The revised benchmark applying from 1 July 2014 sets the benchmark to zero. Consequently, there is no tax expenditure arising from this date.	Modification to an existing tax expenditure as a result of a revised benchmark to apply from 1 July 2014.

C.3 DELETED TAX EXPENDITURES

Table C.3 reports tax expenditures that have been deleted since the 2012 TES. 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 C.3: Deleted tax expenditures

TES code	Tax expenditure description	Reason for deletion
2012		
INCOME TAX		
Personal income		
A12	Pay and allowances earned in Australia as a member of foreign forces are exempt from income tax.	Reporting modification. This exemption is now reported in A4 *Exemption of income of certain visitors to Australia*.
A33	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.	This no longer has an impact over the reported time horizon.
A36	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.	Reporting modification. This expenditure is now reported in A35 *Tax offsets for dependent spouse, child-housekeeper and housekeeper who cares for a prescribed dependant and invalid or carer dependants*.
A44	Rent subsidy payments received by renters and paid under the Mortgage and Rent Relief Scheme by an Australian Government agency were exempt from income tax.	This no longer has an impact over the reported time horizon.
Business income		
B37	For expenditure incurred before 1 July 2008, prepayments on seasonally dependent agronomic operations in the establishment of a forestry plantation were immediately deductible.	This no longer has an impact over the reported time horizon.
B49	A tax offset at the company tax rate was available to resident lenders who received interest income from loans given for approved land transport infrastructure projects. Since May 2004 no new projects have been admitted to the scheme. The scheme was repealed in 2011.	This no longer has an impact over the reported time horizon.
B87	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.	Reporting modification. This expenditure has been merged with B88 *Capital expenditure deduction for mining, quarrying and petroleum operations* from the 2012 TES.

Table C.3: Deleted tax expenditures (continued)

TES code	Tax expenditure description	Reason for deletion
2012		
INCOME TAX		
Retirement savings		
C10	A tax offset is available for post-tax contributions to the superannuation account of a spouse whether married or de facto (where the total of assessable income and reportable fringe benefits for the spouse is less than $13,800).	Reporting modification. This expenditure has been merged with tax expenditure C9 *Superannuation — measures for low-income earners* from the 2012 TES.
C18	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 have been paid to the Australian Government from the 2008-09 year.	After a review, it was recognised that amounts paid to the Australian Government under the *Superannuation (Unclaimed Money and Lost Members) Act 1999* are non-tax revenue and thus no tax expenditure exists.
Capital Gains Tax		
E8	Capital Gains Tax (CGT) relief was to have been available for taxpayers participating in an Australian government agency program that provides replacement assets to taxpayers that have been affected by a natural disaster. Taxpayers were going to have the option of accessing a CGT exemption on their original assets that are replaced under the program and obtaining a market value cost base for their new asset.	Government decision not to proceed with this announced but not enacted policy.
E12	Capital gains and losses arising from a right to a financial incentive granted to taxpayers under an Australian government (Commonwealth, State or Territory) scheme to encourage the acquisition of renewable resource assets or the preservation of Australia's environmental amenity were to have been exempt from capital gains tax.	Government decision not to proceed with this announced but not enacted policy.