

This Appendix provides further information on the tax expenditures identified in Table 5.1, including legislative references and, in some cases, an expanded description and discussion of the estimates. Tax expenditure indices from the *1997-98 Tax Expenditures Statement* are also reported to facilitate comparison.

A Personal income tax benchmark

A1 Exemption of official salaries and ex-Australian income of the Governor-General and Governor of any State

Introduced before 1985. Legislative reference: Section 51-15 ITAA97. 1997-98 TES reference code: LEA1.

A2 Deduction for Federal, State and Territory government candidates' election expenses

Introduced before 1985. Legislative reference: Section 25-60 ITAA97. 1997-98 TES reference code: LEA2.

A3 Deduction up to \$1000 for local government candidates' election expenses

Introduced in 1985. Legislative reference: Section 74A ITAA36. 1997-98 TES reference code: LEA3.

A4 Exemption of official salary and emoluments of officials of prescribed international organisations

Introduced before 1985. Legislative reference: *International Organisations (Privileges and Immunities) Act 1963*. 1997-98 TES reference code: FA2

A5 Exemption of income of visitors who are representatives of a foreign press organisation

Introduced before 1985. Legislative reference: Section 23(c)(v) ITAA36. 1997-98 TES reference code: FA4.

A6 Total or partial exemptions of income earned by Australians working overseas

Introduced before 1985. Legislative reference: Sections 23AF and 23AG ITAA36. 1997-98 TES reference code: FA8.

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Income earned by Australians working overseas is exempt from income tax in Australia if the individual has been engaged in a continuous period of overseas service for 91 days or more.

A7 Exemption from income tax for non-residents providing advice to Government or as a member of a Royal Commission

Introduced before 1985. Legislative reference: Section 23(b) ITAA36. 1997-98 TES reference code: FA14.

This applies to remuneration paid by the government of the Commonwealth or of a State.

A8 Exemption of Australian-sourced income earned by Government representatives visiting Australia or by their official staff

Introduced before 1985. Legislative reference: Section 23(c)(iii) ITAA36. 1997-98 TES reference code: FA15.

A9 Exemption of income of residents of Norfolk Island

Introduced before 1985. Legislative reference: Section 24G ITAA36. 1997-98 TES reference code: GS1

The exemption of income of Norfolk Island residents reflects the fact that the island is basically self-supporting. The only contributions by the Commonwealth are of an one-off nature, eg a dollar for dollar grant for a water and sewerage scheme.

A10 Exemption of pay and allowances for part-time members of Defence Force Reserves

Introduced before 1985. Legislative reference: Section 51-5 ITAA97. 1997-98 TES reference code: D1.

A11 Exemption of certain allowances and bounties payable to Defence Force personnel

Introduced before 1985. Legislative reference: Section 51-5 ITAA97. 1997-98 TES reference code: D2.

These allowances and bounties include living-out allowances, child-education allowances, separation allowances, living-away-from-home allowances, retention-of-lodging allowances and re-engagement bounty.

In the case of living-away-from-home allowances and living allowances paid to Australian Defence Force (ADF) personnel, the benchmark is defined to be

compensation for the actual additional cost faced by employees in living away from their homes. Accordingly, the tax expenditure relates solely to any excess over this component.

A12 Exemption of the value of rations and quarters supplied without charge to Defence Force personnel

Introduced before 1985. Legislative reference: Section 23(t)(iv) ITAA36. 1997-98 TES reference code: D3.

The value of rations and quarters supplied without charge to defence force personnel is exempt from income tax. However, since 1986-87 certain allowances have been subject to FBT.

A13 Exemption of pay and allowances earned in Australia by foreign forces

Introduced before 1985. Legislative reference: Section 23(u) ITAA36. 1997-98 TES reference code: D4.

This does not apply if the remuneration is paid by the Australian Government.

A14 Exemption of pay and allowances earned by members of the Defence Force in an area prescribed by regulation

Introduced before 1985. Legislative reference: Sections 23AC and 23AD ITAA36. 1997-98 TES reference code: D6.

The increase in the estimate in 1999-2000 is associated with the deployment of ADF members to East Timor. Estimates from 2000-01 reflect ongoing deployment of ADF members to East Timor.

A15 Exemption of some payments to civilian personnel in service with an armed force of the United Nations

Introduced before 1985. Legislative reference: Sections 23AB(5); 23AB(10) and 23AB(6) ITAA36. 1997-98 TES reference code: D8.

These include compensation for incapacity, impairment or death (Section 23AB(5)); relief from unpaid tax by such personnel in the event of death (Section 23AB(10)) and partial exemption of living allowances (Section 23AB(6)).

A16 Rebates for Defence Force personnel serving overseas

Introduced before 1985. Legislative reference: Section 79B ITAA36. 1997-98 TES reference code: D9.

A17 Exemption from the Medicare levy for Defence Force members

Introduced before 1985. Legislative reference: Section 251U ITAA36. 1997-98 TES reference code: D10.

A18 Exemption of income earned by visitors assisting in the defence of Australia

Introduced before 1985. Legislative reference: Section 23(v) ITAA36. 1997-98 TES reference code: D13.

Income earned by a person visiting and carrying on in Australia an occupation that is primarily and principally directed at assisting in the defence of Australia is exempt if that income is not exempt from income tax in that visitor's country of residence.

A19 Exemption of disturbance allowance for Defence Force members

Introduced before 1985. Legislative reference: Section 51-5 ITAA97. 1997-98 TES reference code: D14.

A20 Exemption of Scholarship Allowance payable to Defence Force members

Introduced before 1985. Legislative reference: Section 51-5 ITAA97. 1997-98 TES reference code: D15.

The Scholarship Allowance is payable to an ADF member whose child forfeits a scholarship or bursary because of the member's posting to another locality.

A21 Exemption of income from certain Commonwealth educational scholarships or forms of assistance

Introduced before 1985. Legislative reference: Sections 23(zaa) and 23(ya) ITAA36. 1997-98 TES reference code: E1.

Income derived by way of scholarships, allowances, bursaries or other education allowances provided by the Commonwealth to an overseas student (Section 23(ya)) or as part of a Commonwealth scheme to assist secondary education or the education of isolated children (Section 23(zaa)) is exempt from income tax.

A22 Exemption of income from other scholarships or forms of assistance in limited circumstances

Introduced before 1985. Legislative reference: Section 23(z) ITAA36. 1997-98 TES reference code: E2.

Income derived by way of scholarship, bursary or other education allowance or education assistance by a student receiving full-time education at a school, college or university is exempt from income tax. This exemption does not apply where: payments are received from a person or authority upon condition that they will become, or continue to be, an employee of that person or authority or enter into or continue to be a party to a contract for labour; or an amount received under a scholarship where the scholarship is not provided principally for educational purposes; or a Commonwealth education or training payment or an education entry payment provided under the *Social Security Act 1991*.

A23 Exemption of Australian income of visiting representatives of educational, scientific, religious or philanthropic societies and associations

Introduced before 1985. Legislative reference: Section 23(c)(iv) ITAA36. 1997-98 TES reference code: E3.

This exemption relates to income derived from individuals visiting Australia for the purpose of attending international or Commonwealth conferences in Australia or carrying on research.

A24 Exemption for grants from the Australian-American Educational Foundation

Introduced before 1985. Legislative reference: Section 51-10 ITAA97. 1997-98 TES reference code: E4.

Grants from the Foundation are exempt if they are from funds made available to the Foundation under the agreement establishing it.

A25 Medical Expenses Rebate

Introduced before 1985. Legislative reference: Section 159P ITAA36. 1997-98 TES reference code: H1.

Medical expenses over a threshold, paid by a taxpayer in a year of income for either themselves or a dependent, less any amount paid to them or entitled to be paid in respect of those expenses by government or a society, association or fund, is a rebatable amount. Prior to 1997-98, the estimate includes the invalid relative and parent or parent in law rebates.

A26 Exemption from the Medicare levy for residents with a taxable income below a threshold

Introduced before 1985. Legislative reference: Section 7 *Medicare Levy Act 1986*. 1997-98 TES reference code: H2.

The Medicare levy was raised from 1.5 per cent to 1.7 per cent for 1996-97 only to fund the gun buy-back scheme.

A27 Medicare levy exemption for non-residents, repatriation beneficiaries, foreign government representatives and certain residents

Introduced in 1985. Legislative reference: Section 251U ITAA36. 1997-98 TES reference code: H3.

The latter category comprises residents of Norfolk Island, the Territory of Cocos (Keeling) Islands and the Territory of Christmas Island.

A28 Income-tested tax offset for private health insurance

Introduced in 1997. Legislative reference: Subdivision 61G, Sections 61-300 to 61-320 ITAA97. 1997-98 TES reference code: H10.

Income-tested tax offset for private health insurance up to \$150 for a single individual, \$250 for a couple and \$450 for a family with a dependent child. This measure had effect from 1 July 1997 to 31 December 1998 and has now been replaced by the Private Health Insurance 30 per cent rebate.

A29 30 per cent rebate for expenditure on private health insurance; Exemption of private health insurance rebate/benefit, including expense equivalent

Introduced in 1998. Legislative reference: Subdivision 61G, Sections 61-330 to 61-345 ITAA97. 1997-98 TES reference code: H11.

A rebate is available for expenditure by taxpayers on private health insurance. The value of the tax expenditure is recorded as two separate components: the value of the rebate paid through the tax system; and the value of the tax exemption for both the rebate and the expense component.

A30 Medicare levy surcharge

Introduced in 1997. Legislative reference: Sections 8B-8C *Medicare Levy Act 1986*. 1997-98 TES reference code: na.

A Medicare levy surcharge of one percentage point has applied since 1 July 1997 to single individuals with taxable incomes in excess of \$50,000 and couples and families with combined taxable incomes in excess of \$100,000 who do not have adequate private health insurance. The surcharge is treated as a negative tax expenditure.

A31 Rebate for sole parent

Introduced before 1985. Legislative reference: Section 159K ITAA36. 1997-98 TES reference code: SS1.

Rebate for a sole parent who has the sole care of a dependent child under 16 or a student.

Sole parent rebate was replaced with Family Tax Benefit, Part B on 1 July 2000.

A32 Rebate for taxpayers supporting a dependent relative, parent in-law, or invalid relative

Introduced before 1985. Legislative reference: Section 159J ITAA36. 1997-98 TES reference code: SS2.

A33 Rebate for recipient of taxable repatriation or social security pensions; or unemployment, sickness or special benefits

Introduced before 1985. Legislative reference: Sections 160AAA(1) and 160AAA(2) ITAA36. 1997-98 TES reference code: SS3.

This includes the Pensioner Rebate and the Beneficiary Rebate. The Pensioner Rebate ensures that a full age pensioner does not pay tax until private income exceeds the value of the payment and income test free area. In addition, under *The New Tax System*, the Pensioner Rebate has been increased by a further \$250 a year for single age pensioners and \$175 a year for each of an age pensioner couple. The Beneficiary Rebate ensures that recipients with no taxable income during the year other than their benefit do not have a tax liability.

The 2000-01 TES estimate reflects *The New Tax System* personal income tax scales.

A34 Rebate for housekeeper who cares for a prescribed dependant of the taxpayer

Introduced before 1985. Legislative reference: Section 159L ITAA36. 1997-98 TES reference code: SS4.

The Housekeeper Rebate is available to a taxpayer in limited circumstances where a housekeeper is engaged in keeping house for the taxpayer and caring for a dependant. This tax expenditure previously included the Dependent Spouse Rebate (with child) which was replaced by Family Tax Benefit, Part B on 1 July 2000.

A35 Rebate for dependent spouse

Introduced in 1976. Legislative reference: Section 159J ITAA36. 1997-98 TES reference code: SS5.

This applies where there are no dependent children.

A36 Rebate for child-housekeeper

Introduced before 1985. Legislative reference: Section 159J(1B) ITAA36. 1997-98 TES reference code: SS6.

Rebate is available to a taxpayer where a child of the taxpayer is engaged in keeping house for the taxpayer.

A37 Rebate for low income earners

Introduced in 1993. Legislative reference: Section 159N ITAA 1936. 1997-98 TES reference code: SS7.

Low Income Rebate is available to taxpayers whose taxable income in a year is below a threshold level.

A38 Exemption of certain social security and repatriation payments

Introduced before 1985. Legislative reference: Sections 52-5 to 52-40 ITAA97. 1997-98 TES reference code: SS9.

Exemption of certain social security pensions, benefits and allowances, and certain repatriation pensions paid under the *Social Security Act 1991*, and the *National Health Act 1953*.

This tax expenditure previously included Family Allowance, which was replaced with Family Tax Benefit, Part A on 1 July 2000.

A39 Exemption of rent subsidy payments under the Commonwealth/State mortgage and rent relief schemes

Introduced before 1985. Legislative reference: Section 23(ke) ITAA36. 1997-98 TES reference code: SS14.

A40 Rebate for low income aged persons

Introduced in 1996. Legislative reference: Section 160AAAA and Section 160AAAB ITAA36. 1997-98 TES reference code: SS28.

The rebate is available at the same level as the Pensioner Rebate.

A41 Family Tax Assistance, Parts A and B

Introduced in 1996. Legislative reference: Part II, Division 5, Section 20A-20V of *Income Tax Rates Act 1986*. 1997-98 TES reference code: SS29.

Increase in tax free threshold of \$1000 to one member of a couple or sole parent for each dependent child up to age 16 or student up to age 18 and an additional \$2500 threshold for single income families with a child under 5. Both measures are subject to income tests.

Family Tax Assistance, Parts A and B was replaced with Family Tax Benefit, Part A on 1 July 2000.

Family Tax Assistance is paid on income tax assessment for the preceding income tax year.

A42 Rebate for community development employment project (CDEP) participants

Introduced in 1998. Legislative reference: Section 160AAA ITAA36. 1997-98 TES reference code: SS31.

The Government announced in the 1998-99 Budget an extension of the beneficiary rebate to CDEP participants.

A43 Family Tax Benefit, Parts A and B (rebate); Exemption of Family Tax Benefit, Parts A and B, including expense equivalent

Introduced in 1998. Eligibility and rate provisions for Family Tax Benefit, Parts A and B are contained under the *A New Tax System (Family Assistance) Act 1999*. Legislative reference: Section 52-150 ITAA97. 1997-98 TES reference code: na.

Family Tax Benefit, Part A replaced two Family Allowance payments, Family Tax Payment, Part A and Family Tax Assistance, Part A on 1 July 2000.

Family Tax Benefit, Part B replaced Basic Parenting Payment, Guardian Allowance, Family Tax Payment, Part B, Dependent Spouse Rebate (with children), Sole Parent Rebate and Family Tax Assistance, Part B on 1 July 2000.

The value of the tax expenditure is recorded via two separate components; the value of the rebate paid through the tax system and the value of the income tax exemption of both the rebate and expense.

A44 Exemption of Child Care Benefit

Introduced in 2000. Legislative reference: Section 52-150 ITAA97. 1997-98 TES reference code: na.

Child Care Benefit is exempt from income tax. Child Care Benefit replaced Childcare Rebate and Childcare Assistance on 1 July 2000.

A45 Exemption of one-off savings bonus payments to senior Australians

Introduced in 2000. Legislative reference: Section 52-130 ITAA97. 1997-98 TES reference code: na.

The Aged Persons Savings Bonus and the Self-Funded Retirees Supplementary Bonus made to senior Australians under the *A New Tax System (Bonuses for Older Australians) Act 1999* are both exempt from income tax.

As these payments are one-off in nature, this tax expenditure will not be ongoing.

A46 Exemption of certain war-related payments and pensions

Introduced before 1985. Legislative reference: Section 52-60 to 52-110 ITAA97. 1997-98 TES reference code: SS8.

Repatriation pensions, or pensions, allowances and payments of a similar nature, and certain war-related payments and pensions are exempt from income tax.

A47 Exemption of compensation paid by Federal Republic of Germany for Nazi persecution

Introduced before 1985. Legislative reference: Section 23(kc) ITAA36. 1997-98 TES reference code: SS10.

A48 Exemption of pensions, annuities or allowances paid by certain foreign governments for persecution

Introduced before 1985. Legislative reference: Section 23(kca) ITAA36. 1997-98 TES reference code: SS11.

Pensions, annuities and allowances paid by certain foreign governments after 2 March 1982 for persecution or disablement arising from Nazi or other persecution or flight from such persecution are exempt from tax.

A49 Income tax exemption for certain pensions received by a PNG resident

Introduced in 1985. Legislative reference: Section 23(kd) ITAA36. 1997-98 TES reference code: SS30.

Pensions received from Australia by PNG residents are exempt providing PNG gives a reciprocal exemption.

A50 Zone rebates

Introduced before 1985. Legislative reference: Section 79A ITAA36. 1997-98 TES reference code: HC1.

An individual taxpayer resident in Zone A or Zone B or the special areas of either zone is entitled to a rebate of tax in recognition of the disadvantages to which they are subject because of the uncongenial climatic conditions, isolation and high cost of living in those zones compared with other parts of Australia.

A51 Concessional rates of tax for abnormal receipts

Introduced before 1985. Legislative reference: Division 405 ITAA97. 1997-98 TES reference code: CR1.

Concessional rates of tax are available for abnormal receipts derived by authors, composers, dramatists, artists, sportspersons and inventors to lessen the impact of fluctuations on the marginal tax rates of these taxpayers.

A52 Deductibility of union dues and subscriptions to business associations

Introduced before 1985. Legislative reference: Section 73(3) ITAA36. 1997-98 TES reference code: LE2.

Periodical subscriptions to trade, business or professional associations are allowable deductions, provided that total deduction allowable in respect of subscription to any one association does not exceed an amount set in the Act.

A53 Deferral of tax on share discounts and exemption of share discounts received by an employee under an approved employee share acquisition scheme

Introduced before 1985. Legislative reference: Division 13A ITAA97. 1997-98 TES reference code: LE4.

The deferral is for up to 10 years.

A54 Tax deferral advantage of subtracting undeducted purchase price component of pension or annuity from assessable income

Introduced before 1985. Legislative reference: Section 23AA ITAA36. 1997-98 TES reference code: OEA17.

Assessable income of a pension or annuity stream is determined after subtracting the undeducted purchase price (UPP) component of that income stream. The UPP of a superannuation pension or annuity is apportioned evenly over the term of the income stream payments, providing a tax deferral advantage.

Concessions under the substantiation provisions for employment-related expenses [A55-A58]:

A55 *A reasonable overtime meal allowance*

Introduced in 1986. Legislative reference: Sections 82KT-82KZB ITAA36. 1997-98 TES reference code: NAF1.

Expenses up to the amount of a reasonable overtime meal allowance are not subject to substantiation requirements.

A56 *Expenses on accommodation, meals and incidental costs of travel in Australia*

Introduced in 1986. Legislative reference: Sections 82KT-82KZB ITAA36. 1997-98 TES reference code: NAF2.

Substantiation rules do not apply to these expenses, up to the amount of a reasonable travel allowance.

A57 *Expenses which do not exceed the amount of certain award transport allowances*

Introduced in 1986. Legislative reference: Sections 82KT-82KZB ITAA36. 1997-98 TES reference code: NAF3.

Expenses which do not exceed the amount of certain award transport allowances are not subject to substantiation requirements (rules relaxed somewhat from 1 July 1998).

A58 *Alternatives to the actual expenses method of substantiating car expenses*

Introduced in 1986. Legislative reference: Sections 82KT-82KZB ITAA36. 1997-98 TES reference code: NAF4.

Use of one third of car expenses or 12 per cent of the purchase cost of the car as an alternative to the actual expenses method of substantiating car expenses.

A59 Rebate on certain payments of income received in arrears

Introduced in 1986. Legislative reference: Sections 159ZR-159ZRD ITAA36. 1997-98 TES reference code: NAF7.

Rebates on certain payments of income received in arrears, including lump sum payments of worker's or accident compensation and social security and other benefits, on or after 1 July 1986.

A60 Deduction for gifts other than trading stock to approved donees

Introduced before 1985. Legislative reference: Sections 30-15 to 30-100 ITAA97. 1997-98 TES reference code: NAF11.

A61 Deduction for gifts of trading stock to approved donees

Introduced before 1985. Legislative reference: Section 78(12) ITAA36. 1997-98 TES reference code: NAF12.

This applies where the deduction is the value of stock included in the taxpayers assessable income.

A62 Concession for post-judgement interest awards in personal injury compensation cases

Introduced in 1999. Legislative reference: Section 51-55 ITAA97. 1997-98 TES reference code: na.

A63 Rebate of interest on certain government securities

Introduced before 1985. Legislative reference: Section 160AB ITAA36. 1997-98 TES reference code: NAF8.

A rebate is provided in relation to interest on certain government or semi-government securities issued before 1 November 1968.

B Retirement benefits benchmark

B1 Concessional treatment of superannuation

Introduced before 1985. Legislative reference: Part IX ITAA36. 1997-98 TES reference code: SS13.

The concessional treatment of superannuation contributions, fund income and unfunded benefits paid is the largest single tax expenditure. Details of the scope and interpretation of the estimates are set out in Appendix B.

B2 Concessional treatment of non-superannuation termination benefits

Introduced before 1985. Legislative reference: Division 2, Sub-division AA ITAA36. 1997-98 TES reference code: SS13.

Previously part of B1, but now reported separately.

B3 Capped taxation rate applying to unused recreation and long service leave

Introduced before 1985. Legislative reference: Sections 26AC, 26AD ITAA36. 1997-98 TES reference code: SS24.

Taxation of lump sums paid after 15 August 1978 for unused annual leave or for unused long service leave: (i) in respect of service before 18 August 1993 is capped at 30 per cent plus the Medicare levy (Division 17); and (ii) in respect of service on or after 18 August 1993 under circumstances of bona fide redundancy, early retirement scheme or invalidity is capped at 30 per cent plus the Medicare levy (Division 17).

B4 Taxation of 5 per cent of unused long service leave accumulated by 15 August 1978

Introduced before 1985. Legislative reference: Sections 26AD ITAA36. 1997-98 TES reference code: SS25.

Reduced taxation applies to unused long service leave attributable to service up to 15 August 1978.

B5 CGT exemption on the sale of a small business at retirement

Introduced in 1997. Legislative reference: Division 152 ITAA97. 1997-98 TES reference code: SS26.

Capital gains arising from the sale of active small business assets are exempt from CGT, up to a maximum lifetime limit of \$500,000, where the proceeds of the sale are used for retirement.

B6 Small business 15 year retirement CGT exemption

Introduced in 1999. Legislative reference: Division 152 ITAA97. 1997-98 TES reference code: na.

Capital gains arising from the disposal of active small business assets that have been held continuously for 15 years by an individual are exempt from CGT. This exemption is only available if the individual disposes of the assets to retire, as a result of reaching age 55 or more, or becoming incapacitated.

B7 CGT rollover relief for ADF and superannuation funds

Introduced in 1994. Legislative reference: Section 126-C ITAA97. 1997-98 TES reference code: OEA7.

CGT rollover relief is provided where a complying Approved Deposit Fund (ADF) converts to a complying superannuation fund, or where a complying superannuation fund or a complying ADF redesigns its trust deed.

B8 Savings rebate

Introduced in 1998. Legislative reference: Subdivision 61-A, section 61-50 to 61-70 (repealed) ITAA97. 1997-98 TES reference code: NAF34.

A tax offset for savings was introduced in 1998, 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 rebate applied only to that one tax year.

C Fringe benefits tax benchmark

C1 Benefits provided by certain international organisations

Introduced in 1986. Legislative reference: Section 55 FBTA86. 1997-98 TES reference code: FA13.

FBT exemption for benefits provided by certain international organisations.

C2 Loan benefits on war service home loans

Introduced in 1986. Legislative reference: Section 6 of *Fringe Benefits Tax (Application to the Commonwealth) Act 1986*. 1997-98 TES reference code: D12.

FBT exemption for loan benefits on war service home loans provided under the *Defence Service Homes Act 1918*.

C3 Exclusion from reporting requirement for certain benefits provided to Defence Force personnel

Introduced in 1999. Legislative reference: *Fringe Benefits Tax Regulations 1992*. 1997-98 TES reference code: na.

C4 Exclusion from reporting for certain elements of the Overseas Living Allowance

Introduced in 1999. Legislative reference: *Fringe Benefits Tax Regulations 1992*. 1997-98 TES reference code: na.

The component of the Commonwealth overseas living allowance that compensates personnel for the additional costs associated with living at overseas posts is excluded from the fringe benefits reporting requirement.

C5 Education costs for children of employees posted overseas

Introduced in 1986. Legislative reference: Section 65A FBTA86. 1997-98 TES reference code: E5.

FBT reduction of the taxable value for education costs paid by employers for children of employees posted overseas.

C6 Disregard of possible application of the \$250 threshold for deductibility for some self-education expenses

Introduced in 1986. Legislative reference: Section 24(1) FBTA86. 1997-98 TES reference code: E6.

To be applied when determining the 'otherwise deductible' rule for expense payment benefits of this kind.

C7 Benefits provided by public hospitals to their employees

Introduced in 1986. Legislative reference: Section 57A FBTA86. 1997-98 TES reference code: H6.

FBT exemption for benefits provided by public hospitals to employees, and benefits provided to employees of public hospitals (subject to \$17,000 cap) if they are employed by a State or Territory health authority rather than the institution itself.

The decrease in the estimate in 2000-01 mainly reflects the introduction of a cap of \$17,000 per employee on the exemption, effective from 1 April 2000.

C8 Employee/family travel costs associated with overseas medical treatment

Introduced in 1986. Legislative reference: Section 58L FBTA86. 1997-98 TES reference code: H7.

FBT exemption for travel costs of employees and their families in foreign countries to obtain medical treatment.

C9 Safety award benefits up to \$200 per year per employee

Introduced in 1986. Legislative reference: Section 58R FBTA86. 1997-98 TES reference code: SS18.

FBT exemption for providing safety award benefits up to a value of \$200 per year per employee.

C10 Recreational/child-care facilities on an employer's premises

Introduced in 1986. Legislative reference: Section 47(2) FBTA86. 1997-98 TES reference code: SS19.

FBT exemption for provision of recreational or child-care facilities on an employer's premises.

C11 Employer contributions to secure child care places in certain centres

Introduced in 1986. Legislative reference: Section 47(8) FBTA86. 1997-98 TES reference code: SS20.

FBT exemption for employer contributions to guarantee places for employees' children in certain child-care centres.

C12 Benefits provided by PBIs (excluding public hospitals) to employees

Introduced in 1986. Legislative reference: Section 57A FBTA86. 1997-98 TES reference code: SS21.

FBT exemption for benefits provided by public benevolent institutions, excluding public hospitals, to employees. From 1 April 2001, the exemption will be capped at \$30,000 of grossed up taxable value per employee.

C13 Accommodation, fuel and meals for live-in employees caring for the elderly or disadvantaged

Introduced in 1986. Legislative reference: Sections 58 and 58U FBTA86. 1997-98 TES reference code: SS22.

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FBT exemption for accommodation, fuel and meals for live-in employees caring for the elderly or disadvantaged.

C14 Employer provided property/facilities for immediate relief of employees/families in times of emergency

Introduced in 1986. Legislative reference: Section 58N FBTAA86. 1997-98 TES reference code: SS23.

FBT exemption for employer-provided property and facilities for immediate relief of employees and their families in times of emergency.

C15 Housing benefits and residential fuels in remote areas

Introduced in 1986. Legislative reference: Sections 29(1) and 59(1) FBTAA86. 1997-98 TES reference code: HC5, MM18 and AFF15.

FBT reduction of the taxable value to 50 per cent of the market value for remote area housing benefits (including rent reimbursement), with 50 per cent reduction in the taxable value of fuels supplied to the housing.

From 2000-01, the estimate reflects the extension of an FBT exemption for remote area housing benefits to all employers. A 50 per cent reduction continues to apply to housing-related benefits (including rent reimbursement and residential fuels).

C16 Exemption for housing provided by certain employers in regional areas

Introduced in 2000. Legislative reference: *Fringe Benefits Tax Regulations 1992*. 1997-98 TES reference code: na.

FBT exemption for housing benefits provided by charities, non-profit hospitals and police services to their employees in regional areas.

C17 Exclusion from reporting for regional housing benefits provided by certain employers in regional areas

Introduced in 2000. Legislative reference: *Fringe Benefits Tax Regulations 1992*. 1997-98 TES reference code: na.

Housing benefits provided by charities, non-profit hospitals and police services in regional areas are excluded from the fringe benefits reporting requirement for the FBT year commencing 1 April 1999.

C18 Discount on interest or purchase price for remote area housing purchase assistance and associated fuel benefits

Introduced in 1986. Legislative reference: Section 60 FBTA86. 1997-98 TES reference code: HC7.

FBT reduction of the taxable value to 50 per cent of the discount on interest or purchase price for remote area housing purchase assistance, with 50 per cent reduction in the taxable value of associated fuel benefits.

C19 Free or discounted commuter travel to employees where the employer carries on a business of providing public transport

Introduced in 1986. Legislative reference: Section 47(1) FBTA86. 1997-98 TES reference code: TC1.

FBT exemption for providing free or discounted commuter travel to employees where the employer carries on a business of providing public transport.

The increase in the estimates from 1999-2000 to 2000-01 reflects the new GST-inclusive gross-up formula.

C20 Employee taxi travel arriving at or leaving from place of work

Introduced in 1997. Legislative reference: Section 58Z(1) FBTA86. 1997-98 TES reference code: TC2.

FBT exemption for employee taxi travel arriving at or leaving from place of work.

C21 Exemption for free travel to and from duty by police officers on public transport

Announced in 2000. 1997-98 TES reference code: na.

C22 Discounted valuation of employee stand-by travel for airline employees and travel agents

Introduced in 1986. Legislative reference: Section 33 FBTA86. 1997-98 TES reference code: TAP1.

FBT valuation of stand-by travel for airline employees and travel agents at 37.5 per cent of full fare.

C23 Long service awards of more than 15 years to \$500 per employee

Introduced in 1986. Legislative reference: Section 58Q FBTA86. 1997-98 TES reference code: LE5.

FBT exemption for long service awards for service of more than 15 years to a value of \$500 per employee.

C24 Food and accommodation provided to employees training under the Australian Traineeship Scheme

Introduced in 1986. Legislative reference: Section 58S FBTA86. 1997-98 TES reference code: LE6.

FBT exemption for food and accommodation provided to employees training under the Australian Traineeship Scheme.

C25 Compensation-related benefits, certain relocation and recruitment expenses

Introduced in 1986. Legislative reference: Sections 58A-D and F FBTA86. 1997-98 TES reference code: LE7.

FBT exemption for providing compensation-related benefits, certain relocation and recruitment expenses.

C26 Occupational health and counselling services and some training courses

Introduced in 1986. Legislative reference: Sections 58J, K and M FBTA86. 1997-98 TES reference code: LE8.

FBT exemption for providing occupational health and counselling services and some training courses.

C27 Discounted valuation of certain relocation and recruitment expenses

Introduced in 1986. Legislative reference: Sections 61B-E FBTA86. 1997-98 TES reference code: LE9.

FBT reduction in the taxable value of certain relocation and recruitment expenses.

C28 Reimbursement of car expenses incurred with occupational health and counselling services and some training courses

Introduced in 1986. Legislative reference: Section 61F FBTA86. 1997-98 TES reference code: LE10.

This refers to FBT reduction in the taxable value of benefits in the form of a reimbursement of car expenses on cents per km basis.

C29 Exemption for certain loan benefits

Introduced in 1986. Legislative reference: Section 18 FBTA86. 1997-98 TES reference code: OEA12.

FBT exemption for benefits on loans where the interest paid is above the declared rate, but below the market rate. The term 'declared rate' (also referred to as the 'benchmark rate') is used to refer to the rate declared by the Commissioner of Taxation for the purpose of determining FBT liability for loan benefits.

C30 Discounted valuation of certain loan benefits

Introduced in 1986. Legislative reference: Section 18 FBTA86. 1997-98 TES reference code: OEA13.

FBT undervaluation of benefits on loans where the interest paid is below the declared rate and is below the market rate. The term 'declared rate' (also referred to as the 'benchmark rate') is used to refer to the rate declared by the Commissioner of Taxation for the purpose of determining FBT liability for loan benefits.

C31 Application of statutory formula to value car benefits

Introduced in 1986. Legislative reference: Section 9 FBTA86. 1997-98 TES reference code: OEA14.

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

The reduction in the estimate for 2000-01 reflects the reduced cash-out value associated with the lower personal tax rates under *The New Tax System*.

C32 Record keeping for employers submitting a return with \$5,000 or less in taxable benefits

Introduced in 1997. Legislative reference: Section 135(c) FBTA86. 1997-98 TES reference code: OEA22.

FBT exemption for record keeping for employers (other than a government body or tax exempt body) submitting a return in a base year with \$5,000 or less in taxable benefits and thereafter not significantly altering the amount or kind of benefits provided in each year.

C33 Car parking on small business premises

Introduced in 1997. Legislative reference: Section 58GA FBTA86. 1997-98 TES reference code: OEA23.

For the purposes of the exemption, small business employers are taxpayers (other than government bodies and listed public companies and their subsidiaries) with gross incomes of less than \$10 million.

This item has been reassessed in light of shortcomings in the available data.

C34 Rebate of FBT for some non-government, non-profit organisations

Introduced in 1994. Legislative reference: Section 65J FBTA86. 1997-98 TES reference code: NAF15.

The reduction in the estimates for 2000-01 reflects the lower personal tax rates under *The New Tax System*, and the further reduction from 2001-02 onwards reflects the imposition of a \$30,000 per employee cap on the exemption.

C35 Benefits in relation to certain compassionate travel of employees

Introduced in 1986. Legislative reference: Section 58LA FBTA86. 1997-98 TES reference code: NAF16.

FBT exemption for benefits provided by employers in relation to certain compassionate travel of employees.

C36 Fringe benefits provided by religious institutions

Introduced in 1986. Legislative reference: Section 57 FBTA86. 1997-98 TES reference code: NAF17.

FBT exemption for fringe benefits provided by religious institutions.

C37 Staff accommodation at religious institutions and meals provided in religious houses

Introduced in 1986. Legislative reference: Section 58T FBTA86. 1997-98 TES reference code: NAF18.

FBT exemption for staff accommodation at religious institutions and meals provided in religious houses.

C38 Provision of food and drink in certain circumstances

Introduced in 1986. Legislative reference: Sections 54 and 58V FBTA86. 1997-98 TES reference code: NAF19.

Food and drink provided to employees is exempt from FBT in certain circumstances, including where food and drink is provided to non-live in domestic employees at the place of residence where they are employed at the time when they are performing their duties.

C39 Discounted valuation of arm's length transaction price for in-house property and residual fringe benefits

Introduced in 1986. Legislative reference: Sections 42(1), 48 and 49 FBTA86. 1997-98 TES reference code: NAF20.

FBT reduction of the taxable value to 75 per cent of the arm's length transaction price for in-house property and residual fringe benefits.

C40 Airline transport fringe benefits and free discounted goods and services up to a threshold

Introduced in 1986. Legislative reference: Section 62 FBTA86. 1997-98 TES reference code: NAF21.

FBT exemption for up to \$500 per employee of the taxable value of airline transport fringe benefits and free discounted goods or services of a kind ordinarily provided to employers' customers or clients.

C41 Board fringe benefits

Introduced in 1986. Legislative reference: Section 36 FBTA86. 1997-98 TES reference code: NAF22.

FBT valuation of board fringe benefits at \$2 per meal, or \$1 per meal if the person is under the age of 12.

C42 Certain car parking fringe benefits

Introduced in 1993. Legislative reference: Section 58G FBTA86. 1997-98 TES reference code: NAF23.

FBT exemption for car parking benefits provided by employers who are non-profit scientific organisations, religious institutions or public education institutions.

Exemption for all car parking benefits was available up to 1 July 1993.

C43 Benefits resulting from valuation arrangements for car parking

Introduced in 1993. Legislative reference: Section 39A FBTA86. 1997-98 TES reference code: NAF24.

FBT undervaluation of benefits resulting from valuation arrangements for car parking.

C44 Discounted valuation for holiday travel for employees posted overseas

Introduced in 1986. Legislative reference: Section 61A FBTA86. 1997-98 TES reference code: NAF25.

FBT reduction in the taxable value of holiday travel by 50 per cent of actual cost up to an amount equal to 50 per cent of the cost of one return holiday per year to Australia, irrespective of destination, for employees posted overseas.

C45 Transport for oil rig and remote area employees in certain circumstances

Introduced in 1986. Legislative reference: Section 47(7) FBTA86. 1997-98 TES reference code: NAF26.

FBT exemption in certain circumstances for transport for oil rig and remote area employees.

C46 Discounted valuation for remote area holiday benefits

Introduced in 1986. Legislative reference: Sections 60A and 61 FBTA86. 1997-98 TES reference code: NAF27.

FBT reduction in taxable value by up to 50 per cent of cost for remote area holiday benefits, including those given to the employee's family.

C47 Minor benefits

Introduced in 1986. Legislative reference: Section 58P FBTA86. 1997-98 TES reference code: NAF28.

FBT exemption for minor benefits, for example benefits of less than \$100 that are provided infrequently and/or are difficult to value.

C48 Private use of business property consumed on business premises

Introduced in 1986. Legislative reference: Sections 41 and 47(3) FBTA86. 1997-98 TES reference code: NAF29.

FBT exemption for private use of business property consumed on business premises and principally for use in connection with business operations.

C49 Allowances and accommodation benefits

Introduced in 1986. Legislative reference: Sections 21, 31, 47(5) of 58E and 63, FBTA86. 1997-98 TES reference code: NAF30.

FBT exemption for benefits such as allowances or components of allowances, accommodation, food and household goods provided while living away from home in order to perform duties of employment.

C50 Private use of company car that is minor and infrequent

Introduced in 1986. Legislative reference: Section 47(6) FBTA86. 1997-98 TES reference code: NAF31.

FBT exemption for private use of company car that is minor and infrequent.

C51 Loans provided to employees to meet employment-related and accommodation-related expenses

Introduced in 1986. Legislative reference: Sections 17(3) and 17(4) FBTA86. 1997-98 TES reference code: NAF32.

FBT exemption for fringe benefits on loans provided to employees to meet employment-related and accommodation-related expenses.

C52 Exclusion from reporting for certain travel in marked emergency vehicles

Introduced in 2000. Legislative reference: *Fringe Benefits Tax Regulations 1992*. 1997-98 TES reference code: na.

Benefits associated with travel between home and work in a marked emergency vehicle are excluded from the fringe benefits reporting requirement. The emergency vehicle must be one used by an ambulance, police or firefighting service and be visibly marked for that purpose. It also must be fitted with flashing warning lights and sirens.

C53 Exemption for organisations promoting the prevention or control of disease in people

Announced in 2000. 1997-98 TES reference code: na.

On 22 June 2000 the Government announced that it would legislate to ensure that organisations whose main activity is promoting the prevention or control of disease or illness in people can continue to access exemptions from FBT.

D Business tax benchmark

Income tax benchmark

D1 Income tax exemption for certain non-profit societies

Introduced before 1985. Legislative reference: Section 50-45 ITAA97.
1997-98 TES reference code: CR6.

The income of non-profit societies, associations or clubs established for the encouragement of sport or games, music, art, animal racing and literature is exempt from income tax.

This tax expenditure is the exemption of income not related to the application of the mutuality principle.

D2 Income tax exemption for the Australian Film Finance Corporation

Introduced in 1988. Legislative reference: Section 50-45 ITAA97.
1997-98 TES reference code: CR8.

D3 Income tax exemption for Australian film receipts

Introduced before 1985. Legislative reference: Section 23H ITAA36.
1997-98 TES reference code: CR3.

Certain net income of investors in Australian films, for which a deduction of more than 100 per cent of capital investment was available, is exempt from income tax. This exemption is limited to the amount by which the deduction exceeded 100 per cent. This deduction was reduced to 100 per cent from 25 May 1988, so the exemption only applies to income derived from investment prior to that date.

D4 Income tax exemption for certain promotion and development non-profit societies

Introduced before 1985. Legislative reference: Section 50-40 ITAA97.
1997-98 TES reference code: NAF6.

Income of non-profit societies or associations predominantly devoted to the promotion or development of aviation or tourism, or of agricultural, pastoral, horticultural, viticultural, manufacturing or industrial resources of Australia is exempt from income tax.

This tax expenditure is the exemption of income not related to the application of the mutuality principle.

D5 Infrastructure Bonds Scheme

Introduced in 1992. Legislative reference: Division 16L ITAA36. 1997-98 TES reference code: MM11.

Interest income from loans to eligible infrastructure facilities is exempt from income tax, while 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 for the income. The scheme was closed to new projects from 14 February 1997, and replaced by the Infrastructure Borrowings Tax Offset Scheme in 1998.

D6 Infrastructure Borrowings Tax Offset Scheme

Introduced in 1998. Legislative reference: Section 396-5 to 396-110 ITAA97. 1997-98 TES reference code: MM17.

Resident lenders receive a tax offset at the company tax rate for interest income received from loans for approved land transport infrastructure projects. The interest paid by the borrower is not deductible.

The cost of this scheme is capped at \$75 million per annum.

D7 Income tax exemption for sale, transfer or assignment of mining rights

Introduced before 1985. Legislative reference: Paragraph 23 (pa) ITAA36. 1997-98 TES reference code: MM4.

Income derived by bona fide prospectors from sale, transfer or assignment of rights to mine gold, prescribed metals or prescribed minerals is exempt from income tax. This measure only applies to rights acquired before 20 August 1996.

D8 Income tax exemption for funds established for scientific research

Introduced before 1985. Legislative reference: Section 50-5 ITAA97. 1997-98 TES reference code: MM13.

Income of funds established for the purpose of enabling scientific research to be conducted by, or in conjunction with, a public university or hospital is exempt from income tax.

D9 Income tax exemption for registered health benefit organisations

Introduced before 1985. Legislative reference: Section 50-30 ITAA97. 1997-98 TES reference code: H5.

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Income of registered health benefit organisations is exempt from income tax, provided the organisations are not operated for the gain or profit of their individual members.

The growth in the estimates reflects increased health fund membership and greater profitability of the sector.

D10 Income tax exemption for public and non-profit hospitals

Introduced before 1985. Legislative reference: Section 50-30 ITAA97. 1997-98 TES reference code: H4.

Income of public hospitals, and hospitals operated by a society or association other than for gain or profit of its individual members, is exempt from income tax.

D11 Income tax exemption for religious, scientific, charitable or public educational institutions

Introduced before 1985. Legislative reference: Section 50-5 ITAA97. 1997-98 TES reference code: SS16 and NAF5.

D12 Concessional taxation treatment of mining payments made in connection with the use of Aboriginal land

Introduced before 1985. Legislative reference: Division 11C of Part III ITAA36. 1997-98 TES reference code: SS15.

Specified mining payments to Aborigines are exempt from income tax, where those payments have already attracted mining withholding tax.

D13 Taxation of life insurance investment income

Introduced before 1985. Legislative reference: Sections 26AH and 160AAB ITAA36. 1997-98 TES reference code: SS12.

For the 2000-01 income year and beyond, life insurance investment policyholders' undistributed income will be taxed at the company rate (previously taxed at the trustee rate): these rates result in concessionary taxation for some policy holders. Reversionary bonus income distributed to policyholders after 10 years is exempt from further tax. If distributed before 10 years, income is assessable to policyholders, and a tax rebate is given based on the trustee rate, not the actual tax paid.

D14 Income tax averaging for primary producers

Introduced before 1985. Legislative reference: Division 392 ITAA97. 1997-98 TES reference code: AFF5.

Primary producers can elect to pay tax at a tax rate based on the 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 measure provides a concession because, on balance the saving from paying less in high income years outweighs additional tax paid in low income years.

D15 Deferment of income from a double wool clip

Introduced before 1985. Legislative reference: Section 385-135 ITAA97. 1997-98 TES reference code: AFF6.

D16 Spreading insurance recoveries for loss of timber or livestock

Introduced before 1985. Legislative reference: Subdivision 385-E ITAA97. 1997-98 TES reference code: AFF7.

Insurance recoveries from loss of timber or livestock, and net income from forced disposal of livestock, can be spread over five income years. If the compulsory disposal of livestock relates to the Brucellosis and Tuberculosis Eradication Campaign, the deferral period is extended to 10 years.

D17 Valuation of livestock from natural increase

Introduced before 1985. Legislative reference: Section 70-55 ITAA97. 1997-98 TES reference code: AFF1.

Primary producers can elect to adopt specified values for natural increase in livestock. These specified values are below the actual cost of production.

D18 Income tax exemption for trade unions and registered organisations

Introduced before 1985. Legislative reference: Section 50-15 ITAA97. 1997-98 TES reference code: LE1.

The income of trade unions, and registered associations of employers and employees is exempt from income tax.

This tax expenditure is the exemption of income not related to the application of the mutuality principle.

D19 Income tax exemption for CRAFT apprenticeship rebates

Introduced: before 1985. Legislative reference: Section 23(jc) ITAA36. 1997-98 TES reference code: LE3.

Rebates paid to employers who take on apprentices under the Commonwealth Rebate for Apprentice Full-time Training (CRAFT) scheme are exempt from income tax. This measure was converted into a grants program, and hence applies only to apprentices who commenced work before 1 January 1998.

D20 Concessional tax rate for the life insurance business of friendly societies

Introduced before 1985. Legislative reference: Schedule 2, Item 111, Subsection 23C of *Income Tax Rates Act 1986*. 1997-98 TES reference code: OEA3.

Traditionally the life insurance business of friendly societies has been treated more concessionally than that of life insurance companies. The benefit has been wound back progressively since 1983-84 when the exemption for this business was removed and a 20 per cent tax rate applied. The rate was increased to 30 per cent from 1988-89 and to 33 per cent in 1994-95. The tax rate differential is legislated to be removed from the 2001-02 income year when the rate will decrease to 30 per cent, consistent with the company tax rate that will apply to life insurance companies.

D21 Income tax exemption for current pension liabilities

Introduced before 1985. Legislative reference: Sections 282B and 283 ITAA36. 1997-98 TES reference code: OEA18.

Income relating to current pensions is not taxable in the hands of the superannuation fund. It is taxable when paid to the pensioner, but this could be some time after the income accrues, representing a deferral of tax liability.

D22 Income tax exemptions for foreign superannuation funds

Introduced before 1985. Legislative reference: Paragraphs 23(jb) and 128B (3)(a) ITAA36. 1997-98 TES reference code: OEA11.

Interest and certain dividends received by a foreign superannuation fund are exempt from income tax. This income is also exempt from non-resident withholding tax if it is exempt from income tax in the country in which the foreign superannuation fund resides.

D23 Pooled Development Funds (PDFs)

Introduced in 1992. Legislative reference: Sections 46(1), (2), (7), (7A); 46A(1), (5), (9), (10); 124ZS-ZV; 124ZW-ZZD ITAA36; and Sections 3(1); 23(4C), (4D) *Income Tax Rates Act 1986*. 1997-98 TES reference code: OEA19.

Concessional taxation treatment is available to investment companies that are established and registered as PDFs.

D24 Concessional treatment of some credit unions

Introduced before 1985. Legislative reference: Section 23G ITAA 1936 and Section 23(6) of *Income Tax Rates Act 1986*. 1997-98 TES reference code: OEA4.

Interest income received by some credit unions is exempt from income tax. This exemption was removed from the beginning of the 1994-95 income year for credit unions with gross balance sheet assets of \$30 million or more and for other credit unions from the 1995-96 income year. Taxation was at the concessional rate of 20 per cent until the beginning of the 1997-98 income year at which time the full corporate rate applied. Concessional rates of taxation will be provided for credit unions with low levels of notional taxable income.

D25 Income tax exemption for business assistance grants from the Katherine and District Business Re-Establishment trust fund

Introduced in 1999. Legislative reference: Section 30-45 ITAA97. 1997-98 TES reference code: NDR1.

Business assistance grants provided from the Katherine and District Business Re-Establishment Trust are exempt from income tax. These grants were capped at a maximum level of \$10,000 per eligible business.

D26 Income tax exemption for business grants from the Cyclones Elaine and Vance trust fund

Introduced in 2000. Legislative reference: Schedule 4 of *Taxation Laws Amendment Act (3) 2000*. 1997-98 TES reference code: na.

Business assistance grants provided from the Cyclones Elaine and Vance Trust Fund are exempt from income tax. These grants were capped at a maximum level of \$10,000 per eligible business.

D27 Transitional taxation of life insurance management fees

Introduced in 2000. Legislative reference: Section 320-40 ITAA97. 1997-98 TES reference code: na.

Life insurance companies will be exempt on one-third of specified management fees on certain life insurance policies taken out before 1 July 2000. The exemption will cease to apply from 30 June 2005.

D28 Income tax exemption for State/Territory bodies

Introduced before 1985. Legislative reference: Part III Division 1AB ITAA36. 1997-98 TES reference code: NAF10.

State/Territory bodies, except for excluded bodies, are exempt from income tax.

D29 Income tax exemption for municipal authorities and other local governing bodies

Introduced before 1985. Legislative reference: Section 50-25 ITAA97. 1997-98 TES reference code: NAF9.

Capital gains tax (CGT) benchmark

D30 CGT exemption for disposal of assets under the Cultural Bequests And Cultural Gifts programs

Introduced in 1994. Legislative reference: Section 118-60 ITAA97. 1997-98 TES reference code: CR9.

D31 CGT exemption for disposal of assets under the Rural And Remote General Practice program

Introduced in 1994. Legislative reference: Paragraph 118-37(2) (a) ITAA97. 1997-98 TES reference code: H9.

D32 Venture capital concessions

Introduced in 1999. Legislative reference: Subdivision 118-G ITAA36. 1997-98 TES reference code: na.

For Australian superannuation funds, franked dividends from a Pooled Development Fund that relate to capital gains on an eligible venture capital investment, will be exempt from tax. Those superannuation funds will also be entitled to a refundable imputation credit. Non-resident pension funds that are tax exempt in their home jurisdiction (being either Canada, France, Germany, Japan, UK, USA or other approved jurisdictions) are exempt from income tax on the disposal of investments in new equity in eligible venture capital investments.

D33 Small business 50 per cent CGT exemption for the sale of active business assets

Introduced in 1999. Legislative reference: Division 152 ITAA97. 1997-98 TES reference code: na.

Only 50 per cent of capital gains arising from the sale of active small business assets are subject to CGT, provided that net business assets are less than \$5 million. Individuals operating a small business that access this measure remain eligible for other CGT concessions (specifically, D34, B5 and D38). This measure replaced the small business CGT partial exemption for goodwill (D35).

D34 Small business CGT rollover

Introduced in 1997. Legislative reference: Division 152 ITAA97. 1997-98 TES reference code: OEA21.

Individuals receive a CGT rollover on the disposal of active small business assets if they use the proceeds of the sale to purchase other active small business assets.

The revision to the estimates for this item since the *1997-98 Tax Expenditures Statement* reflects consideration of taxpayer data.

D35 Small business CGT partial exemption for goodwill

Introduced in 1986. Legislative reference: Sections 118-250 and 118-255 ITAA97. 1997-98 TES reference code: OEA20.

Where an individual disposes of a business with net business interests of less than \$2.2 million, only 50 per cent of any capital gain that is attributable to goodwill is subject to CGT. This measure only applies to disposals before 21 September 1999, as it was replaced by the small business 50 per cent CGT exemption for sale of active business assets (D33) on 21 September 1999.

D36 Limited CGT rollover for merging superannuation funds

Introduced in 1994. Legislative reference: Section 160ZZPI ITAA36. 1997-98 TES reference code: OEA6.

A limited form of rollover of CGT was available to certain eligible superannuation funds which merge on or after 1 July 1994 and before 1 July 1997.

D37 Exemption from reducing the cost base of trusts for CGT purposes

Introduced in 1986. Legislative reference: Subsection 104-70(7) ITAA97. 1997-98 TES reference code: OEA9.

Certain payments do not reduce the cost base of trusts for CGT purposes.

D38 CGT discount for individuals

Introduced in 1999. Legislative reference: Divisions 102 and 115 ITAA97. 1997-98 TES reference code: na.

An individual who disposes of an asset that they have held for at least one year only includes 50 per cent of any nominal capital gain in their assessable income. For assets acquired prior to 21 September 1999, and held for one year, an individual may instead choose to include the whole difference

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between the disposal price and the frozen indexed cost base as at 30 September 1999.

The tax expenditure for this measure from 2000-01 reflects the cost of the concession, relative to full nominal taxation (the CGT benchmark). As outlined in section 1.4, the costing assumes that same level of realisations would occur if capital gains were taxed at the full rate.

D39 CGT discount for superannuation funds

Introduced in 1999. Legislative reference: Divisions 102 and 115 of ITAA97. 1997-98 TES reference code: na.

Complying superannuation and related funds that dispose of an asset that they have held for at least one year only include two thirds of any nominal capital gain in their assessable income. For assets acquired prior to 21 September 1999, and held for one year, the fund may instead choose to include the whole difference between the disposal price and the frozen indexed cost base as at 30 September 1999.

The tax expenditure for this measure from 2000-01 reflects the cost of the concession, relative to full nominal taxation (the CGT benchmark). As outlined in chapter 1.4, the costing assumes that same level of realisations would occur if capital gains were taxed at the full rate.

D40 CGT scrip-for-scrip rollover relief

Introduced in 1999. Legislative reference: Subdivision 124-M ITAA97. 1997-98 TES reference code: na.

CGT rollover relief is available for capital gains arising from an exchange of interests in companies or fixed trusts because of a takeover. As a result, the CGT liability is deferred at the time of the takeover until the ultimate disposal of the replacement asset.

D41 CGT rollover relief for involuntary disposals

Introduced in 1999. Legislative reference: Section 124-70 ITAA97. 1997-98 TES reference code: na.

Individuals are eligible for a rollover of capital gains or losses arising where the individual's assets are compulsorily acquired to roll over a capital gain (or balancing charge for depreciable plant) to a replacement asset.

D42 CGT exemption for valour or brave conduct decorations

Introduced in 1994. Legislative reference: Paragraph 118-5(b) ITAA97. 1997-98 TES reference code: D11.

Capital gains or losses arising from the disposal of a decoration awarded for valour or brave conduct are exempt from CGT, unless the owner of the decoration had paid money or given any other property for it.

D43 CGT main residence exemption

Introduced in 1985. Legislative reference: Subdivision 118-B ITAA97. 1997-98 TES reference code: HC2, HC3 and HC4.

Capital gains or losses on the disposal of a taxpayer's main residence and reasonable curtilage are exempt from CGT. Capital gains and losses on the disposal of a licence or right to occupy a flat or unit, including in a retirement village, are also exempt. The exemption applies for up to 6 years after the date on which the dwelling ceases to be the main residence, if used to produce income. If the dwelling is not used to produce income, the exemption applies for an unlimited period after the taxpayer moves out.

D44 CGT exemption for payments under the Sydney Aircraft Noise Insulation project

Introduced in 1994. Legislative reference: Paragraph 118-37(2) (b) ITAA97. 1997-98 TES reference code: TC3.

D45 CGT exemption for payments under the M4/M5 Cashback Scheme

Introduced in 1997. Legislative reference: Paragraph 118-37(2) (c) ITAA97. 1997-98 TES reference code: TC4.

Deductions benchmark

D46 Tax incentives for film investment

Introduced before 1985. Legislative reference: Divisions 10B and 10BA ITAA36. 1997-98 TES reference code: CR2.

Capital expenditure incurred in acquiring an interest in the initial copyright of a new Australian film receives an immediate deduction (for certain types of film) or a write-off over two years.

D47 Film Licensed Investment Companies

Introduced in 1998. Legislative reference: Sections 375-850 to 375-880 ITAA97. 1997-98 TES reference code: CR10.

Amounts paid by an investor in the 1998-99 and 1999-00 income years for shares in a Film Licensed Investment Company are immediately deductible.

D48 Development allowance

Introduced in 1992. Legislative reference: Sections 15, 27 and 40 of *Development Allowance Authority Act 1992*. 1997-98 TES reference code: MM5.

For major projects approved by the Development Allowance Authority, 10 per cent of the value of plant and equipment, including motor vehicles and primary production, can be immediately deducted. Registrations for projects closed on 31 July 1996.

D49 Investment allowance

Introduced in 1993. Legislative reference: Section 82AT ITAA36. 1997-98 TES reference code: MM6.

An additional 10 per cent of the cost of plant and equipment may be deducted in the first year in which the plant was used. This deduction was in addition to normal depreciation deductions. The plant must have been ordered between 9 February 1993 and 1 July 1994 and installed before 1 July 1995.

D50 Research and development tax concession

Introduced in 1985. Legislative reference: Section 73B ITAA36. 1997-98 TES reference code: MM14.

Eligible expenditures on research and development activities, which are of a current nature, receive an immediate 125 per cent deduction. Eligible expenditures on R&D plant are deductible at 125 per cent over three years. Expenditure on 'core technology' which relates to R&D activities undertaken by the firm is deductible over the period of the related R&D activities, subject to constraints about the maximum deduction allowable.

The tax expenditure estimates relate only to the revenue cost of premium deductions (previously 50 per cent, now 25 per cent) for R&D under the general concession. Most R&D expenditure is capital in nature (as it creates a lasting asset), but no estimate is made of the bring forward of deductions as a result of treating this expenditure as immediately deductible. Therefore, the estimates underestimate the revenue cost of this expenditure.

D51 Concession for eligible scientific research

Introduced before 1985. Legislative reference: Section 73A ITAA36. 1997-98 TES reference code: GR1.

Payments made to approved research institutes are immediately deductible. Expenditure of a capital nature is deductible over three years. This concession does not apply to expenditure or payments made after 1 July 1995.

D52 Capital expenditure deduction for mining, quarrying and petroleum operations

Introduced before 1985. Legislative reference: Division 330 ITAA97. 1997-98 TES reference code: MM1.

Certain allowable capital expenditure (not on plant and equipment) 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).

D53 Deduction for patents, designs and copyright

Introduced before 1985. Legislative reference: Division 373 ITAA97. 1997-98 TES reference code: MM12.

Expenditure incurred in obtaining, or seeking to obtain, the registration or extension of a patent, design or copyright is immediately deductible.

D54 Exploration and prospecting deduction

Introduced before 1985. Legislative reference: Division 330 ITAA97. 1997-98 TES reference code: MM2.

Capital expenditure used for exploration or prospecting by general and petroleum miners and in quarrying is immediately deductible.

D55 Deduction for expenditure on environmental impact studies

Introduced in 1991. Legislative reference: Section 400-15 ITAA97. 1997-98 TES reference code: MM7.

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.

D56 Deduction for expenditure on pollution control

Introduced in 1992. Legislative reference: Sections 400-55 and 400-65 ITAA97. 1997-98 TES reference code: MM8.

Expenditure used to control pollution and manage waste, where the waste or pollution was produced by, or is on the site of, the taxpayer's business, is immediately deductible.

D57 Depreciation to nil value rather than estimated scrap value

Introduced before 1985. Legislative reference: Division 42 ITAA97. 1997-98 TES reference code: MM15.

D58 Depreciation balancing charge rollover relief

Introduced before 1985. Legislative reference: Subdivision 42-F, H and J ITAA97. 1997-98 TES reference code: MM10.

The tax liability for balancing adjustments arising from the disposal of plant and equipment can be deferred. The liability can be used to reduce the depreciation deductions available for a replacement asset, rather than being assessable income at the time of disposal. This concession was withdrawn on 21 September 1999 for businesses with turnover of more than \$1 million per annum. Rollover relief continues to be available for balancing adjustments arising from certain changes in ownership interests in depreciable plant, such as disposal within a wholly-owned group or as a result of a marriage breakdown.

D59 Balancing charge rollover relief for exploration, mining and quarrying activities

Introduced before 1985. Legislative reference: Sections 330-540 to 330-552 ITAA97. 1997-98 TES reference code: MM16.

Balancing adjustments arising from certain changes in ownership interests in property, such as disposal of an asset within a wholly-owned group or as a result of a marriage breakdown, can be rolled over.

D60 Absence of cost base recapture for certain assets

Introduced before 1985. Legislative reference: Division 43 and Section 110-45 ITAA97. 1997-98 TES reference code: MM9.

Certain buildings and structures receive deductions which are not recaptured on disposal of the asset, in that the cost base of the asset is not reduced by the amount of deductions obtained. This measure ended for assets acquired after 13 May 1997.

D61 Accelerated depreciation allowance for plant and equipment

Introduced in 1992. Legislative reference: Division 42 ITAA97. 1997-98 TES reference code: AD8.

An accelerated depreciation allowance was provided for plant and equipment acquired under contract, or commenced to be constructed, on or after 27 February 1992. This concession was removed for individuals and businesses with a turnover of more than \$1 million per annum on 21 September 1999.

The decline in this tax expenditure (eventually becoming negative) from 2000-01 reflects the fact that accelerated depreciation brings forward the timing of tax deductions rather than provide additional deductions. As a

consequence, deductions for plant and equipment acquired before 21 September 1999 will, in later years, be lower than would be the case had the assets been depreciated under effective life treatment.

D62 Accelerated depreciation for employees' amenities

Introduced in 1994. Legislative reference: Section 42-150 ITAA97. 1997-98 TES reference code: na.

Plant, including plumbing fixtures and fittings, acquired for providing meals, meal facilities, clothing cupboards, first aid, restrooms or recreational facilities for employees (or their children) of a business, is depreciable over three years. This concession was removed for individuals and businesses with a turnover of \$1 million or more per annum on 21 September 1999.

D63 Accelerated depreciation for mining buildings

Introduced in 1982. Legislative reference: Subdivision 330-C ITAA97. 1997-98 TES reference code: AD15.

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 ten years (20 years for quarrying).

D64 Depreciation pooling for low-value assets

Introduced in 2000. Legislative reference: Division 42 ITAA97. 1997-98 TES reference code: na.

Assets costing less than \$1,000 are written off at the declining balance rate of 37 ½ per cent, through a low-value asset pool. This measure applies to businesses with a turnover of \$1 million or more per annum.

D65 Accelerated depreciation for Australian trading ships

Introduced before 1985. Legislative reference: Section 53I(2), 57AM ITAA36. 1997-98 TES reference code: AD13.

Australian trading ships commissioned on or after 29 July 1977 can be depreciated on a prime cost basis over five years. This concession is not available for ships commissioned after 1 July 1997.

The negative estimates for this tax expenditure from 1997-98 reflect the fact that the measure brings forward the timing of tax deductions rather than provide additional deductions. In other words, the negative estimates represent the deductions that would have otherwise been available to the taxpayer had the expenditure been deducted over its effective life rather than being immediately deductible.

D66 Accelerated depreciation for water management costs

Introduced before 1985. Legislative reference: Division 387 ITAA97. 1997-98 TES reference code: AFF3.

The capital costs of investment for conserving or conveying water can be deducted by primary producers over 3 years.

D67 Landcare deduction

Introduced before 1985. Legislative reference: Division 387 ITAA97. 1997-98 TES reference code: AFF4.

Primary producers and users of rural land can claim an immediate deduction for capital expenditure on soil conservation, prevention of land degradation and related measures.

D68 Landcare offset

Introduced in 1998. Legislative reference: Division 388 ITAA97. 1997-98 TES reference code: AFF17.

Primary producers and users of rural land, with taxable income of up to \$20,000 a year, can claim a 30 cents in the dollar tax offset for capital expenditure on soil conservation, prevention of land degradation and related measures. This measure can be claimed as an alternative to the landcare deduction (D67).

The revision to the estimates of this tax expenditure since the *1997-98 Tax Expenditures* reflect the availability of taxpayer data.

D69 Deduction for horse breeding stock

Introduced in 1992. Legislative reference: Sections 70-60, 70-65 ITAA97. 1997-98 TES reference code: AFF2.

Taxpayers can elect to write-off horse breeding stock acquired on or after 19 August 1992 on a prime cost basis. Up to 25 per cent of the cost of sires and up to 33 1/3 per cent of the cost of mares can be written off per annum.

D70 Depreciation of the capital cost of telephone lines for primary producers

Introduced before 1985. Legislative reference: Sections 387-400 to 387-415 ITAA97. 1997-98 TES reference code: AFF10.

The cost of extending telephone lines to a primary production property can be depreciated on a ten year prime cost basis.

D71 Tax write-off for horticultural plants

Introduced in 1995. Legislative reference: Sections 387-160 to 387-210 ITAA97. 1997-98 TES reference code: AFF14.

An accelerated depreciation regime is available for capital expenditure incurred in establishing horticultural plants.

D72 Accelerated depreciation for grapevine plantings

Introduced in 1993. Legislative reference: Sections 387-300 to 387-320 ITAA97. 1997-98 TES reference code: AFF9.

Expenditure incurred in acquiring and establishing grape vines can be written off on a prime cost basis over four years, with the deductions being available from the time the vines are planted.

D73 Drought investment allowance

Introduced in 1995. Legislative reference: Sections 82AC, 50C(3), 50F(1), 56(3), 159GJ(1) and 170(10) ITAA36. 1997-98 TES reference code: AFF11.

An immediate deduction of 10 per cent (up to a total deduction of \$5,000) of capital expenditure on drought preparedness assets is available. This allowance is in addition to depreciation deductions that can be claimed for the assets. This measure does not apply to expenditure after 1 July 2000.

D74 Depreciation for upgrading mains electricity to a business property

Introduced in 1988. Legislative reference: Sections 387-350 to 387-390 ITAA97. 1997-98 TES reference code: OEA1.

Capital expenditure on connecting or upgrading mains electricity to a property on which a business is conducted can be depreciated on a prime cost basis over 10 years.

D75 Accelerated depreciation for software

Introduced in 1998. Legislative reference: Sections 46-1 to 46-110 ITAA97. 1997-98 TES reference code: na.

Expenditure incurred in acquiring, developing or commissioning software is depreciable over 2½ years.

D76 Immediate deduction relating to Y2K upgrades

Introduced in 1998. Legislative reference: Sections 46-1 to 41-70 ITAA97. 1997-98 TES reference code: NAF35.

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Expenditure on software related to Y2K upgrades is immediately deductible if it was incurred between 11 May 1998 and 1 July 1999.

The negative estimates for this tax expenditure after 2000-01 reflect the fact that the measure brings forward the timing of tax deductions rather than provide additional deductions. In other words, the negative estimates represent the deductions that would have otherwise been available to the taxpayer had the expenditure been deducted over its effective life rather than being immediately deductible.

D77 Immediate deductibility for GST-related plant and software

Introduced in 2000. Legislative reference: Sections 25-80, 42-168 ITAA97. 1997-98 TES reference code: na.

Expenditure incurred by small and medium size businesses on acquiring plant or software (including upgrades) for the purpose of implementing the GST is immediately deductible. This deduction is available for the year ending 30 June 2000 even if the equipment is not installed for use by 30 June 2000, provided that the equipment is ordered by 30 June 2000 and installed by 30 June 2001. To qualify for the extension, taxpayers had to have ordered the equipment (through entering into a legally binding agreement to purchase) before 30 June 2000, although it need not have been paid for by that date.

The negative estimates for this tax expenditure after 2000-01 reflect the fact that the measure brings forward the timing of tax deductions rather than provide additional deductions. In other words, the negative estimates represent the deductions that would have otherwise been available to the taxpayer had the expenditure been deducted over its effective life rather than being immediately deductible.

D78 13-month rule for prepayments

Introduced in 1988. Legislative reference: Section 82 KZM ITAA36. 1997-98 TES reference code: na.

Advance expenditure incurred in respect of services to be completed within 13 months of the expenditure being incurred is immediately deductible. This provision was removed from 21 September 1999 for businesses with a turnover of \$1 million or more per annum.

D79 Transitional arrangements for prepayments

Introduced in 1999. Legislative reference: Division 3 Part III Sections 82 KZMB, KZMC, 82 KZL (1) ITAA36. 1997-98 TES reference code: na.

Five year transitional rules are available to phase-in the impact of removing the 13-month rule for advance expenditure.

The tax expenditure estimates are positive in 1999-00 and 2000-01 and negative in the following years, reflecting the effect of spreading the revenue impact that would otherwise occur in 1999-2000 and, in particular, 2000-01 over a five year period.

D80 The 10-year rule for prepayments

Introduced in 1988. Legislative reference: Subsection 82 KZL (1) ITAA36. 1997-98 TES reference code: na.

The deduction for advance expenditure in respect of services to be provided over an indeterminate period (for example, life membership) or exceeding 10 years can be spread evenly over the first 10 years of that period.

D81 Exemption from the tax shelter prepayments measure for passive investments

Introduced in 1988. Legislative reference: Section 82 KZME ITAA36. 1997-98 TES reference code: na.

Advance expenditure in relation to investments in infrastructure bonds, shares, units, rental property and arrangements entered into before 1 July 2000, to which product rulings apply, continue to be immediately deductible where it meets the requirements of the 13 month prepayment rule.

D82 Capitalisation of ownership costs of assets held partly for private use

Introduced in 1991. Legislative reference: Subsection 110-25(4) ITAA97. 1997-98 TES reference code: na.

Where an asset, other than a collectible or personal use asset, is acquired after 20 August 1991, non-capital costs of ownership such as interest, maintenance and repairs, insurance and rates can be included in the cost base of the asset if not otherwise deductible. Inclusion of such costs in the cost base of property held for private use is inconsistent with the benchmark.

D83 Exemption from non-commercial losses provisions (primary producers and artists)

Introduced in 2000. Legislative reference: Subsections 35-10 (4) and (5) ITAA97. 1997-98 TES reference code: na.

Primary producers and artists with other assessable income of less than \$40,000 are exempt from the non-commercial losses measure. This exemption allows an immediate deduction for losses from primary production and art businesses that are of a non-commercial nature.

D84 Deductibility of expenses incurred in providing entertainment free to members of the public who are sick, disabled, poor or otherwise disadvantaged

Introduced in 1985. Legislative reference: Section 32-50 ITAA97. 1997-98 TES reference code: SS17.

D85 Income Equalisation Deposits (IED) scheme

Introduced before 1985. Legislative reference: Sections 3, 4B(5), 18, 19, 20A, and 20B of *Loan (Income Equalization Deposits) Act 1976*. 1997-98 TES reference code: AFF8.

Investments by primary producers made under the IED scheme are deductible, with subsequent withdrawals being assessable. From 7 April 1995, the Farm Management Bonds scheme (a component of the IED scheme) was enhanced, with the investment component raised to 100 per cent and a new maximum limit on deposits of \$150,000. These schemes were replaced by the Farm Management Deposit scheme from 1 July 1998.

D86 Farm Management Deposit scheme

Introduced in 1998. Legislative reference: Schedule 2G, Sections 393-10 to 393-65 ITAA36. 1997-98 TES reference code: AFF16.

Investments by primary producers made under the Farm Management Deposit scheme are deductible, with subsequent withdrawals being assessable. The Farm Management Deposit scheme, which replaced the Income Equalisation Deposits and Farm Management Bonds schemes, has a maximum limit on deposits of \$300,000.

D87 Deduction to co-operative companies

Introduced before 1985. Legislative reference: Section 120 ITAA36. 1997-98 TES reference code: OEA2.

Deductions are provided to co-operative companies for amounts distributed to members as bonuses, interest or dividends and for the repayment of Commonwealth and State government loans.

International benchmark

D88 Income tax exemption for certain US projects in Australia

Introduced before 1985. Legislative reference: Section 23AA ITAA36. 1997-98 TES reference code: D5.

The profits and remuneration of US contractors, US armed forces members, or other US residents or citizens in connection with certain US Government projects in Australia are exempt from Australian income tax, providing the income is subject to tax in the US.

D89 Income tax exemption for prescribed international organisations

Introduced before 1985. Legislative reference: Section 6 of *International Organisations (Privileges and Immunities) Act 1963*.
1997-98 TES reference code: FA1.

The income of prescribed international organisations (eg UN, WTO, OECD) is exempt from income tax.

D90 Half IWT on foreign bank branch interest payments to the foreign bank

Introduced in 1994. Legislative reference: Section 160ZZZJ ITAA36.
1997-98 TES reference code: OEA15.

Only half the notional interest paid by an Australian branch of a foreign bank to the foreign bank is subject to the full rate of interest withholding tax (IWT).

D91 Deductibility of costs of setting up a regional headquarters

Introduced in 1994. Legislative reference: Sections 82C-CE ITAA36.
1997-98 TES reference code: OEA8.

Certain business costs, including relocation and incorporation costs, associated with setting up a Regional Headquarters (RHQ) in Australia are deductible. 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'.

D92 Concessional tax treatment of income of offshore banking units

Introduced in 1992. Legislative reference: Division 9A ITAA36.
1997-98 TES reference code: OEA5.

From 1 July 1992, eligible income derived by an Offshore Banking Unit (OBU) receives a concessional (effectively 10 per cent) rate of tax.

D93 DWT exemption for Pooled Development Funds

Introduced in 1992. Legislative reference: Sections 128B(3)(ba), 124ZM ITAA36. 1997-98 TES reference code: OEA16.

D94 IWT exemption for certain overseas organisations

Introduced before 1985. Legislative reference: Paragraph 128B(3)(a) ITAA36. 1997-98 TES reference code: FA9.

Interest received by certain organisations, which are exempt from tax in their home country, are exempt from interest withholding tax.

D95 DWT exemption for certain overseas organisations

Introduced before 1985. Legislative reference: Paragraph 128B(3)(a) ITAA36. 1997-98 TES reference code: FA11.

Dividends received by certain organisations, which are exempt from tax in their home country, are exempt from dividend withholding tax (DWT).

D96 IWT and DWT exemptions for prescribed international organisations

Introduced before 1985. Legislative reference: Section 6 of the *International Organisations (Privileges and Immunities) Act 1963*. 1997-98 TES reference code: FA10 and FA12.

Interest and dividends received by prescribed international organisations which, under *the International Organisations (Privileges and Immunities) Act*, are exempt from the ordinary provisions of the ITAA, are exempt from both interest withholding tax and dividend withholding tax.

D97 Tax sparing provisions in Australia's DTAs

Date of effect depends on the date of effect of the DTA. Legislative reference: provided for in DTAs. 1997-98 TES reference code: FA5.

Tax sparing provisions in Australia's double tax agreements (DTAs) apply to specific investment tax incentives (eg tax holidays) offered by developing countries. Under tax sparing, the tax forgone by the country in providing the tax concession to Australian resident investors is deemed to have been paid for the purposes of Australia's foreign tax credit system, enabling the Australian residents to claim a tax credit for the foreign tax forgone in relation to their investments. The Government has announced that tax sparing will generally not be provided or renewed in future agreements.

D98 Exemption for branch profits from foreign tax credit system

Introduced in 1990. Legislative reference: Section 23AH ITAA36. 1997-98 TES reference code: FA6(part).

Most income from a business carried on by an Australian company through a permanent establishment (branch) in a listed country is exempt from Australian tax. The exempt income broadly comprises operating profits and capital gains in the case of a permanent establishment in a limited

exemption-listed country and most passive and other tainted income, as well as in the case of a permanent establishment in a broad exemption-listed country.

D99 Exemption of non-portfolio dividends from foreign tax credit system

Introduced in 1990. Legislative reference: Section 23AJ ITAA36. 1997-98 TES reference code: FA6(part).

Non-portfolio dividends, where the dividends are paid by a company resident in a listed country to an Australian resident company, are exempt income.

D100 Exemption from accrual taxation for controlled foreign companies

Introduced in 1990. Legislative reference: Subsections 385(1), (2) ITAA36. 1997-98 TES reference code: FA7(part).

Most tainted income derived by controlled foreign companies in broad exemption-listed countries is exempt from accrual taxation applied to the attributable taxpayer.

D101 Exemption from accrual taxation for transferor trusts

Introduced in 1990. Legislative reference: Paragraph 102AAU(1)(b) ITAA36. 1997-98 TES reference code: FA7(part).

Most income of transferor trusts in broad exemption-listed countries is exempt from accrual taxation applied to the transferor.

D102 Exemption from IWT on widely spread debentures issued offshore and onshore

Introduced before 1985. Legislative reference: Section 128F ITAA36. 1997-98 TES reference code: NAF13.

Certain widely spread debentures issued offshore are exempt from interest withholding tax. This has recently been extended to publicly offered corporate securities issued in Australia. The requirements that the debentures be issued outside Australia, the interest be paid outside Australia and the debentures be issued to non-residents have been removed.

D103 Exemption from IWT on some government loans

Introduced before 1985. Legislative reference: Section 128GA ITAA36. 1997-98 TES reference code: NAF14.

Interest on loans raised outside Australia by a State, or by an authority of the Commonwealth or a State, is exempt from interest withholding tax, provided

that the loan funds are not used by an authority in competing directly with a non-government enterprise. This tax expenditure was removed with respect to loans contracted for after 1 July 1986.

E Excise duty benchmark

E1 Penalty rate of excise levied on leaded petrol

Introduced in 1994. Legislative reference: Item 11 of Schedule of *Excise Tariff Act 1921*. 1997-98 TES reference code: H8.

Leaded petrol is subject to a higher rate of excise than unleaded petrol and diesel.

E2 Penalty rate of excise levied on cigarettes with less than 0.8 grams of tobacco

Introduced in 1999. Legislative reference: Item 8 of Schedule of *Excise Tariff Act 1921*. 1997-98 TES reference code: na.

Cigarettes are subject to excise on a per-stick basis. For cigarettes with more than 0.8 grams of tobacco, this treatment is the same as the treatment of loose tobacco and cigars, which are subject to excise per kilogram of tobacco. For cigarettes with 0.8 grams of tobacco per stick, the per stick excise rate represents equivalent treatment to the excise treatment of loose tobacco and cigars. However, for cigarettes with less than 0.8 grams of tobacco, the per stick excise rate is a heavier liability than for an equivalent amount of loose tobacco or cigars.

E3 Exemption from excise for 'alternative fuels'

Introduced before 1985. Legislative reference: these products are not dutiable under the *Excise Tariff Act 1921* – there was no specific decision taken to exclude them. 1997-98 TES reference code: FE1.

Alternative fuels, including LPG, natural gas and ethanol, are exempt from excise duty. The tax expenditure is based on estimates and projections of fuel use published by ABARE in *Australian Energy Consumption and Production* (1997). The estimates are calculated on an equivalent unit of energy basis, which adjusts for the different energy content of alternative fuels compared to the energy content of unleaded petrol. The growth in the estimates is largely due to projected strong growth in the consumption of compressed natural gas.

E4 Concessional rate of excise levied on fuel oil, heating oil and kerosene

Introduced before 1985. Legislative reference: Item 11 of Schedule of *Excise Tariff Act 1921*. 1997-98 TES reference code: na.

Fuel oil, heating oil and kerosene are subject to a lower rate of excise than unleaded petrol and diesel. The decline in the estimates in the late 1990s is attributable to a reclassification of duty collected on certain fuel oil sales from excise duty to customs duty, and a reduction in use of heating oil due to compliance activity to discourage the substitution of heating oil for diesel.

E5 Concessional rate of excise levied on aviation gasoline and aviation turbine fuel

Introduced before 1985. Legislative reference: Item 11 of Schedule of *Excise Tariff Act 1921*. 1997-98 TES reference code: na.

Aviation gasoline and aviation turbine fuel are subject to a lower rate of excise than unleaded petrol and diesel.

E6 Concessional rate of excise levied on brandy

Introduced before 1985. Legislative reference: Item 2A of *Excise Tariff Act 1921*. 1997-98 TES reference code: AFF12

Brandy is subject to a lower rate of excise than other spirits.

E7 No excise-free threshold for other alcoholic beverages not exceeding 10 per cent alcohol and not subject to WET

Introduced in 2000. Legislative reference: Item 1 of Schedule of *Excise Tariff Act 1921*. 1997-98 TES reference code: na.

These beverages do not qualify for the excise-free threshold of 1.15 per cent of alcohol which applies to beer.

E8 Wine Equalisation Tax (WET) rebate scheme

Introduced in 2000. Legislative reference: Schedule 9A of ITLAA00. 1997-98 TES reference code: na.

The Commonwealth is augmenting the States' 15 per cent subsidy schemes for cellar door and mail order wine sales by providing an additional 14 per cent rebate on cellar door, mail order and internet sales up to \$300,000 per annum (wholesale value). This rebate then tapers to zero for sales between \$300,000 and \$580,000.