Tax Expenditures Statement

1997-98

July 1999

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Introduction

This Tax Expenditures Statement (TES) provides details on the financial benefits that individuals and businesses derive from taxation concessions of various kinds. These concessions are usually delivered by tax exemptions, tax deductions, tax rebates or reduced tax rates. They lower the tax burden by either reducing or delaying the collection of taxation revenue.

The benefits provided by the tax concessions could equally be delivered in the form of direct expenditures, ie outlays. The Government can use taxation concessions to allocate resources to different activities in much the same way that it can use direct expenditure programmes. For this reason, and noting their direct impact on the underlying budget deficit, these concessions are generally called ‘tax expenditures’.

To allow for a more transparent and complete assessment of public funding, information is presented in this statement about the magnitude of public assistance that is provided via concessional taxation treatment, and the sectors to which the assistance is provided. These figures provide information on the cost of tax expenditures and hence on the level of tax assistance provided to various groups. Details are also provided on the trends in tax expenditures, a comparison with direct outlays assistance, and the level of tax expenditure by taxpayer affected. Additional detail on methodological issues, including a detailed discussion of the retirement income tax and other employment termination tax concessions is presented in the Appendices.

Estimates and Forward Projections

It is generally easier for governments to estimate the cost of spending programmes than it is to estimate the revenue forgone as a result of concessional tax treatment. This has meant that many tax expenditures typically go uncosted, because the estimates may be imprecise and only indicate broad orders of magnitude. Nonetheless, tax policy decisions are better served by broad indications of the cost of a tax expenditure than none at all. Where an estimate is not available, policy decisions are made more difficult. In some cases, the cost to revenue of tax expenditures can be estimated using tax return data. Otherwise, the cost can be estimated using census data or other official statistics.

This statement continues the established practice of providing estimates of identified tax expenditures for the year in which the impact on revenue occurs. In contrast to accrual estimates and projections recently published in the

1999-2000 Budget, all data contained in this statement has been compiled on a cash basis, consistent with data published in previous TESs.

Historical data on the cost of tax expenditures has been provided for the years 1994-95 to 1997-98. Forward projections of the cost of individual tax expenditures are included for the years 1998-99 to 2001-02.

The qualifications and caveats associated with costing tax expenditures (see Appendix C) assume greater importance in relation to the production of forward projections. For example, it is likely that the measured cost of aggregate tax expenditures underestimates the actual cost of concessions in the tax system. Nevertheless, if these cautions are borne in mind, it is considered that fiscal analysis is aided by the publication of these forward projections.

The nature of tax expenditures is such that it is not possible to accurately forecast their cost (in many cases it is not even possible to provide reliable historical estimates). The forward projections presented in this TES are generally derived by extrapolating historical trends or applying broad growth factors (for example changes in the projected Consumer Price Index); while in others, such as the superannuation concessions, through more detailed modelling.

Estimates Affected by *'A New Tax System'* (ANTS)

The forward projections include the effect on particular tax expenditures of measures announced since the 1996-97 TES (whether legislated or not at the time of writing this statement).

The ANTS document outlined significant reforms to both outlays and revenue measures — some of which will impact on the costings of tax expenditures. The treatment of ANTS measures in this Statement is as follows.

- Those ANTS measures that do not fundamentally alter the way in which a tax is assessed and therefore do not affect the benchmarks in Appendix A are costed with the impact of ANTS included. For example, any tax expenditures relating to personal income will take into account the new personal income tax rates which, under ANTS, come into effect from 1 July 2000.

- The impact of ANTS measures that fundamentally alter the way in which a tax is assessed, and which therefore require an alteration to the benchmark (such as changes to the taxation regime applying to trusts), have not been included in the tax expenditure costings.

ANTS measures are treated in this way because substantial elements of the package will not be settled until the Government has considered the recommendations of the *Review of Business Taxation* (which is currently examining many of these tax expenditures in consultation with business).

This treatment of ANTS measures results in a significant reduction in measured tax expenditures from 2000-01, the first full year of the tax reform package. This reduction reflects a reduction in the cost of tax expenditures (due to lower marginal personal tax rates) as well as the abolition of some tax expenditures (including the savings rebate). However, new tax expenditures that require the development of new benchmarks have not been included in the forward projections, for the reasons noted above. As a result, there is added uncertainty surrounding the forward projections in this year's TES. It also has not been possible to incorporate into this TES the effect of the revisions to the tax reform package announced by the Government, as part of the agreement with the Democrats, on 28 May 1999. This TES, therefore, provides additional explanation to the tax expenditures data provided in the 1999-2000 Budget but it does not take into account any policy changes announced after 11 May 1999.

Revised benchmarks incorporating fundamental changes as a result of tax reform will be produced in a future version of the TES.

Fringe Benefits Tax Estimates

In interpreting the fringe benefits tax (FBT) tax expenditure estimates, it should be borne in mind that from 1 April 1994 FBT has been levied on the tax-inclusive value of fringe benefits; that is, subject to grossing up. As part of these arrangements, an income tax deduction is allowed for employers for FBT paid from 1 April 1994. However, this deduction generally impacts on employers in the following financial year. The estimates of FBT concessions for 1994-95 for taxable employers are therefore higher than the on-going level for these tax expenditures. The estimates for 1996-97 and 1997-98, and forward projections to 2001-02, provide a better indication of the ongoing value of FBT concessions.

- Some categories of non-government income tax exempt bodies are eligible for a rebate of FBT, while some other employers are exempt from FBT. Where tax expenditure items refer to FBT exemptions for particular categories of employers, the estimates are based on the gross cost of the exemption, not allowing for any rebate that might otherwise have been claimable.

Revised Estimates and Projections

Some estimates or projections of the revenue forgone for certain tax expenditures provided in Tables 3 and 4 of this statement represent significant revisions to estimates or projections published in the 1996-97 TES. These are listed below. There are more significant revisions to the forward projections than to historical estimates, reflecting the more significant caveats applying to them, as discussed earlier. Index references (eg FA8) refer to listings in Table 3 or Table 4 of this statement. These indices are the same as those used in the 1996-97 TES.

Unless otherwise noted, the revisions relate to improvements in the method used to estimate the cost of the tax expenditure and the availability of more recent tax return data and/or other information since the 1996-97 TES, rather than policy changes such as those announced in ANTS.

FA8 — Total or partial exemptions of income earned by Australians working overseas.

The estimate for the financial year 1997-98 was revised upward by $37 million while upward revisions were made to the projections for 1998-99 of $47 million, $58 million for 1999-2000 and $72 million for 2000-01.

H1 — Medical Expense Rebate.

The estimate for the financial year 1997-98 was revised downward by $77 million, with downward revisions made to the projections for 1998-99 of $96 million, $113 million for 1999-2000 and $123 million for 2000-01.

H10 — Income-tested tax offset for private health insurance.

The estimate for the financial year 1998-99 was revised upward by $94 million. Downward revisions were made to the projections for 1999-2000 of $47 million, and $115 million for 2000-01 reflecting the decision announced in ANTS to replace the income tested offset with a 30 per cent tax rebate from 1 January 1999.

SS3 — Rebates for recipients of taxable repatriation or social security benefits.

The estimate for the financial year 1996-97 was revised downwards by $25 million, as was 1997-98 by $95 million. Downward revisions were also made to the projections for 1998-99 of $115 million, $125 million for 1999-2000 and $577 million in 2000-01, primarily reflecting the proposed personal income tax rate reductions.

SS7 — Rebate for low income earners.

The estimate for the financial year 1997-98 was revised upward by $52 million while upward revisions were also made to the projections for 1998-99 of $63 million, $78 million in 1999-2000 and $89 million in 2000-01.

SS8 — Exemption of repatriation pensions, or pensions, allowances and payments of a similar nature, and certain war-related payments and pensions.

The estimates and projections for the financial years 1997-98 to 1999-2000 experienced small upward revisions. A downward revision was made to the projection for 2000-01 of $50 million, primarily reflecting the proposed personal income tax rate reductions.

SS13 — Concessional treatment of superannuation contributions, fund income and benefits paid and other termination payments.

The estimate for the financial year 1996-97 was revised upward by $460 million, as was 1997-98 by $620 million. Upward revisions were made to the projections for 1998-99 by $720 million and $510 million for 1999-2000. A downward revision of $1280 million for 2000-01 was also made. The upward revisions reflect higher than projected investment returns including high levels of realised capital gains. The downward revision for 2000-01 reflects the effect of lower marginal personal tax rates in ANTS.

SS29 — Increase in tax free threshold of $1000 to one member of a couple or sole parent.

The estimate for the financial year 1996-97 was revised downwards by $130 million, as was 1997-98 by $218 million. Similar downward revisions were made to the projections for 1998-99 of $200 million, $204 million in 1999-2000 and $288 million in 2000-01. This was necessary to reflect the abolition of this tax expenditure from 1 July 2000 to be replaced by the Family Tax Benefit announced in ANTS.

FE1 — Exemption from fuel excise of 'alternative fuels'.

The estimate for the financial year 1995-96 has been revised downward by $81 million, as was 1996-97 by $75 million and 1997-98 by $79 million. Similar downward revisions were made to the projections for 1998-99 of $82 million, $80 million in 1999-2000 and $78 million for 2000-01, primarily reflecting methodology changes.

AFF5 — Income tax averaging for primary producers.

The estimate for the financial year 1996-97 was revised downward by $60 million, as was 1997-98 by $70 million, reflecting receipt of actual data. The projections for income years 1998-99 to 2001-02 are based on projected primary production income.

MM1 — Deduction for certain allowable capital expenditure (not on plant and equipment) incurred in a prescribed mining or petroleum operation.

The estimate for the financial year 1994-95 was revised downward by $240 million, as was 1995-96 by $270 million. Downward revisions were made to the estimates and projections for 1996-97 to 2000-01 of $290 million in each year, reflecting reclassification of that element which is a deferred benefit to AD15.

MM5 — Development Allowance of 10 per cent for plant and equipment relating to major projects.

The estimate for the financial year 1996-97 was revised downward by $200 million while for 1997-98 the estimate was revised upwards by $65 million. Upward revisions were made to the projections for 1998-99 of $25 million and $20 million in 2000-01. The 1999-2000 projection was revised downward by $75 million.

MM11 — Exemption of borrowings for eligible infrastructure facilities.

The projections for the financial year 1998-99 were revised downward by $73 million, $63 million in 1999-2000 and $49 million for 2000-01.

MM14 — Deductions of up to 125 per cent for eligible expenditure on R&D.

The estimate for the financial year 1996-97 was revised upwards by $90 million although 1997-98 was reduced by $10 million. The forward projections have been revised upward by $120 million in 1998-99, $130 million in 1999-2000 and $140 million in 2001-02.

MM17 — Infrastructure Borrowings Tax Offset Scheme.

The estimate for the financial year 1997-98 was revised downward by around $28 million.

OEA14 — FBT undervaluation of benefits resulting from the statutory formula available to value car benefits.

The estimate for the financial year 1997-98 was revised upward by $260 million. Upward revisions were made to the projections for 1998-99 of $240 million, $250 million in 1999-2000 and $170 million in 2000-01, reflecting revised methodology.

NAF13 — IWT exemption for foreign borrowings raised by a public offer of debentures.

The estimate for the financial year 1994-95 was revised upwards by $40 million while 1995-96 was revised downwards by $40 million. Upward revisions were made to 1996-97 of $10 million and 1997-98 of $30 million. Downward revisions were made to the projections for 1999-2000 of $50 million and $90 million for 2000-01, reflecting receipt of more detailed information.

NAF34 — Tax offset for savings, to a value in 1998-99 of 7.5 per cent of undeducted superannuation contributions and/or net personal income from savings and investment, with a maximum rebate of $225.

The projection for the financial year 1999-2000 was revised downward by $790 million and by $2040 million in 2000-01, reflecting the decision to repeal the savings rebate from 1 July 1999, as announced in ANTS.

AD8 — Accelerated depreciation allowances for plant and equipment acquired under contract, or commenced to be constructed, on or after 27 February 1992.

The estimate for the financial year 1994-95 was revised upwards by $410 million, $530 million in 1995-96, $750 million in 1996-97 and $840 million for 1997-98. Upward revisions were also made to the projections for 1998-99 of $920 million, $890 million in 1999-2000 and $880 million in 2000-01. The revisions reflect the incorporation of the latest data available and revised methodology.

Trends in Tax Expenditures

Table 1 provides the estimated cost of tax expenditures by functional category, and the total annual aggregates, for the fiscal years 1996-97 and 1997-98 and projections for the outyears 1998-99 to 2001-02. Care must be taken when interpreting these aggregates, particularly when making comparisons across time. There are several major considerations in analysing tax expenditure aggregates.

- First, many of the identified expenditures are not costed because of a lack of suitable data.

- Second, estimates have not been consistently provided over time. Some tax expenditures have been costed only for the fiscal years where they have actually been part of the tax system. For example, the 1995-96 TES included for the first time estimates relating to the excise exemption applying to ‘alternative’ transport fuels which had been in place for some years. Changes in aggregates over time will therefore reflect both changes in the cost of individual tax expenditures, and changes in the coverage of the tax expenditures being costed.

- Third, changes over time in methodology and available data used for calculating the cost of particular tax expenditures means that there can be quite large revisions to tax expenditure estimates. Therefore, numbers that were provided in previous TESs may not be strictly comparable to figures in more recent publications.

- Fourth, the introduction of forward projections for the outyears adds an additional element of uncertainty when trying to draw strong conclusions on longer term trends.

Tax Expenditures 1997-98

Table 1 shows that the total net cost of aggregate tax expenditures which provide a permanent benefit or penalty to taxpayers rose from $19.3 billion in 1996-97 to $19.5 billion in 1997-98. Excluding superannuation concessions, the aggregate cost of tax expenditures rose from $10.1 billion in 1996-97 to $10.4 billion in 1997-98 (See Table B1).

- When account is also taken of so-called ‘timing’ tax expenditures, which merely defer tax collections to a later date, the Budget impact rose from $21.9 billion in 1996-97 to $22.3 billion in 1997-98.

The 1997-98 aggregates for the functional categories Social Security and Welfare, Other Economic Affairs, not elsewhere classified, Foreign Economic Aid and the Not Allocated to Function have shown significant increases in 1997-98 over the 1996-97 aggregates. The remaining functional categories remained fairly flat between 1996-97 and 1997-98.

- The rise in Social Security and Welfare tax expenditures mainly reflects the introduction of the Family Tax Initiative on 1 January 1997, which increased the tax free threshold by $1000 to one member of a couple or sole parent for each dependant child up to age 16, or student up to age 18 (SS29). Growth in various pensioner and beneficiary rebates and the FBT exemption for public benevolent institutions (excluding public hospitals) have also contributed to some extent. The rise in the latter reflects better information on the use of fringe benefits in the sector.

- The revised methodology introduced to cost the FBT undervaluation of benefits resulting from the statutory formula available to value car benefits (OEA14) was the major contributor to the 1997-98 increase in the cost of tax expenditures in the ‘Other Economic Affairs, nec’ category.

- The rise in 1997-98 of the Foreign Economic Aid function compared to 1996-97 primarily reflects the growth in total or partial exemption of income earned by Australians working overseas (FA8).

- The rise in the ‘Not Allocated to Function’ reflected increases in 1997-98 tax expenditures of deductions of gifts to approved donees (NAF11), IWT exemption for foreign borrowings raised by public offer of debentures (NAF13) and an increase in the FBT exemption for fringe benefits provided by religious institutions (NAF17).

- The cost of the Research and Development (R&D) tax concession (MM14) is estimated to have fallen significantly in 1997-98 after having peaked in 1996-97 at an estimated cost of $800 million. The 26 per cent decline in the cost of the Mining and Mineral Resources, Manufacturing and Construction function in 1997-98 largely reflects this. Adding to this decline was the lower cost of the Development Allowance (MM5) with a small offset from growth in the cost of the infrastructure borrowings concession (MM11).

Forward Projections

Table 1 also shows the forward projections for aggregate tax expenditures incorporating superannuation related tax expenditures for the period 1998-99 to 2001-02. The table shows that the cost of tax expenditures (excluding timing measures) are projected to decline from $19.5 billion in 1997-98 to $19 billion in 2001-02 although the forward projections are subject to significant uncertainty.

The main functional category projected to grow significantly prior to 1999-2000 is Social Security and Welfare. This reflects growth in the cost of superannuation and termination tax concessions, other concessions for recipients of various pensions and benefits, and family tax assistance. After 1999-2000, the effect of those ANTS package measures incorporated in the estimates causes the cost of tax expenditures for Social Security and Welfare to decline, mainly due to the reduction in personal income tax rates.

Similarly, the decline in the ‘Not Allocated to Function’ after 1999-2000 primarily reflects the cessation of the Tax Offset for Savings (NAF34).

Assistance to Mining and Mineral Resources, Manufacturing and Construction is expected to grow in future years, mainly because of projected increased cost of the R&D tax concession, and the impact of the Infrastructure Borrowing Tax Offset Scheme and the new fringe benefits tax measures on projections for later years.

The growth in the forward projections for the Foreign Economic Aid category reflects the growth in total or partial exemption of income earned by Australians working overseas (FA8).

The Health category is also projected to rise in future years, largely reflecting the operation of the private health insurance rebate announced as part of the ANTS package.

The projected rise from 1998-99 onwards in the ‘Other Economic Affairs, nec’ category primarily reflects the impact of the capital gains tax (CGT) rollover relief for businesses with net assets of less than $5 million (OEA20).

Table 1: Aggregate Tax Expenditures by Function 1996-97 to 2001-02[a]

Function	Revenue Cost ($m) 1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
Total General Public Services						
A. Legislative and Executive Affairs	<1	<1	<1	<1	<1	<1
B. Financial and Fiscal Affairs	0	0	0	0	0	0
C. Foreign Economic Aid	155	206	198	211	232	225
D. General Research	<1	<1	0	0	0	0
E. General Services	5	5	5	5	5	5
F. Govt Superannuation Benefits	0	0	0	0	0	0
Defence	63	65	68	71	70	73
Public Order and Safety	0	0	0	0	0	0
Education	14	15	15	16	14	14
Health	528	552	777	880	845	884
Social Security & Welfare	13934	14167	14827	15431	13254	12679
Housing & Community Amenities	211	217	221	228	236	219
Culture and Recreation	47	50	50	50	50	53
Fuels and Energy	535	571	628	690	762	836
Agriculture, Forestry and Fishing	266	236	262	296	279	269
Mining and Mineral Resources other than fuels; Manufacturing; and Construction	1321	974	1003	975	1071	1056
Transport and Communications	25	36	40	40	43	43
Total Other Economic Affairs						
A. Tourism and Area Promotion	70	70	70	70	75	80
B. Labour and Employment Affairs	14	23	17	21	21	15
C. Other Economic Affairs, nec	813	963	1274	1357	1290	1297
Total Other Purposes						
A. Public Debt Interest	0	0	0	0	0	0
B. General Purpose Inter-Govt Transactions	0	0	0	0	0	0
C. Natural Disaster Relief	0	0	2	0	0	0
D. Contingency Reserve	0	0	0	0	0	0
E. Asset Sales	0	0	0	0	0	0
Not Allocated to Function	1288	1331	1720	2033	1423	1246
Total	19289	19481	21177	22374	19670	18994
Timing Measures(b)	2652	2833	3062	3139	3205	3146
Total (including timing measures)	21941	22314	24239	25513	22875	22140

nec denotes not elsewhere classified.

(a) Aggregate cost of tax expenditures in functional categories is derived by summing the individual tax expenditure costings provided in Table 3, excluding items listed as costed at <1 or <5, etc.

(b) Timing measures involve deferral of revenue and are described and costed in Table 4.

Comparison with Direct Outlays

Table 2 shows the costs of tax expenditures identified in 1997-98, compared with direct outlays by functional category, consistent with the presentation in Table B2 of Budget Statement 6 of the 1999-2000 *Budget Paper No. 1*.

The comparisons between tax expenditures and direct outlays shown in Table 2 are informative in broad terms, however, the costings are not strictly comparable. While most tax expenditures could, in principle, be replaced by a direct outlay, the tax expenditure estimates refer to revenue forgone, which is not necessarily the size of a direct outlay equivalent. For example, where a direct outlay is taxable, the amount of the gross direct outlay required to provide net assistance to a beneficiary, equivalent to that provided by a tax expenditure would have to exceed the tax expenditure by the amount of the tax liability arising on the direct outlay. The net cost of the two is, however, equivalent.

The estimates presented in Table 2 indicate that revenue forgone through measured tax expenditures was much less than the cost of direct outlays for most functional classifications but significant in absolute terms. In aggregate, net measured tax expenditures are valued at $19.5 billion or 14.3 per cent of Commonwealth Budget underlying outlays in 1997-98.

Table 2 shows that the largest tax expenditures are classified as being related to the Social Security and Welfare category that includes the superannuation tax concessions.

- Around 22 per cent of total assistance to this area (tax expenditures plus outlays) is provided through tax expenditures.

It also highlights significant assistance in the form of tax relief provided to the two business and industry categories of Mining etc, and Other Economic Affairs. Those tax expenditures that do not belong to a particular functional category are included in the category ‘Not Allocated to Function’.

Table 2: Aggregate Tax Expenditures and Direct Outlays by Function 1997-98

Function	Tax Expenditures Cost ($m) (a)	Direct Outlays Cost ($m)	Total ($m)
Total General Public Services			
A. Legislative and Executive Affairs	<1	532	532
B. Financial and Fiscal Affairs	0	1726	1726
C. Foreign Economic Aid	206	1719	1925
D. General Research	<1	1225	1225
E. General Services	5	-231	-226
F. Govt Superannuation Benefits	0	1596	1596
Defence	65	10473	10538
Public Order and Safety	0	999	999
Education	15	10756	10771
Health	552	20647	21199
Social Security & Welfare	14167	50182	64349
Housing & Community Amenities	217	1028	1245
Culture and Recreation	50	1287	1337
Fuel and Energy	571	55	626
Agriculture, Forestry and Fishing	236	1991	2227
Mining and Mineral Resources other than fuels; Manufacturing; and Construction	974	1649	2623
Transport and Communications	36	1066	1102
Total Other Economic Affairs			
A. Tourism and Area Promotion	70	91	161
B. Labour and Employment Affairs	23	2555	2578
C. Other Economic Affairs, nec	963	288	1251
Total Other Purposes			
A. Public Debt Interest	0	8401	8401
B. General Purpose Inter-Govt Transactions	0	17842	17842
C. Natural Disaster Relief	0	76	76
D. Contingency Reserve	0	0	0
E. Asset Sales	0	-151	-151
Not Allocated to Function	1331	0	1331
Total (b)	19481	135803	155284

nec denotes not elsewhere classified.

(a) Aggregate cost of tax expenditures in functional categories is derived by summing the individual tax expenditure costings provided in Table 3, excluding items listed as costed at <1 or <5, etc. Deferral ('timing') expenditures are not included.

(b) Items may not sum to totals due to rounding.

Tax Expenditure Tables

Information on tax expenditures including estimates and projections of the cost to revenue for the fiscal years 1994-95 to 2001-02, is presented as follows:

Table 3: Tax Expenditures Reference Table
Table 4: Tax Expenditures Involving Deferral
Table 5: Tax Expenditures Classified by Taxpayer Affected

The Tax Expenditures Reference Tables

Tables 3 and 4 provide information about each identified tax expenditure. This information includes: the year in which each measure was introduced; a description of each expenditure; and its estimated revenue cost (where available).

The columns and their function are described below.

- The 'Index' column associates each tax expenditure with an identifier for easy reference, and cross referencing to Table 5.

- The 'Date' column provides the year that the legislation was given Royal Assent, which may be different from the year that the expenditure would first impact on taxpayers' tax liabilities.

- The 'Description' column describes each expenditure and, where possible, provides a legislative reference. The following abbreviations have been used in the descriptions column: capital gains tax (CGT); fringe benefits tax (FBT); dividend withholding tax (DWT); and interest withholding tax (IWT). All tax expenditures relate to the personal or corporate income tax system unless otherwise identified in the description (eg by CGT, FBT, DWT, IWT, or Excise duty). Legislative references for all income tax, CGT, DWT and IWT expenditures relate to the *Income Tax Assessment Act 1936* unless otherwise stated. Legislative references for FBT expenditures relate to the *Fringe Benefits Tax Assessment Act 1986*. Other Acts of Parliament are included in the descriptions where necessary.

Deleted Tax Expenditures

Tax expenditures which were included in the 1996-97 TES but which are not identified in the 1997-98 TES either because the measure has been abolished and/or its effect on revenue has ceased, are listed below. A short description of the expenditure is followed, in parentheses, by its index reference from the 1996-97 TES.

- Non-capital costs in respect of ownership of a personal use asset may be included in the capital gains tax cost base (section 160ZH(1)(ba)) (NAF33).

New Tax Expenditures

Tax expenditures identified for the first time in the 1997-98 TES are listed below with a short description, followed in parentheses by its index reference from this year's TES.

Added because the measure has recently been identified as a tax expenditure:

- Immediate deduction for payments to an approved research institute for scientific research to taxpayer's business (section 30-40 ITAA97) (GR1); and

- Accelerated depreciation over 10 years for building write-offs, where the benefit is specific to the mining sector (AD15).

Added because the tax expenditure is a measure proposed and in some cases legislated since the 1996-97 TES:

- A non income tested 30 per cent rebate for expenditure on private health insurance announced in ANTS (H11);

- Extension of the beneficiary tax rebates for Commonwealth Development Employment Project (CDEP) participants (SS31);

- A tax rebate for expenditure on landcare works to primary producers with taxable incomes up to $20,700 per year (Division 388 ITAA97) (AFF17);

- FBT exemption for housing provided by employers in the mining industry to their employees announced in ANTS (MM18);

- CGT exemption for payments under the Sydney Aircraft Noise Insulation Project (Section 118-15(e) ITAA97) (TC3);

- CGT exemption for payments under the M4/M5 Cashback Scheme (Regulation 16 of 1998) (TC4);

- Tax exemption for business assistance grants from the Katherine and District Business Re-Establishment Trust (NDR1);

- Generic tax framework for the demutualisation of non-insurance organisations (OEA25); and

- Immediate deduction for expenditure on software which has the predominant nature of ensuring Y2K compliance (NAF35).

Tax Expenditure Tables