TAX EXPENDITURES STATEMENT

2016

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MAJOR CHANGES FROM 2015

The 2016 Tax Expenditures Statement (TES) includes a range of superannuation tax expenditures that were modified by the Government's Superannuation Reform Package.

The 2016 TES also includes a new tax expenditure for working holidaymakers, following the passage of legislation taxing them at a rate of 15 cents from their first dollar earned until $37,000, after which ordinary tax rates apply (A35).

The following tax expenditures have been abolished:

- National Guarantee Fund Payment exemption (previously B2); and
- Regional headquarters set-up cost deduction (previously B17).

Appendix C contains further information on new, modified and expired tax expenditures and reporting modifications.

There are no significant changes to tax expenditure benchmarks.

House of Representatives Standing Committee on Tax and Revenue inquiry into the Tax Expenditures Statement

On 29 November 2016, the Government tabled a response to the House of Representatives Standing Committee on Tax and Revenue report on the Tax Expenditures Statement. This response is available at http://www.aph.gov.au/ Parliamentary_Business/Committees/House/Tax_and_Revenue/Tax_Expenditures/ Government_Response.

The Government supported or supported-in-part several Committee recommendations, including:

- that Treasury devote fewer resources to estimating smaller, technical tax expenditures;
- that Treasury periodically publish an analysis of the long-run interactions between superannuation and the Age Pension and estimates of the future costs and benefits of superannuation and its tax concessions, broadly every five years;
- that Treasury consult with stakeholders on the benchmarks used in the TES;
- that Treasury consider ways of increasing the visibility of warnings in the TES to better draw the attention of readers to the limitations of the TES;

- that Treasury retain the comprehensive income tax benchmark for savings in the TES – although the Government's response notes that Treasury should explore reporting savings tax expenditures against an expenditure tax benchmark in future editions of the Tax Expenditures Statement, in addition to an income tax benchmark;

- that Treasury include in the TES an informative explanation of data and methods for large estimates and when estimates are substantially revised, either in terms of size or reliability; and

- that Treasury and the Australian Taxation Office consult with stakeholders on possible data sources and apply a prioritised approach to data improvements.

In the time available since the Government response was tabled, it has not been possible to implement the recommendations. They will be implemented in the 2017 TES.

CHAPTER 1: INTRODUCTION

A tax expenditure arises where the actual tax treatment of an activity or class of taxpayer differs from the benchmark tax treatment.

- Tax expenditures typically involve tax exemptions, deductions or offsets, concessional tax rates and deferrals of tax liability.
- A positive tax expenditure reduces tax payable relative to the benchmark. A negative tax expenditure increases tax payable relative to the benchmark.

Benchmarks represent a standard taxation treatment that applies to similar taxpayers or types of activity.

- Benchmarks may also incorporate structural elements of the tax system; for example, the progressive income tax rate scale for individual taxpayers.
- The benchmarks used in the 2016 TES are outlined in Appendix B.

Determining benchmarks involves judgment. Consequently, the choice of benchmark may be contentious and benchmarks may vary over time. The choice of benchmark should not be interpreted as indicating a view on how an activity or taxpayer ought to be taxed.

The Tax Expenditures Statement

The annual TES provides a description of Australian Government tax expenditures and, where possible, the estimated value or order of magnitude of the tax expenditure.

The TES is intended to facilitate scrutiny of tax expenditures by Parliament and parliamentary committees, the media and the general public. Transparent reporting of tax expenditures also helps inform debate on the efficiency and equity of the tax system.

This TES reflects Australian Government policy up to and including the *2016-17 Mid-Year Economic and Fiscal Outlook*.

The tax treatment of savings

Consistent with international practice, the current benchmark applied to the tax treatment of savings is the comprehensive income tax benchmark. There is an issue about whether an expenditure tax benchmark would be more appropriate.

- Under a comprehensive income tax benchmark, income from capital is taxed at marginal rates. Under an expenditure tax benchmark, income from capital is exempt from tax.

The 2013 TES raised this issue and included experimental estimates for a range of superannuation tax expenditures measured against an expenditure tax benchmark.

The Australian Government response to the House of Representatives Standing Committee on Tax and Revenue report on the TES stated that Treasury should explore reporting savings tax expenditures against an expenditure tax benchmark in future editions of the TES, in addition to an income tax benchmark. Treasury will undertake this work in 2017.

Estimating tax expenditures

Consistent with most OECD countries, estimates of the size of tax expenditures in the TES reflect the existing utilisation of a tax expenditure, similar to Budget estimates of outlays on demand-driven expenditure programmes. This is known as the 'revenue forgone' approach.

- For example, Budget Paper No. 1, Budget Statement 5 — Expenses and Net Capital Investment, reports expenditure on the Age Pension. Broadly, the amount reported reflects the number of Age Pension recipients and the amount of pension each receives. Budget Paper No. 1 does not provide any estimate of the hypothetical saving to the Budget should the expenditure cease.

- Similarly, the estimated size of a tax expenditure reflects the number of taxpayers utilising the tax expenditure and the notional amount of tax expenditure each receives. Revenue forgone estimates do not indicate the hypothetical saving to the Budget should the tax expenditure cease.

In practice, the revenue forgone approach involves estimating the difference in revenue between the existing and benchmark tax treatments, but importantly assuming taxpayer behaviour is the same in each circumstance.

This approach can be illustrated using the GST exemption for water, sewerage and drainage services (H6).

- By definition, no GST revenue is raised under the existing tax treatment. The benchmark treatment is the imposition of GST on water, sewerage and drainage services. The estimated value of the tax expenditure is therefore the amount of GST revenue that would be raised on water, sewerage and drainage services assuming that consumption of these services remained unchanged under a GST.

An alternative approach involves estimating the impact of abolishing a tax expenditure taking account of the potential changes in taxpayer behaviour, unlike revenue forgone estimates. This is known as the 'revenue gain' approach. Because they take account of behavioural responses, revenue gain estimates are often lower than revenue forgone estimates.

- Introducing a tax expenditure may create incentives for taxpayers to change their behaviour to utilise (or avoid) the new tax provision. Removing the tax expenditure (so that the benchmark tax treatment prevailed) would remove this incentive and may cause a corresponding change in taxpayer behaviour.

In particular, taxpayers may make greater use of other tax expenditures if a particular tax expenditure were to be (hypothetically) abolished.

- For example, a revenue gain estimate for the concessional treatment of employer superannuation contributions would take account of the potential for voluntary employer contributions to be redirected to other tax-preferred investments.

Revenue gain estimates should be treated with particular caution.

- In practice, the revenue gain can be difficult to estimate as there is usually little, if any, information on how taxpayers might react to the removal of a tax expenditure. Assumptions about taxpayer behavioural responses therefore need to be made, and these assumptions can be difficult to meaningfully substantiate.

- Revenue gain estimates assume that a tax expenditure is abolished with immediate effect, whereas it may be more plausible on policy grounds to adopt transitional arrangements (for example, grandfathering), or to reduce the size of a tax expenditure rather than abolish it.

- Judgments also need to be made about likely policy settings — for example, whether it is realistic to assess the abolition of a single tax expenditure (for example, a particular GST exemption) while keeping other tax expenditures unchanged (for example, other GST exemptions).

- Revenue gain estimates do not take into account any potential changes in direct expenditure flowing from the removal of a tax expenditure.

Consistent with a recommendation of the Australian National Audit Office in its 2007-08 performance audit of the TES, the TES reports revenue gain estimates for 10 large tax expenditures.[1]

Interpreting tax expenditure estimates

Readers should exercise care when comparing tax expenditure estimates in different editions of the TES.

- Estimates may not be comparable between editions as benchmarks are modified, tax expenditures are modified, revised or new data becomes available, or changes in modelling methodology are made.

Readers should exercise care when comparing tax expenditure estimates with direct expenditure estimates.

- Tax and direct expenditure estimates may measure different things. For example, the tax expenditure estimate for the Private Health Insurance Rebate (A17) relates to the tax exemption for the rebate, not the rebate itself.
- Direct expenditure estimates of non-taxable transfer payments effectively include the value of the tax exemption for the payments. Summing the direct and tax expenditure estimates would therefore overstate the cost of the government support to the budget.

It is not appropriate to aggregate revenue forgone estimates. As indicated above, revenue forgone estimates do not take account of potential changes in taxpayer behaviour following the (hypothetical) removal of a tax expenditure. However, in reality such changes in behaviour would be likely to occur — in particular, the removal of one tax expenditure would often affect the utilisation of other tax expenditures. Aggregating revenue forgone estimates therefore risks significantly amplifying the limitations inherent in this method of estimating the size of tax expenditures.

Reliability of tax expenditure estimates

Tax expenditure estimates vary in reliability depending on the quality, detail and frequency of the underlying data, the consequent extent to which calculations must be based on assumptions, and the sensitivity of estimates to those assumptions.

1 ANAO Audit Report No. 32, 2007-08, *Preparation of the Tax Expenditures Statement*, Recommendation 5.

Importantly, the TES reports estimates for future years. In many cases, this unavoidably reduces their reliability because of the inherent uncertainty around forecasts of future economic conditions.[2] Estimates with higher reliability tend to be those where future taxpayer behaviour is relatively more predictable because of longstanding stable trends in the historical data, or where only estimates based on historical data are reported.

Appendix B contains further information about the reliability of tax expenditure estimates.

Unquantifiable estimates

In many cases there is insufficient data to produce a reliable estimate for a tax expenditure item. While Treasury has access to detailed tax data collected by the Australian Taxation Office from tax returns, the scope of this data is limited by the number and nature of questions on the tax return itself. While expanding the tax return could increase the data available for estimating tax expenditures, this would increase compliance costs for taxpayers. Treasury also utilises, for example, Australian Bureau of Statistics data where relevant.

In the 2016 TES, estimates are not available for 2016-17 for around 49 per cent of tax expenditures — that is, 142 out of 289 expenditures.

Appendix B contains further information about unquantifiable tax expenditures.

Large tax expenditures

Table 1.1 lists the largest measured tax expenditures for 2016-17.

The table includes revenue gain estimates for several of the largest tax expenditure items. These estimates illustrate the points made above that:

- significant differences can arise between revenue forgone and revenue gain estimates, particularly because the latter attempts to take account of behavioural change by taxpayers; and
- conversely, in some cases, revenue gain and revenue forgone estimates are identical or very similar as taxpayer behaviour is assumed to be relatively insensitive to a tax expenditure.

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2 For more information on these uncertainties, see *2016-17 Mid-Year Economic and Fiscal Outlook*, Part 3, Fiscal Strategy and Outlook, Attachment A, Forecast Uncertainties, Sensitivities and Scenarios at: http://budget.gov.au/2016-17/content/myefo/html/index.htm.

Unquantified tax expenditures have been assigned an order of magnitude rather than an estimate of their value. The largest such tax expenditures include:

- Income tax exemption for prescribed entities (B48);
- Exemption for foreign branch profits from income tax (B9);
- Off-market share buy-backs (B24);
- Statutory effective life caps (B71);
- Refund of franking credits for certain income tax exempt philanthropic entities (B53); and
- Quarantining of capital losses (E20).

Table 1.1: Large measured tax expenditures for 2016-17

Tax expenditure		Estimate $m Revenue forgone	Revenue gain
Large positive tax expenditures			
E6	Main residence exemption — discount component	34,000	n/a
E5	Main residence exemption	27,500	n/a
C4	Concessional taxation of superannuation entity earnings	16,850	15,750
C2	Concessional taxation of employer superannuation contributions	16,250	15,600
E13	Capital gains tax discount for individuals and trusts	9,610	n/a
H28	Food	6,900	6,800
H16	Education	4,500	4,050
H19	Health — medical and health services	4,000	3,950
H2	Financial supplies — input taxed treatment	3,450	3,450
A24	Concessional taxation of non-superannuation termination benefits	2,600	2,600
B12	Exemption from interest withholding tax on certain securities	2,310	1,630
A40	Exemption of Family Tax Benefit payments	2,200	2,200
A19	Medicare levy exemption for residents with taxable income below the low-income thresholds	2,060	n/a
B2	Local government bodies income tax exemption	1,880	n/a
A17	Exemption of the Private Health Insurance Rebate	1,500	n/a
A27	Exemption of Child Care Assistance payments	1,590	n/a
D14	Exemption for public benevolent institutions (excluding hospitals)	1,550	n/a
D10	Exemption for public and not-for-profit hospitals and public ambulance services	1,450	n/a
H5	Child care services	1,430	n/a
A54	Philanthropy — deduction for gifts to deductible gift recipients	1,310	n/a
F7	Concessional rate of excise levied on aviation gasoline and aviation turbine fuel	1,250	n/a
B73	Capital works expenditure deduction	1,165	n/a
H20	Health — residential care, community care and other care services	1,150	n/a
B50	Lower company tax rate	1,100	n/a
B79	Small business simplified depreciation rules	1,020	n/a
Large negative tax expenditures			
F11	Higher rate of excise levied on cigarettes not exceeding 0.8 grams of tobacco	-2,235	n/a
F23	Customs duty	-1,450	-1,450

Other

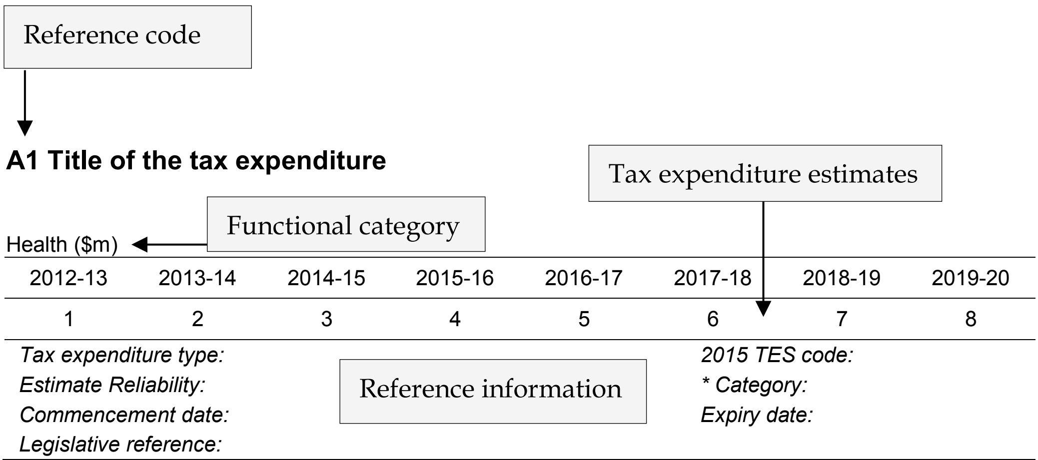
Consistent with Australian Government budget procedures, tax expenditure estimates are in nominal dollars. For example, 2015-16 estimates are in 2015-16 dollars and 2016-17 estimates are in 2016-17 dollars.

Tax expenditure estimates are prepared on an accruals basis (See Appendix B).

CHAPTER 2: TAX EXPENDITURES

2.1 Guide to tax expenditure descriptions

This chapter provides information on all Australian Government tax expenditures in the following format.



Reference codes use the following system:

A	Personal income
B	Business income
C	Retirement savings
D	Fringe benefits tax
E	Capital gains tax
F	Commodity and other indirect taxes
G	Natural resources taxes
H	Goods and services tax

Positive estimates indicate a positive tax expenditure — that is, where a tax provision reduces tax payable relative to the benchmark. Negative estimates indicate a negative tax expenditure — that is, a tax provision that increases tax payable relative to the benchmark.

The following codes apply where tax expenditure estimates are not quantified:

-	nil
..	not zero, but rounded to zero
*	estimate is not available
nfp	not for publication

2.2 Tax expenditures

PERSONAL INCOME

A1 Deduction for expenses incurred by election candidates

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
2	4	4	3	3	3	4	4

Tax expenditure type:	Deduction	*2015 TES code:*	A1
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Sections 25-60, 25-65 and 25-70 of the *Income Tax Assessment Act 1997*		

Certain expenses incurred by candidates contesting federal, state and territory government elections are tax deductible, irrespective of whether they are successful or not. For local government elections, candidates can deduct expenses of up to $1,000 per election.

A2 Exemption of certain income earned by Australians working overseas

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
60	50	45	45	40	35	35	40

Tax expenditure type:	Exemption	*2015 TES code:*	A2
Estimate Reliability:	Medium		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 23AF and 23AG of the *Income Tax Assessment Act 1936*		

Income earned by Australians working overseas for a continuous period of 91 days or more may be exempt from income tax if they are employed to work on certain approved overseas projects or if their foreign employment is directly attributable to:

- the delivery of Australia's overseas aid program by the individual's employer (since 1 July 2016, Australian government employees have been ineligible for this exemption);
- the activities of the individual's employer in operating a developing country relief fund or a public disaster relief fund;
- the activities of the individual's employer being a prescribed institution that is exempt from Australian income tax;
- the individual's deployment outside Australia by an Australian government (or an authority thereof) as a member of a disciplined force; or
- an activity of a kind specified in the regulations.

This exemption may not apply where the foreign earnings are exempt from income tax in the foreign country.

A3 Exemption of income of certain visitors to Australia

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	A3
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Sections 842-105 and 768-100 of the *Income Tax Assessment Act 1997*		

The Australian-sourced income of certain visitors to Australia (for example, visiting foreign government representatives and their entourages) is exempt from income tax. In addition, the official salary and foreign-sourced income of, for example, foreign government representatives visiting Australia when the Vienna Conventions on Consular or Diplomatic Relations do not apply, are exempt from income tax where their home countries provide a reciprocal exemption.

A4 Exemption of official remuneration of officials of prescribed international organisations

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	A4
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	*International Organisations (Privileges and Immunities) Act 1963*		

The official remuneration of officials of prescribed international organisations (such as the Organisation for Economic Cooperation and Development) may be exempt from income tax as part of the privileges and immunities required under the terms of certain international agreements.

A5 Exemption from income tax and the Medicare levy for residents of Norfolk Island

General public services – General services ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
6	7	7	7	..	..	..	..

Tax expenditure type:	Exemption	*2015 TES code:*	A5
Estimate Reliability:	Low		
Commencement date:	Introduced before 1985	*Expiry date:*	30 Jun 2016
Legislative reference:	Division 1A of Part III and Sections 251T and 251U of the *Income Tax Assessment Act 1936*		

Prior to 1 July 2016, income earned by residents of Norfolk Island was exempt from income tax and the Medicare levy. Assets acquired by Norfolk Island residents before 24 October 2015 generally remain exempt from capital gains tax.

A6 Australian Defence Force personnel — exemption of certain allowances

Defence ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
85	55	35	40	40	40	40	45

Tax expenditure type:	Exemption	*2015 TES code:*	A7
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 51-5 of the *Income Tax Assessment Act 1997* Regulation 51-5.01 of the *Income Tax Assessment Regulations 1997*		

Certain allowances payable to Australian Defence Force personnel are exempt from income tax. These include separation allowance, disturbance allowance, transfer allowance, deployment allowance and prescribed parts of rent allowance.

A7 Australian Defence Force personnel — exemption of compensation for lost deployment allowance

Defence ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1	1	..	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	A8
Estimate Reliability:	Medium	** Category*	1+
Commencement date:	1996	*Expiry date:*	
Legislative reference:	Sections 51-5 and 51-32 of the *Income Tax Assessment Act 1997*		

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

A8 Australian Defence Force personnel — exemption of pay and allowances earned while on eligible overseas duty

Defence ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
95	65	55	70	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	A9
Estimate Reliability:	Medium	** Category*	2+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 23AD of the *Income Tax Assessment Act 1936*		

Base pay and allowances made to Australian Defence Force personnel while on eligible overseas duty are exempt from income tax (provided they are not exempt from income tax under another provision of the income tax law).

A9 Australian Defence Force personnel — exemption of pay and allowances for part-time personnel

Defence ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
60	65	75	85	85	85	90	90

Tax expenditure type:	Exemption	*2015 TES code:*	A10
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 51-5 of the *Income Tax Assessment Act 1997*		

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

A10 Australian Defence Force Reserve personnel — exemption of compensation for loss of pay and allowances

Defence ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2015 TES code:*	A11
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Sections 51-5 and 51-33 of the *Income Tax Assessment Act 1997*		

Australian Defence Force Reserve personnel not engaged in continuous full-time service who are forced to resign due to injuries sustained while employed by the Reserves may receive compensation for the loss of pay and allowances. Such compensation payments are exempt from income tax.

A11 Exemption of some payments to Australian Federal Police and civilian personnel on service with an armed force of the United Nations

Defence ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2015 TES code:*	A12
Estimate Reliability:	Very Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 23AB of the *Income Tax Assessment Act 1936*		

Australian Federal Police and civilian personnel contributed by Australia to a United Nations armed force may receive compensation for death, impairment or incapacity resulting from their service. Such payments are exempt from income tax. Associated payments, including to the estate of a deceased civilian, may also receive tax relief.

A12 Medicare levy exemption for current and veteran Australian Defence Force personnel and their relatives and associates

Defence ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
55	55	80	80	85	85	85	90

Tax expenditure type:	Exemption	*2015 TES code:*	A6
Estimate Reliability:	Medium - High		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Sections 251T and 251U of the *Income Tax Assessment Act 1936*		

A Medicare levy exemption applies to income earned by current and veteran Australian Defence Force personnel and certain others, for example, relatives of ADF personnel who are entitled to free medical treatment.

A13 Tax offsets for Australian Defence Force personnel serving overseas and for Australian Federal Police and civilians serving with United Nations forces

Defence ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Included in A43							

Tax expenditure type:	Offset	*2015 TES code:*	A13
Estimate Reliability:			
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Sections 79B and 23AB(7) of the *Income Tax Assessment Act 1936*		

Australian Defence Force personnel who serve overseas in a locality specified by the Minister (because of its isolation and uncongenial nature), as well as civilian and Australian Federal Police personnel contributed by Australia to an armed force of the United Nations, may be eligible for a tax offset. The offset includes additional entitlements for individuals who maintain dependants.

A14 Denial of deductibility for HECS-HELP expenses

Education ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Denial of deduction	*2015 TES code:*	A14
Estimate Reliability:	Not Applicable	** Category*	3-
Commencement date:	1997	*Expiry date:*	
Legislative reference:	Section 26-20 of the *Income Tax Assessment Act 1997*		

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

A15 Exemption of income from certain educational scholarships, payments to apprentices or similar forms of assistance

Education ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	A15
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Sections 51-10, 51-35, 51-40, 51-42 and 842-105 of the *Income Tax Assessment Act 1997*		

Scholarships and other education allowances paid to full-time students at a school, college or university may be exempt from income tax. Income derived as part of an Australian Government scheme to assist secondary education or the education of isolated children is exempt from income tax (excluding federal education, training or education entry payments provided under the *Social Security Act 1991*). A number of other exempt educational payments are listed in the *Income Tax Assessment Act 1997.*

A16 Threshold for the deductibility of self-education expenses

Education ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-3	-3	-3	-3	-3	-3	-3	-3

Tax expenditure type:	Denial of deduction	*2015 TES code:*	A16
Estimate Reliability:	Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 82A of the *Income Tax Assessment Act 1936*		

Self-education expenses for the purpose of maintaining or improving skills or knowledge which the taxpayer uses in income earning activities are deductible. In certain circumstances taxpayers are not able to claim a deduction for the first $250 of an education expense. However, taxpayers can use certain other self-education expenses that are non-deductible, such as child care costs, to reduce the $250 no-claim threshold.

A17 Exemption of the Private Health Insurance Rebate

Health ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1,600	1,470	1,450	1,480	1,500	1,580	1,650	1,750

Tax expenditure type:	Exemption	*2015 TES code:*	A17
Estimate Reliability:	Medium		
Commencement date:	1998	*Expiry date:*	
Legislative reference:	Subdivision 61-G of the *Income Tax Assessment Act 1997* Part 2-2 of the *Private Health Insurance Act 2007*		

The Private Health Insurance Rebate is exempt from income tax.

A18 Medicare levy exemption for blind pensioners, sickness allowance recipients, persons not entitled to Medicare benefits and foreign government representatives

Health ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
175	195	255	275	300	325	340	360

Tax expenditure type:	Exemption	*2015 TES code:*	A18
Estimate Reliability:	Medium - High		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Sections 251T and 251U of the *Income Tax Assessment Act 1936*		

The income of certain prescribed persons is exempt from the Medicare levy. The list of prescribed persons includes recipients of specified payments made under the *Social Security Act 1991*, certain permanent residents who qualify for an exemption due to their absence from Australia, temporary residents whose home country does not have a Reciprocal Health Care Agreement with Australia and foreign government representatives.

A19 Medicare levy exemption for residents with taxable income below the low-income thresholds

Health ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1,250	1,290	1,740	1,900	2,060	2,090	2,160	2,230

Tax expenditure type:	Exemption	*2015 TES code:*	A19
Estimate Reliability:	Medium		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 7 of the *Medicare Levy Act 1986*		

Residents whose taxable income falls below prescribed thresholds are exempt from the Medicare levy, with the levy phased in once their income exceeds these thresholds. Different thresholds apply for individuals, families with children and seniors and pensioners.

A20 Medicare levy surcharge

Health ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-240	-270	-270	-240	-240	-250	-260	-270

Tax expenditure type:	Increased rate	*2015 TES code:*	A20
Estimate Reliability:	Medium		
Commencement date:	1997	*Expiry date:*	
Legislative reference:	Sections 8B to 8D of the *Medicare Levy Act 1986* *A New Tax System (Medicare Levy Surcharge - Fringe Benefits) Act 1999*		

Individuals and couples who do not have a specified level of private health insurance and whose income exceeds certain thresholds are subject to an increased Medicare levy, known as the Medicare levy surcharge.

A21 Medicare levy surcharge lump sum payment in arrears tax offset

Health ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
..	..	..	..	..	..	..	..

Tax expenditure type:	Offset	*2015 TES code:*	A21
Estimate Reliability:	High		
Commencement date:	1 July 2005	*Expiry date:*	
Legislative reference:	Subdivision 61L of the *Income Tax Assessment Act 1997*		

Eligible taxpayers who incur a Medicare levy surcharge liability, or an increased liability, as a result of certain lump sum payments in arrears, for example, a Commonwealth education payment, receive concessional treatment in respect of their surcharge liability.

A22 Net medical expenses tax offset

Health ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
540	410	235	155	36	21	9	1

Tax expenditure type:	Offset	*2015 TES code:*	A22
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	1 Jul 2019
Legislative reference:	Section 159P of the *Income Tax Assessment Act 1936*		

This offset provides taxpayers with income below the Medicare levy surcharge thresholds with a 20 per cent offset for eligible out-of-pocket medical expenses. This offset is currently being phased out, with transitional arrangements for certain medical expenses.

A23 Concessional taxation of lump sum payments for unused recreation and long service leave

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
200	220	260	275	285	295	310	320

Tax expenditure type:	Concessional rate	*2015 TES code:*	C4
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Subdivisions 83-A and 83-B of the *Income Tax Assessment Act 1997*		

A maximum tax rate of 30 per cent plus the Medicare levy applies to lump sum payments in lieu of unused long service or annual leave which accrued before 18 August 1993, or which are made in circumstances of bona fide redundancy, invalidity or under an early retirement scheme.

A24 Concessional taxation of non-superannuation termination benefits

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
2,450	2,550	2,800	2,750	2,600	2,500	2,400	2,300

Tax expenditure type:	Concessional rate	*2015 TES code:*	C5
Estimate Reliability:	Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Division 82 of the *Income Tax Assessment Act 1997* Division 82 of the *Income Tax (Transitional Provisions) Act 1997* Subdivision 83-C of the *Income Tax Assessment Act 1997*		

Non-superannuation termination payments, known as employment termination payments (ETPs), are taxed differently to lump sums paid from untaxed superannuation funds. Genuine redundancy and early retirement scheme payments made to people under 65 years of age are also tax free up to a limit, and amounts in excess of this limit are taxed as an ETP.

A25 Concessional taxation of unused long service leave accumulated prior to 16 August 1978

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
60	55	60	55	55	55	50	50

Tax expenditure type:	Concessional rate	*2015 TES code:*	C8
Estimate Reliability:	Medium - High		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Subsection 83-80(1) of the *Income Tax Assessment Act 1997*		

A reduced tax rate applies to lump sum payments for unused long service leave which accrued prior to 16 August 1978. Five per cent of such payments is included in the taxpayer's assessable income and is subject to tax at marginal rates.

A26 Exemption for National Disability Insurance Scheme amounts

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-	-	20	40	270	810	1,590	2,790

Tax expenditure type:	Exemption	*2015 TES code:*	A23
Estimate Reliability:	Very Low		
Commencement date:	1 Jul 2013	*Expiry date:*	
Legislative reference:	Sections 26-97, 40-235, and 52-180 of the *Income Tax Assessment Act 1997*		

Payments and benefits provided under the National Disability Insurance Scheme (NDIS), whether directly or otherwise, to NDIS participants for approved reasonable and necessary supports are exempt from income tax.

A27 Exemption of Child Care Assistance payments

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
815	1,010	1,245	1,435	1,590	1,745	2,420	2,460

Tax expenditure type:	Exemption	*2015 TES code:*	A24
Estimate Reliability:	Medium		
Commencement date:	1 Jul 2007	*Expiry date:*	
Legislative reference:	Section 52-150 of the *Income Tax Assessment Act 1997*		

The Child Care Rebate and Child Care Benefit are exempt from income tax.

From 1 July 2018, a new single Child Care subsidy will be introduced, subject to the passage of legislation. The Child Care Subsidy will replace the current child care fee assistance provided by Child Care Benefit and Child Care Rebate payments which will cease on 30 June 2018. The Child Care Subsidy will be exempt from income tax.

A28 Exemption of disaster relief payments

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
70	5	15	10	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	A25
Estimate Reliability:	Medium	** Category*	2+
Commencement date:	1 July 2008	*Expiry date:*	
Legislative reference:	Section 51-30 of the *Income Tax Assessment Act 1997*		

Certain payments made to victims of natural disasters, such as Disaster Income Recovery Subsidy payments, are exempt from income tax.

A29 Exemption of the Schoolkids Bonus

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
320	170	320	290	280	150	10	-

Tax expenditure type:	Exemption	*2015 TES code:*	A26
Estimate Reliability:	Medium		
Commencement date:	2012	*Expiry date:*	31 Dec 2016
Legislative reference:	Section 52-150 of the *Income Tax Assessment Act 1997*		

The Schoolkids Bonus is exempt from income tax. It has been abolished with the last instalment paid in July 2016.

A30 Beneficiary and Pensioner Tax Offsets

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
280	40	60	75	75	75	70	80

Tax expenditure type:	Offset	*2015 TES code:*	A27
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 160AAA of the *Income Tax Assessment Act 1936*		

Taxpayers who receive certain social security benefits and allowances may be eligible for the Beneficiary Tax Offset, which ensures that people whose only income during the year is from the benefit or allowance will not pay any tax.

Prior to 2012-13, this tax expenditure included the Pensioner Tax Offset, which may be claimed by taxpayers who receive a qualifying government taxable pension such as Parenting Payment Single.

A31 Dependency tax offsets

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
370	140	120	7	7	7	7	7

Tax expenditure type:	Offset	*2015 TES code:*	A28
Estimate Reliability:	Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Subdivision 61-A of the *Income Tax Assessment Act 1997*		

Taxpayers who maintain a dependant unable to work due to carer obligations or disability may receive a tax offset to reduce their income tax liability.

A range of dependency tax offsets, including the dependent spouse tax offset and the invalid relative, parent, parent-in-law, housekeeper, housekeeper (with child), child-housekeeper and child-housekeeper (with child) tax offsets, were abolished from 1 July 2014.

A32 Release from particular tax liabilities in cases of serious hardship

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
62	53	40	41	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	A29
Estimate Reliability:	High	** Category*	2+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Division 340 in Schedule 1 to the *Tax Administration Act 1953*		

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

A33 Seniors and pensioners tax offset

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
690	900	880	890	890	890	890	890

Tax expenditure type:	Offset	*2015 TES code:*	A30
Estimate Reliability:	Medium		
Commencement date:	1996	*Expiry date:*	
Legislative reference:	Sections 160AAAA and 160AAAB of the *Income Tax Assessment Act 1936*		

The seniors and pensioners tax offset is available to taxpayers who receive certain taxable pensions and payments, for example, the Age Pension and the Defence Force Income Support Allowance. It is also available to taxpayers who are of Age Pension age but who do not receive the Age Pension because of the income or assets tests.

A34 Seasonal Labour Mobility Program

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1	2	3	4	4	4	4	4

Tax expenditure type:	Non-standard rate	*2015 TES code:*	A31
Estimate Reliability:	Medium - Low		
Commencement date:	2012	*Expiry date:*	
Legislative reference:	Schedule 7 of the *Income Tax Rates Act 1986*		

Workers employed under the Seasonal Labour Mobility Program are subject to a final withholding tax of 15 per cent.

A35 Working holiday makers

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-	-	-	-	(a)			

Tax expenditure type:	Non-standard rate	*2015 TES code:*	New
Estimate Reliability:	Not Applicable		
Commencement date:	1 January 2017	*Expiry date:*	
Legislative reference:	*Income Tax Rates Amendment (Working Holiday Maker Reform) Act 2016*		

(a) The legislation above was passed by the Parliament on 1 December 2016 with the new rate applying from 1 January 2017. In the time available, it has not been possible to produce estimates for the 2016 Tax Expenditures Statement.

From 1 January 2017, a 15 per cent income tax rate applies to the Australian taxable income of working holiday makers up to $37,000, with ordinary tax rates applying to taxable income above this threshold.

A36 Exemption of foreign termination payments

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	C14
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	2007	*Expiry date:*	
Legislative reference:	Subdivision 83-D of the *Income Tax Assessment Act 1997*		

Termination payments from foreign employment are non-assessable and non-exempt income where the taxpayer is a foreign resident. Where the taxpayer is an Australian resident for some of the period to which the termination payment relates, the payment will be non-assessable and non-exempt if it was received in consequence of the termination of a period of foreign employment or engagement for the purposes of section 23AF or section 23AG, the payment relates only to that period of employment or engagement and the payment is not exempt from income tax under the law of the foreign country. This does not apply if the payment is a superannuation benefit or a pension or annuity.

A37 Foreign income exemption for temporary residents

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
45	55	75	80	80	80	80	80

Tax expenditure type:	Exemption	*2015 TES code:*	A32
Estimate Reliability:	Low		
Commencement date:	2006	*Expiry date:*	
Legislative reference:	Subdivision 768-R of the *Income Tax Assessment Act 1997*		

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

A38 Income tax exemption for Australian staff of the Asian Development Bank

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1	1	1	1	1	1	1	1

Tax expenditure type:	Exemption	*2015 TES code:*	A33
Estimate Reliability:	Medium - Low		
Commencement date:	2005	*Expiry date:*	
Legislative reference:	Regulation 6 of the *Asian Development Bank (Privileges and Immunities) Regulations 1967*		

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

A39 Exemption of certain income support benefits, pensions or allowances

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
500	550	610	600	630	650	680	710

Tax expenditure type:	Exemption	*2015 TES code:*	A34
Estimate Reliability:	Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Subdivisions 52-A, 52-E and 52-F of the *Income Tax Assessment Act 1997*		

Certain social security payments are partly or fully exempt from income tax. These include: certain pensions; benefits; allowances; repatriation pensions paid under the *Social Security Act 1991* and the *National Health Act 1953*, for example, Disability Support Pension and Carer Payment; certain amounts of Commonwealth education or training payment; and certain parts of payments under the ABSTUDY scheme.

A40 Exemption of Family Tax Benefit payments

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1,990	2,090	2,150	2,280	2,200	2,100	2,110	2,070

Tax expenditure type:	Exemption	*2015 TES code:*	A35
Estimate Reliability:	Medium		
Commencement date:	2000	*Expiry date:*	
Legislative reference:	Section 52-150 of the *Income Tax Assessment Act 1997*		

Family Tax Benefit payments are exempt from income tax.

A41 Exemptions of certain veterans' pensions, allowances or benefits, compensation, and particular World War II-related payments for persecution

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
400	450	480	470	450	430	420	410

Tax expenditure type:	Exemption	*2015 TES code:*	A36
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Subdivisions 52-B and 52-C and Section 768-105 of the *Income Tax Assessment Act 1997*		

Repatriation pensions, certain payments under the *Veterans Entitlements Act 1985* and *Military Rehabilitation and Compensation Act 2004*, payments under the *Australian Participants in British Nuclear Tests (Treatment) 2006*, certain foreign source World War II payments and compensation provided for legal advice to beneficiaries under the *Military Rehabilitation and Compensation Act 2004* are wholly or partly exempt from income tax.

A42 Exemption of payments made under the First Home Owners Grant Scheme

Housing and community amenities ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
290	275	185	195	180	180	175	175

Tax expenditure type:	Exemption	*2015 TES code:*	A37
Estimate Reliability:	Medium - Low		
Commencement date:	2000	*Expiry date:*	2016
Legislative reference:	*A New Tax System (Commonwealth State Financial Arrangements) Act 1999* Appendix A, *Intergovernmental Agreement on Federal Financial Relations Appropriation (Economic Security Strategy) Act (No. 2) 2008-09* and relevant state legislation.		

Payments made under the First Home Owners Grant Scheme are exempt from tax.

A43 Zone tax offsets

Housing and community amenities ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
275	295	295	245	140	140	145	150

Tax expenditure type:	Offset	*2015 TES code:*	A38
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 79A of the *Income Tax Assessment Act 1936*		

Note: estimates include tax expenditures A43 and A13

Taxpayers who live in prescribed remote areas of Australia are eligible for a tax offset. Eligibility and the amount of the tax offset varies depending on the taxpayer's location.

From 1 July 2015, 'fly-in fly-out' workers whose normal residence is not in a zone are excluded from the offset. If their normal residence is in a different zone to the one in which they work, they receive the offset applicable to the zone in which they reside.

A44 Income averaging for authors, inventors, performing artists, production associates and sportspersons

Recreation and culture ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
23	27	30	33	30	32	36	39

Tax expenditure type:	Concessional rate	*2015 TES code:*	A39
Estimate Reliability:	Medium - High		
Commencement date:	1998	*Expiry date:*	
Legislative reference:	Division 405 of the *Income Tax Assessment Act 1997*		

Authors, composers, artists, inventors, performing artists, production associates and sportspersons, whose income can fluctuate significantly between income years, may be eligible for an income averaging scheme that reduces their overall tax liability.

A45 Income tax exemption of certain Prime Minister's prizes

Recreation and culture ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2015 TES code:*	A40
Estimate Reliability:	High		
Commencement date:	1 July 2006	*Expiry date:*	
Legislative reference:	Section 51-60 of the *Income Tax Assessment Act 1997*		

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

A46 Non-commercial losses deductions allowed for certain taxpayers with an adjusted taxable income under $250,000

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2015 TES code:*	A41
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Division 35 of the *Income Tax Assessment Act 1997*		

Individuals carrying on a business and who have an adjusted taxable income of less than $250,000 may apply losses from a business activity against their other assessable income in that year if they satisfy one of four statutory tests in that year.

This treatment results in some business activities that are non-commercial in nature being treated as commercial. Allowing losses from these activities to be offset against other assessable income in these circumstances gives rise to a tax expenditure.

A47 Non-commercial losses exception rules for primary producers and artists

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
25	20	15	15	15	15	15	15

Tax expenditure type:	Exemption	*2015 TES code:*	A42
Estimate Reliability:	Medium		
Commencement date:	1 January 2000	*Expiry date:*	
Legislative reference:	Subsection 35-10(4) of the *Income Tax Assessment Act 1997*		

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

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

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

A48 Tax concessions for employee share schemes income

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption, Deferral	*2015 TES code:*	A43
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1995	*Expiry date:*	
Legislative reference:	Division 83A of the *Income Tax Assessment Act 1997*		

Discounts on shares and rights acquired under an employee share scheme are generally included in a taxpayer's assessable income in the year the shares or rights are acquired. However, there are a range of concessions available. An upfront tax exemption of $1,000 for eligible schemes is available to taxpayers earning less than $180,000 and a deferral of tax is available where there is a 'real risk of forfeiture'.

On 1 July 2015, additional tax concessions for employee share schemes took effect. The taxing point for rights now generally occurs when the rights are exercised (converted to shares). There is also a tax deferral (for rights) or exemption (for shares) on the discount component of employee share schemes provided at a small discount to employees of eligible start-up companies.

A49 Tax deferral advantage arising from personal after-tax contributions to a pension or annuity

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2015 TES code:*	A44
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 27H of the *Income Tax Assessment Act 1936*		

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

A50 Union dues and subscriptions to business associations deduction

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2015 TES code:*	A45
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 25-55 of the *Income Tax Assessment Act 1997*		

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

A51 Denial of deductions for illegal activities

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2015 TES code:*	A46
Estimate Reliability:	Not Applicable	** Category*	1-
Commencement date:	1 July 1999 (bribery), 30 April 2005 (illegal activities)	*Expiry date:*	
Legislative reference:	Sections 26-52, 26-53 and 26-54 of the *Income Tax Assessment Act 1997*		

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

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

A52 Increased tax rates for certain minors

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-6	-5	-5	-5	-5	-5	-5	-5

Tax expenditure type:	Increased rate	*2015 TES code:*	A47
Estimate Reliability:	Medium - High		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Part III Division 6AA of the *Income Tax Assessment Act 1936*		

Higher rates of taxation apply to the unearned income of certain minors (for example, those classed as not being in a full-time occupation). Unearned income includes dividend, interest, rent, royalties and other income from property. Further, minors are unable to use the Low Income Tax Offset to reduce the tax payable on unearned income.

A53 Part-year tax free threshold

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-50	-25	-20	-20	-20	-20	-20	-20

Tax expenditure type:	Increased rate	*2015 TES code:*	A48
Estimate Reliability:	Medium - High		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 16 to 20 of the *Income Tax Rates Act 1986*		

Taxpayers who become an Australian resident for the first time, or cease to be an Australian resident, do not receive the full value of the statutory tax-free threshold. From 1 July 2012, they are able to access a tax-free threshold of at least $13,464, plus a pro-rated share of $4,736 corresponding to the number of months in the year that they are a resident for tax purposes.

A54 Philanthropy – deduction for gifts to deductible gift recipients

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1,010	1,080	1,180	1,280	1,310	1,350	1,410	1,460

Tax expenditure type:	Deduction	*2015 TES code:*	A49
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Division 30 of the *Income Tax Assessment Act 1997*		

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

A55 Philanthropy – deduction for gifts to private ancillary funds

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
155	130	225	705	420	420	405	405

Tax expenditure type:	Deduction	*2015 TES code:*	A50
Estimate Reliability:	Low		
Commencement date:	1 October 2009	*Expiry date:*	
Legislative reference:	Item 2 of the table in Section 30-15 of the *Income Tax Assessment Act 1997*		

Private ancillary funds are funds established by businesses, families and individuals solely for the purpose of disbursing funds to charitable or philanthropic trusts (or for establishing such trusts). Donations of cash and property (subject to certain conditions) of a value of $2 or more to private ancillary funds, which have deductible gift recipient status, are tax deductible.

A56 Car expenses – alternatives to the logbook method

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2015 TES code:*	A51
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1987	*Expiry date:*	
Legislative reference:	Division 28 and Subdivision 900-C of the *Income Tax Assessment Act 1997*		

An alternative method to the logbook method (which is based on actual expenditure) is available to value car expense deductions. The 'cents per kilometre' method is available up to a maximum of 5,000 business kilometres. Prior to 1 July 2015, the 'one third of actual expenses' method and '12 per cent of original value' method were available where business use exceeded 5,000 kilometres.

A57 Tax offset on certain payments of income received in arrears

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
5	5	6	6	7	8	8	9

Tax expenditure type:	Offset	*2015 TES code:*	A52
Estimate Reliability:	Medium - Low		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 159ZR to 159ZRD of the *Income Tax Assessment Act 1936*		

Individual taxpayers who receive lump sum payments of certain income, for example, salary and wages, which accrued in earlier income years may be entitled to a tax offset.

A58 Exemption for personal injury annuities

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2015 TES code:*	A53
Estimate Reliability:	Low		
Commencement date:	2002	*Expiry date:*	
Legislative reference:	Division 54 of the *Income Tax Assessment Act 1997*		

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

A59 Exemption of post-judgment interest awards in personal injury compensation cases

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
3	3	4	4	4	4	4	5

Tax expenditure type:	Exemption	*2015 TES code:*	A54
Estimate Reliability:	Low		
Commencement date:	1997	*Expiry date:*	
Legislative reference:	Section 51-57 of the *Income Tax Assessment Act 1997*		

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

A60 Low-value depreciating assets – immediate deduction

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2015 TES code:*	A55
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	2001	*Expiry date:*	
Legislative reference:	Subsections 40-25(1) and 40-80(2) of the *Income Tax Assessment Act 1997*		

An immediate deduction is available for depreciating assets costing $300 or less where those assets are used mostly to earn non-business income.

BUSINESS INCOME

B1 Denial of deductions by businesses for political donations

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Denial of deduction	*2015 TES code:*	B1
Estimate Reliability:	Not Applicable	** Category*	1-
Commencement date:	1 July 2008	*Expiry date:*	
Legislative reference:	Sections 26-22 and 30-242 (3A) of the *Income Tax Assessment Act 1997*		

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

B2 Local government bodies income tax exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
850	1,160	1,470	1,660	1,880	2,130	2,410	2,730

Tax expenditure type:	Exemption	*2015 TES code:*	B3
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Item 5.1 in the table in Section 50-25 of the *Income Tax Assessment Act 1997*		

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

B3 Exemptions for prescribed international organisations

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	B4
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1963	*Expiry date:*	
Legislative reference:	Section 6 of the *International Organisations (Privileges and Immunities) Act 1963*		

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

B4 Interest withholding tax and dividend withholding tax exemptions for overseas charitable institutions

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	B5
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1971	*Expiry date:*	
Legislative reference:	Paragraph 128B(3)(aa) of the *Income Tax Assessment Act 1936*		

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

B5 Investment Manager Regime

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	B6
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 2011	*Expiry date:*	
Legislative reference:	Subdivision 842-I of the *Income Tax Assessment Act 1997*		

The Investment Manager Regime exempts certain investment income of widely held foreign managed funds from Australian tax in specified circumstances.

Certain investment income will be exempt from Australian income tax if it is assessable solely because it was attributed to a permanent establishment in Australia due to a foreign fund engaging an Australia-based agent, manager or service provider. Certain other investment income will be exempt only for portfolio investments.

B6 Reduced withholding tax under international tax treaties

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
320	390	500	520	550	580	600	630

Tax expenditure type:	Exemption, Concessional rate	*2015 TES code:*	B7
Estimate Reliability:	Low		
Commencement date:	2008	*Expiry date:*	
Legislative reference:	*International Tax Agreements Act 1953*		

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

B7 Income tax exemption for persons connected with certain US Government projects in Australia

Defence ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	B8
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 23AA of the *Income Tax Assessment Act 1936*		

The profit and remuneration of United States contractors, armed forces members and their associated employees, or others connected with certain approved United States Government projects in Australia are exempt from Australian income tax, where the income is subject to tax in the United States. Projects to which the exemption applies include the North West Cape Naval Communication Station and the Joint Defence Space Research Facility.

B8 Concessional tax treatment of offshore banking units

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
185	200	250	215	205	200	200	200

Tax expenditure type:	Concessional rate	*2015 TES code:*	B9
Estimate Reliability:	Medium		
Commencement date:	1992	*Expiry date:*	
Legislative reference:	Part III, Division 9A, and Section 128GB of the *Income Tax Assessment Act 1936*		

Income (other than capital gains) derived by an offshore banking unit from eligible offshore banking activities is taxed at a concessional rate of 10 per cent. Interest paid by an offshore banking unit on qualifying offshore borrowings, and gold fees paid by an offshore banking unit on certain offshore gold borrowings, are exempt from withholding tax. From 1 July 2015, the list of eligible offshore banking activities has been updated to better target the regime and address integrity concerns.

B9 Exemption for foreign branch profits from income tax

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	B10
Estimate Reliability:	Not Applicable	** Category*	4+
Commencement date:	1991	*Expiry date:*	
Legislative reference:	Section 23AH of the *Income Tax Assessment Act 1936*		

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

B10 Exemption from accruals taxation system for certain transferor trusts

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	B11
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1991	*Expiry date:*	
Legislative reference:	Section 102AAT of the *Income Tax Assessment Act 1936*		

Under the transferor trust rules, the transferor would normally be subject to the accruals taxation system. However, the rules do not apply in relation to certain transfers to family, discretionary or non-discretionary trusts, or to certain transfers made before the transferor commenced being a resident. Transferor trust rules apply to Australian residents who have transferred property or services to a non-resident trust estate.

B11 Exemption from accruals taxation system for controlled foreign companies

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	B12
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1991	*Expiry date:*	
Legislative reference:	Sections 385 and 432 of the *Income Tax Assessment Act 1936*		

The accruals taxation system normally applies to income derived by controlled foreign companies (CFCs). However, most tainted income derived by CFCs in listed countries is exempt from the accruals taxation system (applied to the attributable taxpayer) as it is generally comparably taxed. An exemption also applies to CFCs that derive 95 per cent or more of their income from genuine business activities.

B12 Exemption from interest withholding tax on certain securities

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1,840	1,760	2,250	2,310	2,310	2,310	2,310	2,310

Tax expenditure type:	Exemption	*2015 TES code:*	B13
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Section 128F and 128FA of the *Income Tax Assessment Act 1936*		

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

B13 Exemption of inbound non-portfolio dividends from income tax

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
570	580	420	370	370	370	370	370

Tax expenditure type:	Exemption	*2015 TES code:*	B14
Estimate Reliability:	Medium - Low		
Commencement date:	1991	*Expiry date:*	
Legislative reference:	Section 768-5 of the *Income Tax Assessment Act 1997*		

Non-portfolio dividends are dividends paid to a company where that company has a 10 per cent or greater voting interest in the company paying the dividend. These dividends are exempt from income tax where they are paid to an Australian resident company by a company resident in a foreign country.

B14 Interest withholding tax concession on interest payments by financial institutions

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Concessional rate	*2015 TES code:*	B15
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1994	*Expiry date:*	
Legislative reference:	Section 160ZZZJ of the *Income Tax Assessment Act 1936*		

The notional interest paid by an Australian branch of a foreign bank on borrowings from the foreign bank attracts a reduced effective rate of withholding tax of 5 per cent relative to the benchmark rate of 10 per cent.

B15 International tax – concessional rate of final withholding tax on certain distributions by clean building managed investment trusts to foreign residents

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Included in B81							

Tax expenditure type:	Concessional rate	*2015 TES code:*	B16
Estimate Reliability:			
Commencement date:	2012	*Expiry date:*	
Legislative reference:	Section 12-385 of Schedule 1 to the *Taxation Administration Act 1953* Division 7 of the *Taxation Administration Regulations 1976*		

Distributions of Australian source net income (other than dividends, interest and royalties) paid to foreign residents by Australian managed investment trusts that only hold energy efficient buildings that commenced construction on or after 1 July 2012 are subject to a final withholding tax. The general rate of 30 per cent is reduced to 10 per cent for residents of countries specified in the regulations.

B16 Threshold exemption for thin capitalisation

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	B18
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	2001	*Expiry date:*	
Legislative reference:	Sections 820-35 and 820-37 of the *Income Tax Assessment Act 1997*		

The thin capitalisation regime is an integrity measure designed to ensure Australian and foreign owned multinational entities do not allocate an excessive amount of debt to their Australian operations.

Taxpayers will not be subject to the thin capitalisation regime if their debt deductions and those of their associates do not exceed the threshold amount of $250,000 for income years commencing prior to 1 July 2014 and $2 million for later income years. Outward investing entities are also excluded from the thin capitalisation regime if at least 90 per cent of their assets are Australian assets.

B17 Security agency transaction exemption

Defence ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	B19
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1 July 2005	*Expiry date:*	
Legislative reference:	Division 850 of Schedule 1 to the *Taxation Administration Act 1953*		

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

B18 Not-for-profit private health insurers income tax exemption

Health ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
115	135	105	110	100	100	100	100

Tax expenditure type:	Exemption	*2015 TES code:*	B20
Estimate Reliability:	Medium - Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Item 6.3 of the table in Section 50-30 of the *Income Tax Assessment Act 1997*		

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

B19 Deductibility for entertainment provided without charge to those in need

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2015 TES code:*	B21
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	16 December 1985	*Expiry date:*	
Legislative reference:	Section 32-50 of the *Income Tax Assessment Act 1997*		

The cost of entertainment, such as food and drink, provided in the course of carrying on a business is usually denied as a deduction. This rule does not apply where the entertainment is provided without charge to members of the public who are in need.

B20 Exemption for payments for mining on Aboriginal land

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	B23
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	8 July 1997	*Expiry date:*	
Legislative reference:	Section 59-15 of the *Income Tax Assessment Act 1997*		

Certain mining payments to Aboriginal and Torres Strait Islander persons or certain distributing bodies are exempt from income tax.

B21 Life insurance investment income taxation concession

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption, Offset, Concessional rate	*2015 TES code:*	B22
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	2000	*Expiry date:*	
Legislative reference:	Sections 26AH and 160AAB of the *Income Tax Assessment Act 1936*		

Some life insurance investment policyholders receive a concessional rate of tax because the policyholders' undistributed income is taxed at the company rate. This ensures that a reversionary bonus (the income distributed from a life insurance policy) on which the life insurance company has paid tax is not subject to double taxation in the hands of policyholders.

B22 Exemption of foreign currency gains and losses from certain low balance accounts

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	B24
Estimate Reliability:	Not Applicable	** Category*	2+/-
Commencement date:	1 July 2003	*Expiry date:*	
Legislative reference:	Subdivision 775-D of the *Income Tax Assessment Act 1997*		

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

B23 Infrastructure – enhanced loss utilisation for designated projects

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2015 TES code:*	B25
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	2013	*Expiry date:*	
Legislative reference:	Section 272-100 of the *Income Tax Assessment Act 1936* Section 165-35 and Division 415 of the *Income Tax Assessment Act 1997*		

Income tax losses of a designated infrastructure project are uplifted at the government bond rate and exempt from the loss recoupment tests.

Designated infrastructure project status is conferred by the Chief Executive Officer of Infrastructure Australia on privately financed infrastructure of national significance based on a range of criteria, including a global capital expenditure cap of $25 billion over the period from Royal Assent of the enabling legislation to 30 June 2017.

B24 Off-market share buy-backs

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Offset	*2015 TES code:*	B26
Estimate Reliability:	Not Applicable	** Category*	4+
Commencement date:	1990	*Expiry date:*	
Legislative reference:	Division 16K of Part III and 177EA of the *Income Tax Assessment Act 1936*		

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

B25 Tax assistance for victims of Australian natural disasters

Other purposes – Natural disaster relief ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
31	10	3	3	3	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	B27
Estimate Reliability:	Low	** Category*	1+
Commencement date:	Various	*Expiry date:*	1 July 2014
Legislative reference:	Previously Sections 11-55, 59-55 and 59-60 of the *Income Tax Assessment Act 1997* (repealed)		

Certain payments to victims of Australian natural disasters are not taxable. Without a specific provision, such grants would generally be treated as assessable income. Expenses related to the carrying on of a business (that is, those funded by using the grant) would generally be deductible.

B26 Tax exemption for National Rental Affordability Scheme incentives

Housing and community amenities ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
3	5	15	35	53	82	96	98

Tax expenditure type:	Exemption	*2015 TES code:*	B28
Estimate Reliability:	Very Low		
Commencement date:	1 July 2008	*Expiry date:*	
Legislative reference:	Division 380 of the *Income Tax Assessment Act 1997*		

The National Rental Affordability Scheme offers tax and cash incentives to providers of new dwellings on the condition that they are rented to low and moderate income households at a rate that is at least 20 per cent below market rates. The tax expenditure arises as the incentives are exempt from income tax.

The scheme is no longer open to new providers.

B27 Film industry concessions

Recreation and culture ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
55	61	69	50	62	79	64	57

Tax expenditure type:	Exemption	*2015 TES code:*	B29
Estimate Reliability:	Medium		
Commencement date:	2001	*Expiry date:*	
Legislative reference:	Division 376 of the *Income Tax Assessment Act 1997*		

Film production companies incurring expenditure on certain productions in Australia may be eligible for refundable tax offsets. The tax offsets are the location offset, the producer offset and the post, digital and visual effects offset.

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

B28 Exemption from the tax shelter prepayments measure for certain passive investments

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Accelerated write-off	*2015 TES code:*	B30
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1988	*Expiry date:*	
Legislative reference:	Section 82KZME of the *Income Tax Assessment Act 1936*		

The benchmark treatment of tax shelter prepayments is that they are deductible over the period in which the services are provided. However, a prepayment in relation to investments in infrastructure bonds, shares, units, rental property and arrangements entered into before 11 November 1999 to which product rulings apply, is immediately deductible.

In addition, eligible small businesses may immediately deduct prepaid expenditure subject to certain rules.

B29 Prepayment rule for small business taxpayers and non-business expenditure by individuals

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Accelerated write-off	*2015 TES code:*	B31
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	2001	*Expiry date:*	
Legislative reference:	Section 82KZM of the *Income Tax Assessment Act 1936*		

Prepayments for qualifying services by eligible small businesses and non-business prepayments by individual taxpayers are immediately deductible.

B30 The 10-year rule for prepayments

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Accelerated write-off	*2015 TES code:*	B32
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1988	*Expiry date:*	
Legislative reference:	Subsection 82KZL(1) of the *Income Tax Assessment Act 1936*		

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

B31 Accelerated write-off for forestry managed investment schemes

Agriculture, forestry and fishing ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Accelerated write-off	*2015 TES code:*	B83
Estimate Reliability:	Not Applicable	** Category*	1+/-
Commencement date:	1 July 2007	*Expiry date:*	
Legislative reference:	Division 394 of the *Income Tax Assessment Act 1997*		

Investors in forestry managed investment schemes are able to claim immediate upfront deductions for their expenditure on such schemes, provided that, amongst other requirements, at least 70 per cent of the expenditure is directly related to developing forestry.

B32 Deferral of profit from early sale of double wool clips

Agriculture, forestry and fishing ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2015 TES code:*	B33
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1966	*Expiry date:*	
Legislative reference:	Section 385-135 of the *Income Tax Assessment Act 1997*		

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

B33 Deferral or spreading of profit from the forced disposal or death of livestock

Agriculture, forestry and fishing ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2015 TES code:*	B34
Estimate Reliability:	Not Applicable	** Category*	2+/-
Commencement date:	1961	*Expiry date:*	
Legislative reference:	Subdivision 385-E of the *Income Tax Assessment Act 1997*		

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

B34 Farm Management Deposit scheme

Agriculture, forestry and fishing ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
150	145	170	240	285	*	*	*

Tax expenditure type:	Deferral	*2015 TES code:*	B35
Estimate Reliability:	Medium	** Category*	3+
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Division 393 of the *Income Tax Assessment Act 1997*		

The Farm Management Deposit (FMD) scheme allows primary producers (with no more than $100,000 of non-primary production income) to defer their income tax liability. Primary producers are able to claim deductions for their FMD made in the year of deposit, with subsequent withdrawals being subject to assessment in the year of withdrawal. The FMD has a maximum limit on deposits made prior to 1 July 2016 of $400,000 and $800,000 on deposits from 1 July 2016.

B35 Income tax averaging for primary producers

Agriculture, forestry and fishing ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
140	175	190	*	*	*	*	*

Tax expenditure type:	Concessional rate	*2015 TES code:*	B36
Estimate Reliability:	High	** Category*	3+
Commencement date:	1938	*Expiry date:*	
Legislative reference:	Division 392 of the *Income Tax Assessment Act 1997*		

Primary producers can elect to pay tax at a tax rate based on their average income earned over the previous five income years to smooth out their income tax liability.

B36 Spreading of insurance income for loss of timber or livestock

Agriculture, forestry and fishing ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2015 TES code:*	B37
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1956	*Expiry date:*	
Legislative reference:	Section 385-130 of the *Income Tax Assessment Act 1997*		

Insurance payouts may be received in relation to timber lost because of fire, or livestock lost due to natural disasters. Primary producers who receive such insurance payouts can elect to spread the income equally over five income years, resulting in a tax deferral.

B37 Sustainable Rural Water Use and Infrastructure Program

Agriculture, forestry and fishing ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
30	15	-5	-	-10	10	5	-15

Tax expenditure type:	Exemption	*2015 TES code:*	B66
Estimate Reliability:	Medium - Low		
Commencement date:	1 April 2010	*Expiry date:*	
Legislative reference:	Section 59-65 of the *Income Tax Assessment Act 1997*		

Taxpayers can choose to make payments received under eligible Sustainable Rural Water Use and Infrastructure Program agreements free of income tax (including capital gains tax), with expenditures funded by such payments not being deductible.

B38 Valuation of livestock from natural increase

Agriculture, forestry and fishing ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Discounted valuation	*2015 TES code:*	B38
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1951	*Expiry date:*	
Legislative reference:	Subdivision 70-C of the *Income Tax Assessment Act 1997*		

For the purpose of working out the value of trading stock, several different methods are available for determining the value of animals acquired by natural increase. These methods may produce a value different to the actual cost of production, creating a tax expenditure.

B39 Denial of depreciation deduction for car value above the car limit

Transport and communication ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-140	-130	-130	-140	-150	-150	-160	-160

Tax expenditure type:	Denial of deduction	*2015 TES code:*	B39
Estimate Reliability:	Low		
Commencement date:	1 July 2001	*Expiry date:*	
Legislative reference:	Section 40-230 of the *Income Tax Assessment Act 1997*		

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

B40 Shipping – investment incentives

Transport and communication ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
30	30	30	30	30	30	30	30

Tax expenditure type:	Exemption, Accelerated write-off, Deferral	*2015 TES code:*	B40
Estimate Reliability:	Very Low		
Commencement date:	1 July 2012	*Expiry date:*	
Legislative reference:	Division 51-100 of the *Income Tax Assessment Act 1997* Subsection 128B(3) of the *Income Tax Assessment Act 1936* Item 10 of the table to Subsection 40-102(4) of the *Income Tax Assessment Act 1997* Subsection 40-285(5) of the *Income Tax Assessment Act 1997*		

Tax incentives are provided to encourage investment in the Australian shipping industry and to facilitate Australian competition on international routes.

B41 Shipping – refundable tax offset for employers of qualifying Australian seafarers

Transport and communication ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-	-	2	-	4	-4	-	-

Tax expenditure type:	Exemption	*2015 TES code:*	B41
Estimate Reliability:	Medium		
Commencement date:	1 July 2012	*Expiry date:*	30 Jun 2015
Legislative reference:	Subdivision 61-N of the *Income Tax Assessment Act 1997*		

A refundable tax offset is available to qualifying companies that employ qualifying Australian seafarers. As the refundable tax offset is an expense item, it does not appear as a tax expenditure in its own right. However, a tax expenditure arises because payments made under this arrangement are exempt from tax. The 2014-15 Budget included an announcement to abolish this offset, however legislation has not been passed to give effect to this decision. The estimates assume that the legislation repealing the offset is passed in 2017.

B42 Deductions for boat expenditure

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2015 TES code:*	B42
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	2007	*Expiry date:*	
Legislative reference:	Section 26-47 of the *Income Tax Assessment Act 1997*		

Taxpayers who cannot demonstrate that they are carrying on a business using a boat can claim deductions for expenses incurred in boating activities up to the level of income generated in that year from their boating activity, and carry forward any excess deductions and deduct them against income from that boating activity in future years.

B43 Capital gains tax concession for carried interests paid to venture capital partners

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Concessional rate, Deferral	*2015 TES code:*	B44
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	2002	*Expiry date:*	
Legislative reference:	Sections 104-255 and 118-21 of the *Income Tax Assessment Act 1997* *Venture Capital Act 2002*		

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

B44 Clarification of the debt or equity treatment of perpetual subordinated debt

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2015 TES code:*	B45
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 2001	*Expiry date:*	
Legislative reference:	Division 974 of the *Income Tax Assessment Act 1997* Division 974 of the *Income Tax Assessment Regulations 1997*		

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

B45 Deduction for borrowing expenses

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2015 TES code:*	B47
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 1997	*Expiry date:*	
Legislative reference:	Section 25-25 of the *Income Tax Assessment Act 1997*		

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

B46 Deduction for certain co-operatives repaying government loans

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2015 TES code:*	B48
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1973	*Expiry date:*	
Legislative reference:	Sections 117 and 120 of the *Income Tax Assessment Act 1936*		

Co-operative companies whose primary object is the acquisition from their shareholders of commodities or animals for disposal or distribution can claim a deduction for repayments of certain Australian and state government loans. However, the deduction is allowed only if 90 per cent or more of the value of the company is held by shareholders who supply the company with the commodities or animals.

B47 Family trust loss rules

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2015 TES code:*	B61
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	9 May 1995	*Expiry date:*	
Legislative reference:	Subdivision 272-D of Schedule 2F to the *Income Tax Assessment Act 1936*		

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

The trust loss rules — the benchmark treatment — restrict trust losses and debt deductions from being transferred to persons who did not bear the economic burden.

B48 Income tax exemption for prescribed entities

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	B50
Estimate Reliability:	Not Applicable	** Category*	4+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Division 50 of the *Income Tax Assessment Act 1997*		

The income of various prescribed entities is exempt from income tax. Prescribed entities include, amongst other things:

- Commonwealth, state and territory public authorities;
- public and not-for-profit hospitals;

- trade unions and employer associations;
- industry-specific not-for-profit associations predominantly devoted to promoting the development of aviation, tourism, agriculture, manufacturing or industry;
- registered charities, public educational, scientific, and community service entities; and
- associations and clubs established for the encouragement of sports, music, art or literature.

B49 Income tax exemptions for foreign superannuation funds

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	B51
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1981	*Expiry date:*	
Legislative reference:	Section 128D and paragraph 128B(3)(jb) of the *Income Tax Assessment Act 1936*		

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

B50 Lower company tax rate

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-	-	-	250	1,100	1,300	1,600	1,800

Tax expenditure type:	Concessional rate	*2015 TES code:*	B46
Estimate Reliability:	Medium		
Commencement date:	1 July 2015	*Expiry date:*	
Legislative reference:	Subsection 23(2) of the *Income Tax Rates Act 1986*		

In the 2015-16 income year the company tax rate was reduced to 28.5 per cent for companies with aggregated annual turnover less than $2 million. Subject to the passage of legislation, from the 2016-17 income year, the company tax rate will be lowered to 27.5 per cent for companies with turnover less than $10 million. This turnover threshold will then be progressively increased over time and the tax rate progressively lowered. Companies with an aggregated annual turnover above the threshold will continue to be subject to a 30 per cent rate on all their taxable income.

B51 Managed investment trusts — election to allow capital gains tax to be the primary code for disposals of certain assets

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Concessional rate	*2015 TES code:*	B52
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1 July 2008	*Expiry date:*	
Legislative reference:	Division 275 of the *Income Tax Assessment Act 1997*		

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

B52 Philanthropy – income tax exemption for small not-for-profit companies

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2015 TES code:*	B53
Estimate Reliability:	Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Subsection 23(6) of the *Income Tax Rates Act 1986*		

The rate of income tax payable by a not-for-profit company that has a taxable income not exceeding $416 in a given income year is nil. Income tax is payable at a rate of 55 per cent on income between $416 and $915 or between $416 and $863 if the company is a small business entity. When a not-for-profit company has an income over $915 or $863 if a small business entity, the applicable company tax rate is applied from the first dollar.

This arrangement has the effect of providing an exemption from income tax for not-for-profit companies for the first $416 of income, and then phasing in the ordinary corporate income tax rate of 30 per cent on all income, including the first $416, when the company has income between $416 and $915. Alternatively, if the company is a small business entity, this arrangement has the effect of providing an exemption from income tax for the first $416 of income then phasing in the small business corporate income tax rate of 28.5 per cent on all income, including the first $416, when the company has income between $416 and $863. When a not-for-profit company has an income over $915 or $863 if a small business entity, the applicable company tax rate is applied from the first dollar.

B53 Philanthropy – refund of franking credits for certain income tax exempt philanthropic entities

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
580	560	740	1,160	*	*	*	*

Tax expenditure type:	Rebate	*2015 TES code:*	B54
Estimate Reliability:	High	** Category*	4+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Subdivision 207-E of the *Income Tax Assessment Act 1997*		

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

B54 Small business immediate deduction for professional expenses

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-	-	-	-	10	10	10	10

Tax expenditure type:	Accelerated write-off	*2015 TES code:*	B49
Estimate Reliability:	Low		
Commencement date:	1 July 2015	*Expiry date:*	
Legislative reference:	Section 40-880 of the *Income Tax Assessment Act 1997*		

Small business entities with an aggregated annual turnover of less than $2 million (increased to $10 million from 1 July 2016, subject to the passage of legislation) can immediately deduct a range of professional expenses associated with starting a new business, such as professional, legal and accounting advice. Previously, these professional costs were able to be deducted over a five year period, which is the benchmark treatment.

B55 Tax exemption for small and medium credit unions

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2015 TES code:*	B56
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Sections 6H and 23G of the *Income Tax Assessment Act 1936* Section 23(7) of the *Income Tax Rates Act 1986*		

Recognised small credit unions are exempt from tax on interest derived from loans to members. Recognised medium credit unions are subject to an effective tax rate based on a sliding scale according to their level of taxable income.

B56 Tax exemption for Venture Capital Limited Partnerships and Early Stage Venture Capital Limited Partnerships

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	B55 and E31
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	2002 and 2006	*Expiry date:*	
Legislative reference:	*Venture Capital Act 2002* Sections 26-68 (ESVCLPs), 51-52 and 51-54 and Subdivisions 118-F and 118-G (ESVCLPs and VCLPs) of the *Income Tax Assessment Act 1997*		

Eligible investors are exempt from tax on gains derived in respect of their investments in Venture Capital Limited Partnerships and Early Stage Venture Capital Limited Partnerships.

B57 Tax incentive for Standard Business Reporting software

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-	-	-	-	-	-	35	-

Tax expenditure type:	Offset	*2015 TES code:*	B57
Estimate Reliability:	Very Low		
Commencement date:	1 July 2017	*Expiry date:*	2018
Legislative reference:	Not yet legislated		

Small business with an aggregated annual turnover of less than $10 million will be provided with a $100 non-refundable tax offset for expenditure on Standard Business Reporting (SBR) enabled software. SBR software allows prefilling of business and accounting data into government reports and submission of the reports directly and securely to the government.

This offset will apply from 1 July 2017, and will be available for software purchases or subscriptions made in the 2017-18 financial year only.

B58 Tax incentives for early stage investors

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-	-	-	-	-	65	65	65

Tax expenditure type:	Exemption	*2015 TES code:*	B58
Estimate Reliability:	Low		
Commencement date:	2016	*Expiry date:*	
Legislative reference:	Division 360 of the *Income Tax Assessment Act 1997*		

Investments in small, early-stage Australian companies will receive concessional tax treatment. The tax incentive will provide investors with:

- a 20 per cent non-refundable tax offset based on the investment amount, capped at a total offset amount of $200,000 per investor; and
- a ten year exemption from capital gains tax on the investment provided a minimum twelve month holding period has been met.

B59 Treatment of distributions on certain term subordinated notes

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2015 TES code:*	B59
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1 July 2001	*Expiry date:*	
Legislative reference:	Division 974 of the *Income Tax Assessment Act 1997* Division 974 of the *Income Tax Assessment Regulations 1997*		

A solvency clause can allow the issuer to defer payment on subordinated notes if the payment would cause insolvency. These clauses do not preclude certain term subordinated notes from being classified as debt for tax purposes. The distributions on such notes may be treated as tax deductible interest payments rather than non-tax deductible dividend payments. Under the benchmark, term subordinated notes with solvency clauses would typically be classified as equity under the debt-equity rules.

B60 Treatment of finance leases

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2015 TES code:*	B60
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1936	*Expiry date:*	
Legislative reference:	Divisions 240-242 and 250 of the *Income Tax Assessment Act 1997*		

A finance lease is, in substance, equivalent to a loan from the lessor to the lessee to finance the purchase of the leased asset. The lessor (financier) acquires the leased asset at the request of the lessee (borrower) and leases the asset to the lessee. On expiry of the lease, legal ownership of the asset is transferred to the lessee at minimal or no cost. During the term of the lease, while the lessor is the legal owner of the leased asset, the lessee has effective economic ownership through having control, use and enjoyment of the asset.

Except where specific provisions apply, for example, Divisions 240 and 250 of the *Income Tax Assessment Act 1997*, finance leases are taxed as leases rather than as loans. Given their economic substance, finance leases should be taxed as a loan from the lessor to the lessee to acquire the leased asset under the benchmark. That is, the interest payments should be deductible to the lessee and assessable to the lessor, and the lessee be able to claim depreciation deductions for the user cost of the leased asset.

B61 Unincorporated small business tax discount

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-	-	-	-	550	750	800	800

Tax expenditure type:	Offset	*2015 TES code:*	New
Estimate Reliability:	Medium - Low		
Commencement date:	1 July 2015	*Expiry date:*	
Legislative reference:	Subdivision 328-F of the *Income Tax Assessment Act 1997*		

Individual taxpayers with business income from an unincorporated small business that has aggregated annual turnover less than $2 million are eligible for a 5 per cent tax discount on the income tax payable on that business income in the 2015-16 income year. Subject to the passage of legislation, from 2016-17 the turnover threshold will increase to $5 million and the tax discount rate will increase to 8 per cent. This discount rate will then be increased over time until it reaches 16 per cent in 2026-27. The discount is capped at $1,000 per individual for each income year and is delivered as a tax offset.

B62 Accelerated depreciation of fencing and fodder storage assets for primary producers

Agriculture, forestry and fishing ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-	-	-	2	30	45	60	60

Tax expenditure type:	Accelerated write-off	*2015 TES code:*	B43
Estimate Reliability:	Low		
Commencement date:	12 May 2015	*Expiry date:*	
Legislative reference:	Section 40-10 and Subdivision 40-F of the *Income Tax Assessment Act 1997*		

Primary producers can immediately deduct capital expenditure on fencing assets and depreciate over three income years capital expenditure on fodder storage assets such as silos and tanks used to store grain and other animal feed.

Currently, the effective life for fences is up to 30 years and fodder storage assets is up to 50 years.

B63 Accelerated write-off for expenditure on water facilities for primary producers

Agriculture, forestry and fishing ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
80	65	5	-2	15	15	10	5

Tax expenditure type:	Accelerated write-off	*2015 TES code:*	B62
Estimate Reliability:	Medium - Low		
Commencement date:	23 May 1980	*Expiry date:*	
Legislative reference:	Subdivision 40-F of the *Income Tax Assessment Act 1997*		

Note: estimates include tax expenditures B63, B67 and B66

Primary producers can immediately deduct capital expenditure on water facilities, such as dams, tanks and pumps, from 12 May 2015. Previously this expenditure was deductible over three years. The expenditure must be incurred primarily for conserving or conveying water for use in primary production.

B64 Accelerated write-off for horse breeding stock

Agriculture, forestry and fishing ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Accelerated write-off	*2015 TES code:*	B63
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1992	*Expiry date:*	
Legislative reference:	Sections 70-60 and 70-65 of the *Income Tax Assessment Act 1997*		

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

B65 Accelerated write-off for horticultural plants

Agriculture, forestry and fishing ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Accelerated write-off	*2015 TES code:*	B67
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1995	*Expiry date:*	
Legislative reference:	Subdivision 40-F of the *Income Tax Assessment Act 1997*		

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

B66 Accelerated write-off for irrigation water providers

Agriculture, forestry and fishing ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Included in B63							

Tax expenditure type:	Accelerated write-off	*2015 TES code:*	B68
Estimate Reliability:			
Commencement date:	1 July 2004	*Expiry date:*	
Legislative reference:	Subdivision 40-F of the *Income Tax Assessment Act 1997*		

Certain irrigation water providers can claim an immediate deduction for capital expenditure on landcare activities and a deduction for capital expenditure on water facilities over three years.

B67 Accelerated write-off for landcare operations

Agriculture, forestry and fishing ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Included in B63							

Tax expenditure type:	Accelerated write-off	*2015 TES code:*	B65
Estimate Reliability:			
Commencement date:	11 December 1973	*Expiry date:*	
Legislative reference:	Subdivision 40-G of the *Income Tax Assessment Act 1997*		

Primary producers and business users of rural land can claim an immediate deduction for capital expenditure on landcare operations, such as constructing a levee or prevention of land degradation.

B68 Accelerated write-off for telephone lines and electricity connections

Agriculture, forestry and fishing ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Accelerated write-off	*2015 TES code:*	B64
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	24 June 1981	*Expiry date:*	
Legislative reference:	Subdivision 40-G of the *Income Tax Assessment Act 1997*		

Capital expenditure incurred in connecting a telephone line to a primary production property and capital expenditure incurred in connecting or upgrading mains electricity to a property on which a business is conducted can be deducted in equal instalments over 10 years.

B69 Absence of depreciation recapture for certain assets

Mining, manufacturing and construction ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2015 TES code:*	B69
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1982	*Expiry date:*	
Legislative reference:	Division 43 and Section 110-45 of the *Income Tax Assessment Act 1997*		

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

B70 Exploration and prospecting deduction

Mining, manufacturing and construction ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
500	-450	-450	-450	-450	-400	-350	-350

Tax expenditure type:	Deduction	*2015 TES code:*	B70
Estimate Reliability:	Medium		
Commencement date:	1968	*Expiry date:*	
Legislative reference:	Sections 40-25 and 40-730, and Subsections 40-80(1) and 40-95(12) of the *Income Tax Assessment Act 1997*		

Expenditure on exploration or prospecting for the purpose of mining (including for petroleum) and quarrying is immediately deductible. In addition, the cost of a depreciating asset is immediately deductible if the taxpayer first uses the asset for exploration or prospecting for minerals (including petroleum) or quarry materials obtainable by mining operations, subject to certain conditions.

From 14 May 2013, the cost of a mining, quarrying or prospecting right or information first used for exploration is generally deductible over its effective life or 15 years, whichever is shorter. However, realignment and farm-in, farm-out arrangements remain immediately deductible.

B71 Statutory effective life caps

Transport and communication ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1,710	*	*	*	*	*	*	*

Tax expenditure type:	Accelerated write-off	*2015 TES code:*	B71
Estimate Reliability:	Low	** Category*	4+
Commencement date:	2002	*Expiry date:*	
Legislative reference:	Section 40-102 of the *Income Tax Assessment Act 1997*		

Statutory effective life caps provide a shorter write-off period for some assets, where the cap is below the effective life determined by the Commissioner of Taxation.

Statutory caps exist for assets such as aircraft, trucks, truck trailers, buses, tractors and harvesters.

B72 Accelerated depreciation for in-house software

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-80	-5	15	-	-50	-120	-195	-175

Tax expenditure type:	Accelerated write-off	*2015 TES code:*	B72
Estimate Reliability:	Low		
Commencement date:	1998	*Expiry date:*	
Legislative reference:	Subdivisions 40-B and 40-E of the *Income Tax Assessment Act 1997*		

Expenditure on acquiring in-house software is depreciated over a statutory effective life of four years, rather than an effective life that is self-assessed by the taxpayer or that is determined by the Commissioner of Taxation. Expenditure incurred on developing software may be allocated to a software development pool and deducted over four years, enabling a deduction to be claimed during development and before completion.

From 1 July 2015, the statutory effective life was increased to five years, which is consistent with the benchmark treatment.

From 1 July 2016, businesses will have the option to self-assess the effective life of acquired in-house software.

B73 Capital works expenditure deduction

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
895	960	1,030	1,090	1,165	1,240	1,320	1,410

Tax expenditure type:	Accelerated write-off	*2015 TES code:*	B73
Estimate Reliability:	Low		
Commencement date:	21 August 1979	*Expiry date:*	
Legislative reference:	Division 43 of the *Income Tax Assessment Act 1997*		

A taxpayer can claim a deduction for capital works expenditure over a period that is generally shorter than the effective life of the asset. Capital works can be deducted at either 2.5 per cent (over 40 years) or 4 per cent (over 25 years) of the construction expenditure, depending on when construction started and how the capital works are used.

B74 Depreciation balancing adjustment roll-over relief

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2015 TES code:*	B74
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1952	*Expiry date:*	
Legislative reference:	Section 40-340 of the *Income Tax Assessment Act 1997*		

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

B75 Depreciation pooling for low value assets

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
5	10	10	5	5	5	5	10

Tax expenditure type:	Accelerated write-off	*2015 TES code:*	B75
Estimate Reliability:	Medium		
Commencement date:	2000	*Expiry date:*	
Legislative reference:	Subdivision 40-E of the *Income Tax Assessment Act 1997*		

Assets costing less than $1,000 can be written off at the declining balance rate of 37.5 per cent through a low value asset pool. Once a taxpayer elects to create a low value pool, all assets that cost less than $1,000 are subject to the declining balance rate treatment.

B76 Depreciation to nil value rather than estimated scrap value

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2015 TES code:*	B76
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1936	*Expiry date:*	
Legislative reference:	Division 40 of the *Income Tax Assessment Act 1997*		

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

B77 Research and development — exemption of refundable tax offset

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-190	-290	-370	-430	-470	-550	-605	-655

Tax expenditure type:	Exemption, Denial of deduction	*2015 TES code:*	B77
Estimate Reliability:	Medium - Low		
Commencement date:	1 July 2011	*Expiry date:*	
Legislative reference:	Division 355 of the *Income Tax Assessment Act 1997*		

The research and development (R&D) refundable tax offset is available to companies with a turnover of less than $20 million at a rate of 43.5 per cent for the first $100 million of expenditure on eligible R&D activities for income years beginning from 1 July 2016. A refundable tax offset at the prevailing company tax rate applies to the amount of the expenditure that exceeds $100 million. For previous income years, the refundable tax offset rate is 45 per cent for all eligible expenditure.

If a taxpayer's income tax liability is reduced to zero, the unused refundable tax offset amount can be applied to reduce other tax liabilities. Any residual unused amounts can be refunded as cash to the company.

Companies that claim the R&D refundable tax offset are unable to claim deductions for the R&D expenditure. The absence of these deductions constitutes a negative tax expenditure.

B78 Research and development — non-refundable tax offset

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1,090	1,170	1,020	890	870	810	740	740

Tax expenditure type:	Offset	*2015 TES code:*	B78
Estimate Reliability:	Low		
Commencement date:	2011	*Expiry date:*	
Legislative reference:	Division 355 of the *Income Tax Assessment Act 1997*		

The R&D non-refundable tax offset is available to companies at a rate of 38.5 per cent for the first $100 million of expenditure on eligible R&D activities for income years beginning from 1 July 2016. A non-refundable tax offset at the prevailing company tax rate applies to the amount of the expenditure that exceeds $100 million. For previous income years, the non-refundable tax offset rate is 40 per cent for all eligible expenditure.

The non-refundable tax offset can be carried forward to be applied against future income tax liabilities. If a company's income tax liability is zero, unused offset amounts cannot be applied to reduce other tax liabilities.

B79 Small business simplified depreciation rules

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-55	215	-165	-440	1,020	1,010	-470	-705

Tax expenditure type:	Accelerated write-off	*2015 TES code:*	B79
Estimate Reliability:	Medium - Low		
Commencement date:	2007	*Expiry date:*	
Legislative reference:	Subdivision 328-D of the *Income Tax Assessment Act 1997*		

Small business entities with an aggregated annual turnover of less than $2 million (increased to $10 million from 1 July 2016, subject to the passage of legislation) are able to access concessional depreciation arrangements for business assets. Under the concessions, small business entities can immediately deduct assets that cost less than a threshold amount. From 1 July 2012 to 1 January 2014 the threshold was $6,500. From 1 January 2014 to 7.30pm (AEST) on 12 May 2015 the threshold was $1,000. Between 7.30pm (AEST) on 12 May 2015 and 1 July 2017 the threshold is $20,000. The threshold will return to $1,000 from 1 July 2017.

In addition to the immediate write-off, assets above the threshold are depreciated through simplified pooling arrangements at a rate of 30 per cent per year (15 per cent in the first year). The general small business pool can also be immediately deducted at the end of the income year if its value is less than the immediate write-off threshold (before deducting depreciation for the year).

B80 Small business simplified trading stock rules

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2015 TES code:*	B80
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	2007	*Expiry date:*	
Legislative reference:	Subdivision 328-E of the *Income Tax Assessment Act 1997*		

Small business entities with aggregated annual turnover of less than $2 million (increased to $10 million from 1 July 2016, subject to the passage of legislation) may choose to use a simplified trading stock regime. Under this regime, in certain circumstances, changes in the value of trading stock do not have to be accounted for and stocktaking is not required at the end of the income year.

B81 International tax – concessional rate of final withholding tax on certain distributions by Australian managed investment trusts to foreign residents

General public services – General services ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
140	285	210	180	190	200	210	225

Tax expenditure type:	Concessional rate	*2015 TES code:*	B81
Estimate Reliability:	Low		
Commencement date:	1 July 2008	*Expiry date:*	
Legislative reference:	Subdivision 12-H of Schedule 1 to the *Taxation Administration Act 1953* Division 7 of the *Taxation Administration Regulations 1976*		

Note: estimates include tax expenditures B81 and B15

Distributions of Australian source net income (other than dividends, interest and royalties) by Australian managed investment trusts to foreign residents are subject to a final withholding tax. The general rate of 30 per cent was reduced to 15 per cent from 1 July 2012 for residents of countries specified in the regulations.

B82 Exception to equity interest test for certain related party at call loans

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2015 TES code:*	B82
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 2005	*Expiry date:*	
Legislative reference:	Division 974 of the *Income Tax Assessment Act 1997*		

Related party at call loans, which would generally give rise to an equity interest, are taken to be debt interests for companies that have an annual turnover of less than $20 million. Therefore, payments on the loan are deductible debt interest whereas they are treated as a non-deductible equity interest under the benchmark.

RETIREMENT SAVINGS

C1 Concessional taxation of capital gains for superannuation funds

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
85	170	470	630	940	1,250	1,600	1,850

Tax expenditure type:	Reduction in taxable value	*2015 TES code:*	C2
Estimate Reliability:	Low		
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Paragraph 115-10(b) and subparagraph 115-100(b)(i) of the *Income Tax Assessment Act 1997*		

Two-thirds of any nominal capital gain made from a capital gains tax event occurring on or after 21 September 1999 is included in the assessable income of a fund, provided the fund has held the asset for at least 12 months.

C2 Concessional taxation of employer superannuation contributions

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
13,900	14,550	16,100	16,600	16,250	16,200	17,800	18,800

Tax expenditure type:	Exemption, Concessional rate	*2015 TES code:*	C3
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Divisions 290, 291, 293 and 295 of the *Income Tax Assessment Act 1997*		

Employer contributions, up to the concessional contributions caps, are included in the assessable income of a superannuation entity and taxed at a concessional rate of 15 per cent. For individuals whose combined income and concessional contributions exceeds $300,000, the effective rate is 30 per cent.

From 1 July 2017, the effective rate will be 30 per cent for individuals whose combined income and concessional contributions exceeds $250,000.

C3 Concessional taxation of personal superannuation contributions

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1,150	570	700	970	970	690	1,750	1,700

Tax expenditure type:	Exemption, Concessional rate	*2015 TES code:*	C1
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Divisions 290, 291, 293 and 295 of the *Income Tax Assessment Act 1997*		

Subject to the concessional contributions caps, deducted personal superannuation contributions to eligible superannuation funds for certain persons earning less than 10 per cent of their income as an employee are taxed at a concessional rate of 15 per cent. For individuals whose combined income and concessional contributions exceeds $300,000, the effective rate is 30 per cent.

From 1 July 2017 individuals, regardless of the proportion of their income earned as an employee, will be able to make deductible personal superannuation contributions up to the concessional cap to eligible superannuation funds. From 1 July 2017 for individuals whose combined income and concessional contributions exceeds $250,000 the effective rate will be 30 per cent.

C4 Concessional taxation of superannuation entity earnings

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
11,600	11,300	12,300	16,250	16,850	17,700	20,650	24,050

Tax expenditure type:	Exemption, Concessional rate	*2015 TES code:*	C6
Estimate Reliability:	Low		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Division 295 of the *Income Tax Assessment Act 1997*		

The tax rate on earnings for complying superannuation entities is 15 per cent (accumulation phase) or nil where the earnings are derived from assets which are used to meet current pension liabilities (retirement phase). Complying superannuation entities are entitled to refunds of excess imputation credits attached to dividends payable to them.

A complying superannuation entity is one that has elected to be regulated and has complied with certain prudential requirements in the *Superannuation Industry (Supervision) Act 1993.*

From 1 July 2017, the value of assets transferred to the retirement phase will be limited by the general transfer balance cap.

C5 Concessional taxation of unfunded superannuation

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
470	500	550	590	630	660	710	750

Tax expenditure type:	Exemption, Offset, Concessional rate	*2015 TES code:*	C7
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Part 3-30 and Subdivision 320-D of the *Income Tax Assessment Act 1997* Part 3-30 of the *Income Tax (Transitional Provisions) Act 1997*		

In the case of unfunded superannuation, no employer contributions are made until the benefit is provided on the member's retirement. The appropriate benchmark treatment of these amounts is taxation at personal rates on receipt by the member.

Unfunded superannuation lump sums are taxed in the same way as funded superannuation lump sums from untaxed funds (see C10). Similarly, unfunded superannuation income streams are taxed in the same way as funded superannuation income streams from untaxed funds (see C9). The tax treatment of a death benefit paid to a dependant as an income stream depends on the age of the fund member and the dependant. If either was aged 60 or over at the time of death, then the taxable component of payments to the dependant will be taxed at marginal rates with a 10 per cent tax offset. If both were under age 60 at the time of death, the taxable component of the pension will be taxed at the dependant's marginal rate and will become eligible for the 10 per cent offset once the dependant reaches age 60.

From 1 July 2017, where an individual's income stream from an unfunded scheme exceeds a $100,000 threshold, the amount in excess of the threshold will not receive the 10 per cent tax offset.

C6 Small business capital gains retirement exemption

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
380	410	380	420	450	460	470	490

Tax expenditure type:	Exemption	*2015 TES code:*	C9
Estimate Reliability:	Medium - Low		
Commencement date:	1997	*Expiry date:*	
Legislative reference:	Subdivision 152-D of the *Income Tax Assessment Act 1997*		

Eligible small businesses can exclude capital gains arising from the sale of active small business assets, where the proceeds of the sale are used for retirement. There is a lifetime limit of $500,000 in respect of any one individual.

C7 Superannuation measures for low-income earners

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
140	120	200	220	210	200	200	210

Tax expenditure type:	Exemption, Reduction in taxable value	*2015 TES code:*	C10
Estimate Reliability:	Medium - Low		
Commencement date:	Co-contribution introduced 1/7/2003. Low income superannuation contribution introduced 1/7/2012. Low income superannuation tax offset to be introduced 1/7/2017.	*Expiry date:* Low income superannuation contribution ends 30/6/2017. Co-contribution is ongoing.	
Legislative reference:	*Superannuation (Government Co-Contribution for Low Income Earners) Act 2003* Subdivision 290-D of the *Income Tax Assessment Act 1997*		

The Superannuation Co-contribution and the Low Income Superannuation Contribution are Government payments that increase the retirement savings of eligible low-income taxpayers. From 1 July 2017, the Government will introduce the Low Income Superannuation Tax Offset. The payments are expense payments and are not included in the TES. The amounts indicated represent the impact of these payments not being taxed.

In addition, an 18 per cent tax offset is available for post-tax contributions to the superannuation account of a low income spouse. A maximum offset of $540 applies for a $3,000 contribution and is phased out once the spouse's income exceeds $13,800. From 1 July 2017, the spouse income threshold will increase to $40,000 and no tax offset will be available when the spouse receiving the contribution exceeds their non-concessional contributions cap or their total superannuation balance equals or exceeds the general transfer balance cap.

C8 Tax on excess non-concessional superannuation contributions

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-23	-34	-30	-8	*	*	*	*

Tax expenditure type:	Exemption, Reduction in taxable value	*2015 TES code:*	C11
Estimate Reliability:	Medium	** Category*	2-
Commencement date:	2006. Excess contributions made after 1 July 2013 can be withdrawn.	*Expiry date:*	
Legislative reference:	Division 292 of the *Income Tax (Transitional Provisions) Act 1997* Division 292 of the *Income Tax Assessment Act 1997* *Superannuation (Excess Non-Concessional Contributions Tax) Act 2007*		

Contributions above the non-concessional caps or, from 1 July 2017, non-concessional contributions made by individuals with a total superannuation balance of $1.6 million or more may be subject to the excess contributions tax levied at 49 per cent (the top marginal tax rate, including the Medicare levy and temporary budget repair levy). Non-concessional contributions above the non-concessional cap can be withdrawn, in which case, they are not subject to the excess contributions tax.

C9 Tax on funded superannuation income streams

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-290	-330	-360	-360	-370	-350	-360	-330

Tax expenditure type:	Increased rate	*2015 TES code:*	C12
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Divisions 301 and 302 and Part 3-30 of the *Income Tax Assessment Act 1997* Part 3-30 of the *Income Tax (Transitional Provisions) Act 1997*		

Superannuation income stream payments from a taxed source are tax free for persons aged 60 and over. The taxable component of superannuation income stream payments from a taxed source to persons below age 60 is included in assessable income, and the tax paid on this amount creates a negative tax expenditure because benefits are untaxed under the superannuation benchmark. Similarly, a death benefit paid from a taxed source as a reversionary pension to a beneficiary aged under 60 is taxed. Some offsets reduce the amount of tax paid, for instance a 15 per cent tax offset applies to the taxable component of superannuation income stream benefits paid to persons aged between preservation age and 59, and to disability benefits paid to persons of any age.

The taxable component of superannuation income stream payments from an untaxed source is included in the recipient's assessable income. A 10 per cent tax offset applies to the taxable component of pension payments for persons aged 60 and over.

From 1 July 2017 where an individual's income stream from an untaxed fund exceeds a $100,000 threshold, the amount in excess of the threshold will not receive the 10 per cent tax offset.

C10 Tax on funded superannuation lump sums

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-270	-310	-400	-400	-430	-480	-530	-570

Tax expenditure type:	Increased rate	*2015 TES code:*	C13
Estimate Reliability:	Medium		
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	Divisions 301, 302 and 307 and Part 3-30 of the *Income Tax Assessment Act 1997* Part 3-30 of the *Income Tax (Transitional Provisions) Act 1997*		

The tax raised on lump sum payments results in a negative tax expenditure because the benchmark treatment of savings applies marginal personal income tax rates to contributions and earnings, while benefits are tax free.

For a person aged between preservation age and 59, the tax rate on the taxable component of a lump sum above the cap amount, paid from a taxed fund is 15 per cent. For a person below preservation age a maximum tax rate of 20 per cent applies.

The taxable component of lump sums paid from untaxed funds to persons aged 60 or over is taxed at a maximum rate of 15 per cent up to an (indexed) amount and at the top marginal rate thereafter. For persons between preservation age and 59, the tax rate ranges from 15 per cent up to the top marginal rate, while for persons under preservation age the tax rate is typically 30 per cent.

Special arrangements apply to lump sums paid to certain temporary residents who have departed Australia, while death benefit payments to non-dependants are taxed at a maximum rate of 15 per cent where paid from a taxed source, and at a maximum rate of 30 per cent where paid from an untaxed source.

C11 Exemption for small business assets held for more than 15 years

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
135	155	190	285	285	305	315	320

Tax expenditure type:	Exemption	*2015 TES code:*	C15
Estimate Reliability:	Medium - High		
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Subdivision 152-B of the *Income Tax Assessment Act 1997*		

Capital gains arising from the disposal of active small business assets that have been held continuously for 15 years are exempt from capital gains tax where the taxpayer is permanently incapacitated or reaches the age of 55 and retires.

FRINGE BENEFITS TAX

D1 Exemption for compensation-related benefits, occupational health and counselling services and some training courses

Public order and safety ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D1
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 58J, 58K and 58M of the *Fringe Benefits Tax Assessment Act 1986*		

Certain benefits in relation to: compensable work related trauma, medical services, other forms of health care provided in work site first aid posts and medical clinics, work related medical examinations, work related medical screening, work related preventative health care, work related counselling and migrant language training are exempt from fringe benefits tax.

D2 Exemption for safety award benefits

Public order and safety ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D2
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 58R of the *Fringe Benefits Tax Assessment Act 1986*		

An award related to occupational health or an occupational safety achievement that is granted to an employee is exempt from fringe benefits tax if its value does not exceed $200 per year.

D3 Reduction in taxable value for car expenses incurred for occupational health and counselling services and some training courses

Public order and safety ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Reduction in taxable value	*2015 TES code:*	D3
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 61F of the *Fringe Benefits Tax Assessment Act 1986*		

The taxable value of a fringe benefit may be reduced where an employee travels in their own car for the purpose of attending a work related medical examination, screening, preventative health care or counselling session, or for migrant language training and is reimbursed for the car expenses incurred calculated based on the distance travelled by the car.

D4 Exemption for benefits provided by certain international organisations

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D4
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 55 and 56 of the *Fringe Benefits Tax Assessment Act 1986*		

An exemption from fringe benefits tax applies to benefits provided by certain international organisations that are exempt from income tax and other taxes by virtue of the *International Organisations (Privileges and Immunities) Act 1963,* the *Consular Privileges and Immunities Act 1972* or the *Diplomatic Privileges and Immunities Act 1967* and by organisations established under international agreements which oblige Australia to grant the organisation a general tax exemption.

D5 Exemption for benefits received by Australian Government employees in receipt of military compensation payments

Defence ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
35	40	50	60	60	60	60	65

Tax expenditure type:	Exemption	*2015 TES code:*	D5
Estimate Reliability:	Medium		
Commencement date:	1995	*Expiry date:*	
Legislative reference:	Sections 6AA and 6AB of the *Fringe Benefits Tax (Application to the Commonwealth) Act 1986*		

Benefits provided to Australian Government employees in receipt of military compensation payments are exempt from fringe benefits tax.

D6 Exemption for health care benefits provided to members of the Defence Force

Defence ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
650	750	760	750	770	770	770	800

Tax expenditure type:	Exemption	*2015 TES code:*	D6
Estimate Reliability:	Medium		
Commencement date:	1995	*Expiry date:*	
Legislative reference:	Section 6AC of the *Fringe Benefits Tax (Application to the Commonwealth) Act 1986*		

All health care benefits provided by the Australian Government to members of the Australian Defence Force (because of their membership) are exempt from fringe benefits tax.

D7 Exemption for war service loans

Defence ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1	1	1	1	1	1	1	1

Tax expenditure type:	Exemption	*2015 TES code:*	D7
Estimate Reliability:	Medium - High		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 6 of the *Fringe Benefits Tax (Application to the Commonwealth) Act 1986*		

Loan concessions authorised under the *Defence Service Homes Act 1918* and made by virtue of an employee's war service are exempt from fringe benefits tax.

D8 Reduction in taxable value for education costs of children of employees posted overseas

Education ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Reduction in taxable value	*2015 TES code:*	D8
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1987	*Expiry date:*	
Legislative reference:	Section 65A of the *Fringe Benefits Tax Assessment Act 1986*		

The taxable value of fringe benefits (including a car, expense payment, property or residual benefit) in respect of full-time education of children of employees posted overseas may be reduced. The extent of the reduction relates to the period of the employee's service overseas.

D9 Exemption for charities promoting the prevention or control of disease in human beings

Health ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
110	125	135	140	145	150	160	165

Tax expenditure type:	Exemption	*2015 TES code:*	D9
Estimate Reliability:	Medium - High		
Commencement date:	2001	*Expiry date:*	
Legislative reference:	Section 5B and Subsection 57A(5) of the *Fringe Benefits Tax Assessment Act 1986*		

Charitable institutions whose principal activity is to promote the prevention or control of diseases in human beings are provided with an exemption from fringe benefits tax for up to $30,000 of the grossed-up taxable value of fringe benefits per employee.

D10 Exemption for public and not-for-profit hospitals and public ambulance services

Health ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1,200	1,250	1,350	1,400	1,450	1,550	1,650	1,750

Tax expenditure type:	Exemption	*2015 TES code:*	D10
Estimate Reliability:	Medium		
Commencement date:	2000	*Expiry date:*	
Legislative reference:	Sections 57A(3) and 57A(4) of the *Fringe Benefits Tax Assessment Act 1986*		

Public and not-for-profit hospitals and public ambulance services are provided with an exemption from fringe benefits tax for up to $17,000 of the grossed-up taxable value of fringe benefits per employee.

D11 Exemption for travel costs of employees and their families associated with overseas medical treatment

Health ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D11
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 58L of the *Fringe Benefits Tax Assessment Act 1986*		

Benefits that meet the costs of travel away from a work place located in a foreign country in order to obtain medical treatment are exempt from fringe benefits tax. Accommodation and meals are also exempt if provided en route.

D12 Exemption for accommodation, fuel and meals for live-in employees caring for the elderly or disadvantaged

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D12
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 58 and 58U of the *Fringe Benefits Tax Assessment Act 1986*		

Certain benefits that are provided to people employed in caring for elderly or disadvantaged persons and who reside with them in their own homes are exempt from fringe benefits tax. The benefits that are exempt are accommodation, residential fuel, meals and other food and drink provided in the home to the employee.

D13 Exemption for emergency assistance

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D13
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 58N of the *Fringe Benefits Tax Assessment Act 1986*		

Certain benefits provided by way of emergency assistance to employees are exempt from fringe benefits tax. Emergency assistance includes certain first aid or other emergency health care; emergency meals, food supplies, clothing, accommodation, transport, or use of household goods; temporary repairs; and any other similar benefit.

D14 Exemption for public benevolent institutions (excluding hospitals)

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1,150	1,300	1,400	1,500	1,550	1,600	1,700	1,800

Tax expenditure type:	Exemption	*2015 TES code:*	D14
Estimate Reliability:	Medium - High		
Commencement date:	2001	*Expiry date:*	
Legislative reference:	Subsection 57A(1) of the *Fringe Benefits Tax Assessment Act 1986*		

Public benevolent institutions (excluding hospital activities) are provided with an exemption from fringe benefits tax for up to $30,000 of the grossed-up taxable value of fringe benefits per employee.

D15 Exemption from the fringe benefit cap for meal entertainment and entertainment facility leasing expenses

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
405	430	455	455	415	435	455	470

Tax expenditure type:	Exemption	*2015 TES code:*	D15
Estimate Reliability:	Low		
Commencement date:	1 January 2001	*Expiry date:*	
Legislative reference:	Section 5B and Subsections 57A(1) and 57A(5) of the *Fringe Benefits Tax Assessment Act 1986*		

Charitable institutions whose principal activity is to promote the prevention or control of diseases in human beings, public and not-for-profit hospitals, public ambulance services, and public benevolent institutions (excluding hospital activities) are provided with an exemption from fringe benefits tax for meal entertainment and entertainment facility leasing expenses. Since 1 April 2016, the fringe benefits tax exemption on these items is no longer unlimited, with a $5,000 cap on the grossed up taxable value of fringe benefits per employee imposed.

D16 Exemption for meals for primary production employees in remote areas

Housing and community amenities ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D16
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 April 2000	*Expiry date:*	
Legislative reference:	Section 58ZD of the *Fringe Benefits Tax Assessment Act 1986*		

Certain meals provided on working days to employees of primary producers in remote areas are exempt from fringe benefits tax.

D17 Exemption for remote area housing and reduction in taxable value for housing assistance

Housing and community amenities ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption, Reduction in taxable value	*2015 TES code:*	D17
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1986, 2000	*Expiry date:*	
Legislative reference:	Sections 58ZC, 59, 60, and 65CC of the *Fringe Benefits Tax Assessment Act 1986*		

Housing benefits (the right to use accommodation as a usual place of residence) provided to employees in remote areas are exempt from fringe benefits tax. The taxable value of housing assistance (such as housing loans or the reimbursement of rent) provided to employees in remote areas is generally reduced by 50 per cent.

D18 Exemption for certain fringe benefits provided to live-in employees providing domestic services to religious institutions and practitioners

Recreation and culture ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D18
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 58T of the *Fringe Benefits Tax Assessment Act 1986*		

Accommodation, residential fuel, meals and other food and drink provided to live-in employees who provide domestic services and are employed by religious institutions or religious practitioners are exempt from fringe benefits tax.

D19 Exemption for fringe benefits provided to certain employees of religious institutions

Recreation and culture ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
85	90	95	95	100	105	110	115

Tax expenditure type:	Exemption	*2015 TES code:*	D19
Estimate Reliability:	Low		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 57 of the *Fringe Benefits Tax Assessment Act 1986*		

Benefits provided to an employee, or to a spouse or child of the employee, of a religious institution are exempt from fringe benefits tax if the employee is a religious practitioner and only if the benefit is provided principally in respect of pastoral duties or any other duties or activities that are directly related to the practice, study, teaching or propagation of religious beliefs.

D20 Application of statutory formula to value car benefits

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1,040	810	700	690	750	850	890	920

Tax expenditure type:	Discounted valuation	*2015 TES code:*	D20
Estimate Reliability:	Medium - Low		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 9 of the *Fringe Benefits Tax Assessment Act 1986*		

A fringe benefit arises where an employee is provided with a car for private use. A car fringe benefit can be valued using the statutory formula method, under which the value of a person's car fringe benefit is determined by multiplying the cost of the car by the proportion of days the vehicle is used privately by the statutory rate of 20 per cent for contracts entered into after 7.30pm (AEST) on 10 May 2011. For contracts entered into prior to this, the statutory rates decreased as annual kilometres travelled increased.

D21 Approved worker entitlement fund payment exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
210	210	210	215	215	220	225	230

Tax expenditure type:	Exemption	*2015 TES code:*	D21
Estimate Reliability:	Low		
Commencement date:	2003	*Expiry date:*	
Legislative reference:	Sections 58PA and 58PB of the *Fringe Benefits Tax Assessment Act 1986*		

Payments to approved worker entitlement funds providing for entitlements such as redundancy and long service leave of employees are exempt from fringe benefits tax. The funds must be either endorsed by the Commissioner of Taxation or be a long service leave fund established under a Commonwealth, State or Territory law.

D22 Australian Traineeship System – exemptions for certain employees

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D22
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 58S of the *Fringe Benefits Tax Assessment Act 1986*		

Food, drink and accommodation provided to people training under the Australian Traineeship System may be exempt from fringe benefits tax if the benefit is provided in accordance with an award or an industry custom. Benefits relating to food or drink must not be provided at a party, reception or other social function.

D23 Car parking benefits

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Discounted valuation	*2015 TES code:*	D23
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1993	*Expiry date:*	
Legislative reference:	Division 10A of the *Fringe Benefits Tax Assessment Act 1986*		

A car parking fringe benefit arises if a car is parked at premises that are owned or leased by, or otherwise under the control of, the provider, there is a commercial parking station within one kilometre radius of the car parking premises charging an all-day fee greater than $8.48 (for the year commencing 1 April 2016) and certain other conditions are met. There are four methods for valuing car parking fringe benefits that may result in a non-market valuation.

D24 Certain relocation and recruitment expenses exemption and reduction in taxable value

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption, Reduction in taxable value	*2015 TES code:*	D24
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 58A to 58D and 58F of the *Fringe Benefits Tax Assessment Act 1986* Sections 61B to 61E of the *Fringe Benefits Tax Assessment Act 1986*		

Certain benefits associated with relocation and recruitment expenses, including transport, temporary accommodation, relocation consultants and other benefits, are exempt from fringe benefits tax, while others may be eligible for a reduction in taxable value.

D25 Compassionate travel exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D25
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1989	*Expiry date:*	
Legislative reference:	Section 58LA of the *Fringe Benefits Tax Assessment Act 1986*		

Certain travel costs provided on compassionate grounds to an employee, or their close relatives, are exempt from fringe benefits tax.

D26 Discounted valuation for board meals

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
4	5	5	5	5	6	6	6

Tax expenditure type:	Discounted valuation	*2015 TES code:*	D26
Estimate Reliability:	Low		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 36 of the *Fringe Benefits Tax Assessment Act 1986*		

Where an employee is entitled to accommodation and to at least two meals a day, eligible meals (known as 'board meals') are valued at concessional rates for the purposes of fringe benefits tax. The taxable value is $2 per meal per adult, or $1 per meal per child under the age of 12.

D27 Discounted valuation for holidays for employees and their families when posted overseas

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Discounted valuation	*2015 TES code:*	D27
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 61A and 143C of the *Fringe Benefits Tax Assessment Act 1986*		

For fringe benefits tax purposes, the value of an overseas holiday provided as industry custom or under an industrial award to an employee and their family while posted overseas, is reduced by 50 per cent or 50 per cent of a benchmark holiday cost, whichever is lower. Overseas transport, meals and accommodation are included.

D28 Discounted valuation of arm's length transaction price for in-house property and residual fringe benefits

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Discounted valuation	*2015 TES code:*	D28
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 42, 48 and 49 of the *Fringe Benefits Tax Assessment Act 1986*		

The taxable value of in-house property and residual fringe benefits (generally, goods or services sold by the employer to the public) is 75 per cent of the lowest retail price charged to the public in the ordinary course of business. This includes airline transport fringe benefits. This treatment is not available for in-house fringe benefits accessed by way of a salary sacrifice arrangement.

D29 Employees of public transport providers – free or discounted travel exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
45	55	55	60	60	65	65	70

Tax expenditure type:	Exemption	*2015 TES code:*	D29
Estimate Reliability:	Low		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Subsection 47(1) of the *Fringe Benefits Tax Assessment Act 1986*		

Where an employer operates a business of providing public transport, the provision of free or discounted travel (other than in an aircraft) to employees of that business for travelling to and from work is exempt from fringe benefits tax. Free or discounted travel on a scheduled metropolitan service is also exempt from fringe benefits tax. This exemption excludes benefits provided under a salary sacrifice arrangement.

D30 Employer contributions to secure childcare places exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D30
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Subsection 47(8) of the *Fringe Benefits Tax Assessment Act 1986*		

Payments made by employers to obtain priority of access to approved childcare services for children of employees are exempt from fringe benefits tax.

D31 Employer-provided motor vehicle parking exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D31
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1987	*Expiry date:*	
Legislative reference:	Section 58G of the *Fringe Benefits Tax Assessment Act 1986* Regulation 13A of the *Fringe Benefits Tax Regulations 1992*		

Parking for disabled employees, and for employees of scientific, religious, charitable or other public educational institutions, is exempt from fringe benefits tax.

D32 Expenses for employees living away from home exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
240	70	50	40	40	40	40	40

Tax expenditure type:	Exemption	*2015 TES code:*	D32
Estimate Reliability:	Low		
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 21, 31, 47(5), 58E, 58ZD and 63 of the *Fringe Benefits Tax Assessment Act 1986*		

Accommodation, food, household goods and payments for extra expenses provided to employees living away from their usual place of residence (in order to perform their duties of employment) are exempt from fringe benefits tax. A range of requirements must be satisfied in order to access this concession.

D33 In-house fringe benefits – reduction in the aggregate taxable value

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Reduction in taxable value	*2015 TES code:*	D33
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 62 of the *Fringe Benefits Tax Assessment Act 1986*		

The taxable value of in-house fringe benefits (for example, goods sold by the employer to the public) provided to an employee is reduced by $1,000, or the taxable value of the benefits if this is less than $1,000, unless the benefits are provided under a salary sacrifice arrangement.

D34 Loan benefits exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D34
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 17 of the *Fringe Benefits Tax Assessment Act 1986*		

Certain in-house loan benefits and certain loans to employees to meet employment-related expenses are exempt from fringe benefits tax.

D35 Long service awards exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D35
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1987	*Expiry date:*	
Legislative reference:	Section 58Q of the *Fringe Benefits Tax Assessment Act 1986*		

Long service awards granted in recognition of 15 years or more service, up to a specified maximum amount, are exempt from fringe benefits tax.

D36 Minor benefits exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D36
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Section 58P of the *Fringe Benefits Tax Assessment Act 1986*		

Minor benefits, worth less than $300 and where it is unreasonable to treat them as fringe benefits, are exempt from fringe benefits tax.

D37 Minor private use of company motor vehicle exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D37
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Subsection 47(6) of the *Fringe Benefits Tax Assessment Act 1986*		

Where an employee is provided with the use of a motor vehicle that is not a car, such use is exempt from fringe benefits tax if any private use is restricted to travel to and from work, use which is incidental to travel in the course of duties of employment, and non-work-related use that is minor, infrequent and irregular. There is a separate exemption for taxi travel by employees.

D38 Philanthropy – exemption for donations to deductible gift recipients

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D38
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 2008	*Expiry date:*	
Legislative reference:	Subsection 148(2A) of the *Fringe Benefits Tax Assessment Act 1986*		

Donations to deductible gift recipients made under salary sacrifice arrangements are exempt from fringe benefits tax.

D39 Police officers – free or discounted travel to and from duty on public transport exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D39
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	2000	*Expiry date:*	
Legislative reference:	Subsection 47(1A) of the *Fringe Benefits Tax Assessment Act 1986*		

The provision of travel on public transport to police officers for the purpose of travel between the officer's place of residence and their primary place of employment is exempt from fringe benefits tax.

D40 Private use of business property exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D40
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 41 and 47(3) of the *Fringe Benefits Tax Assessment Act 1986*		

The personal use of property (other than a motor vehicle) principally used directly in connection with business operations is exempt from fringe benefits tax. The property must be onsite or ordinarily located onsite, and provided to or consumed by an employee on a working day. This exemption excludes meals provided under a salary sacrifice arrangement.

D41 Provision of food and drink in certain circumstances exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D41
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 54 and 58V of the *Fringe Benefits Tax Assessment Act 1986*		

Where employees receive meals that are board fringe benefits, any additional food and drink supplied to them is exempt from fringe benefits tax. Food and drink provided to domestic employees who do not 'live-in' may also be exempt if consumed at the place of employment and the employer is a religious institution or individual.

D42 Recreational or child care facilities on an employer's business premises exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D42
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Subsection 47(2) of the *Fringe Benefits Tax Assessment Act 1986*		

Recreational or child care facilities are exempt from fringe benefits tax if the facilities are provided on an employer's business premises for the benefit of employees.

D43 Remote area holiday benefits discounted valuation

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Discounted valuation	*2015 TES code:*	D43
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Sections 60A and 61 of the *Fringe Benefits Tax Assessment Act 1986*		

The value of holiday-related transport benefits (including the cost of appropriate meals and accommodation en route) provided to employees working in a remote area (and in some cases family members) are generally reduced by 50 per cent.

D44 Small business employee car parking exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D44
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1997	*Expiry date:*	
Legislative reference:	Section 58GA of the *Fringe Benefits Tax Assessment Act 1986*		

Car parking benefits provided to employees of small businesses are exempt from fringe benefits tax if the parking is not provided in a commercial car park. The employer must not be a government body, listed public company or subsidiary of a listed public company, and the employer's total income must be less than $10 million.

D45 Taxi travel to or from place of work exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D45
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1995	*Expiry date:*	
Legislative reference:	Section 58Z of the *Fringe Benefits Tax Assessment Act 1986*		

Any benefit arising from taxi travel by an employee is exempt from fringe benefits tax if the travel is a single trip beginning or ending at the employee's place of work.

D46 Transport for oil rig and remote area employees exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D46
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1986	*Expiry date:*	
Legislative reference:	Subsection 47(7) of the *Fringe Benefits Tax Assessment Act 1986*		

Transport provided to employees working in remote areas or on oil rigs may be exempt from fringe benefits tax.

D47 Work-related items exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	D47
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1995	*Expiry date:*	
Legislative reference:	Section 58X of the *Fringe Benefits Tax Assessment Act 1986*		

Eligible work-related items (such as mobile phones, laptop computers, protective clothing and tools of trade) provided by an employer to an employee are exempt from fringe benefits tax.

D48 Fringe benefits tax record keeping exemption

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
..	..	..	..	..	..	..	..

Tax expenditure type:	Record keeping exemption	*2015 TES code:*	D48
Estimate Reliability:	High		
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Part XIA of the *Fringe Benefits Tax Assessment Act 1986*		

Certain employers are eligible to use record keeping exemption arrangements when calculating their fringe benefits tax liability. The employer's liability is based on their aggregate fringe benefits amount in the most recent base year (a year after 1 April 1996) in which they qualified to use the exemption arrangements. This may result in concessional tax treatment compared to being required to keep full fringe benefits tax records.

D49 Meal entertainment fringe benefits – 50/50 valuation method

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Record keeping exemption	*2015 TES code:*	D49
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1995	*Expiry date:*	
Legislative reference:	Sections 37B and 37BA of the *Fringe Benefits Tax Assessment Act 1986*		

An employer may elect to value meal entertainment fringe benefits using the 50/50 method, under which the taxable value is equal to 50 per cent of total food and drink entertainment expenditure incurred in an FBT year relating to employees and their associates as well as third parties.

D50 Philanthropy – rebate for certain not-for-profit, non-government bodies

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
40	45	50	45	45	60	65	70

Tax expenditure type:	Rebate	*2015 TES code:*	D50
Estimate Reliability:	Medium		
Commencement date:	1994	*Expiry date:*	
Legislative reference:	Section 65J of the *Fringe Benefits Tax Assessment Act 1986*		

Certain not-for-profit, non-government bodies (including, in general, charitable institutions, schools, and trade unions) are eligible for a partial rebate of the fringe benefits tax that would otherwise be payable on up to $30,000 of the grossed-up taxable value of fringe benefits per employee. The threshold changes to $31,177 for the FBT years ending 31 March 2016 and 2017 only.

CAPITAL GAINS TAX

E1 Exemption for valour or brave conduct decorations

Defence ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
..	..	..	..	..	..	..	..

Tax expenditure type:	Exemption	*2015 TES code:*	E1
Estimate Reliability:	Low		
Commencement date:	1985	*Expiry date:*	
Legislative reference:	Paragraph 118-5(b) of the *Income Tax Assessment Act 1997*		

Capital gains or losses arising from the disposal of a decoration awarded for valour or brave conduct are exempt from capital gains tax (CGT). This exemption is available unless the owner of the decoration had paid money or given any other property for it.

E2 Roll-over for membership interests in medical defence organisations

Health ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2015 TES code:*	E2
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	2007	*Expiry date:*	
Legislative reference:	Subdivision 124-P of the *Income Tax Assessment Act 1997*		

A CGT roll-over is available for capital gains arising from the exchange of a membership interest in a medical defence organisation for a similar interest in another medical defence organisation where both organisations are companies limited by guarantee and subject to certain other conditions, until the ultimate disposal of the replacement membership interest.

E3 Exemptions for special disability trusts

Social security and welfare ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	E3
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1 July 2006	*Expiry date:*	
Legislative reference:	Sections 118-85 and 118-215 to 118-230 of the *Income Tax Assessment Act 1997*		

Assets donated to a special disability trust (SDT) are exempt from CGT. A trustee of an SDT is also eligible for the CGT main residence exemption to the extent the principal beneficiary uses the dwelling as a home.

E4 Concessions for conservation covenants

Housing and community amenities ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Reduction in taxable value	*2015 TES code:*	E4
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	15 June 2000	*Expiry date:*	
Legislative reference:	Section 104-47 of the *Income Tax Assessment Act 1997*		

For CGT purposes, perpetual conservation covenants are treated as a part disposal of land, rather than the creation of a right. This treatment results in a reduced capital gain because a portion of the cost base of the land is taken into account. Landowners can also benefit from any CGT concession or exemption that may apply to the capital gain.

E5 Main residence exemption

Housing and community amenities ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
17,000	21,000	24,000	27,000	27,500	28,500	29,000	30,000

Tax expenditure type:	Exemption	*2015 TES code:*	E5
Estimate Reliability:	Low		
Commencement date:	1985	*Expiry date:*	
Legislative reference:	Subdivision 118-B of the *Income Tax Assessment Act 1997*		

Capital gains or losses on the disposal of an individual's main residence and up to two hectares of adjacent land are exempt from CGT, to the extent the dwelling is used as a home.

See tax expenditure E6 for the 50 per cent discount component of the main residence exemption.

E6 Main residence exemption – discount component

Housing and community amenities ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
21,500	25,500	30,000	34,000	34,000	34,500	34,500	36,000

Tax expenditure type:	Reduction in taxable value	*2015 TES code:*	E6
Estimate Reliability:	Low		
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Division 115 of the *Income Tax Assessment Act 1997*		

Capital gains or losses on the disposal of an individual's main residence and up to two hectares of adjacent land are exempt from CGT, to the extent the dwelling is used as a home.

Disposals of other assets by individuals or trusts receive a CGT exemption applying to 50 per cent of any nominal gain where the asset has been owned for at least 12 months.

The CGT treatment of the main residence effectively provides a 100 per cent exemption. Conceptually, this can be split into a component reflecting the 50 per cent discount provided to disposals of non-main residence assets and a 'top up' component that brings the concession up to 100 per cent.

See tax expenditure E5 for the remainder of the value of the CGT main residence exemption. See tax expenditure E13 for detail on the 50 per cent discount applying to other assets.

E7 Main residence exemption extensions

Housing and community amenities ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	E7
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1985 and 1996	*Expiry date:*	
Legislative reference:	Sections 118-145, 118-195 and 118-200 of the *Income Tax Assessment Act 1997*		

A taxpayer's dwelling may continue to be treated as their main residence even if it ceases to be their main residence for up to six years, if the dwelling is used to produce assessable income; or indefinitely, if the dwelling is not used to produce assessable income. This is provided that no other dwelling is treated as the taxpayer's main residence during the period of absence.

In addition, a taxpayer who receives a dwelling as beneficiary of a deceased estate, or who owns the dwelling as the trustee of a deceased estate, may be able to disregard all or a proportion of a capital gain or loss if certain conditions are met.

E8 Exemption for the disposal of assets under the Cultural Gifts program

Recreation and culture ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	E8
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Subsection 118-60(2) of the *Income Tax Assessment Act 1997*		

Capital gains or losses arising from gifts made under the Cultural Gifts program are exempt from CGT. The Cultural Gifts program, which does not apply to testamentary gifts, encourages donations of significant cultural items from private collections to public art galleries, public museums and public libraries or Artbank by offering tax benefits to the donor.

E9 Roll-over for worker entitlement funds

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2015 TES code:*	E9
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	2003	*Expiry date:*	
Legislative reference:	Subdivision 126-C of the *Income Tax Assessment Act 1997*		

A CGT roll-over is available for a fund that amends or replaces its trust deed in order to become an approved worker entitlement fund for fringe benefits tax purposes.

E10 Concession for non-portfolio interests in foreign companies with active businesses

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Reduction in taxable value	*2015 TES code:*	E10
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	2004	*Expiry date:*	
Legislative reference:	Section 768-505 of the *Income Tax Assessment Act 1997*		

Capital gains and losses of Australian companies and controlled foreign companies arising from certain CGT events related to non-portfolio interests in foreign companies with active business assets are reduced. The reduction reflects the degree to which the assets of the foreign company are used in active business. The concession applies where the Australian company holds a direct voting percentage of 10 per cent or more in the foreign company throughout a 12 month period.

E11 Deferral of liability when taxpayer dies

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2015 TES code:*	E25
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Division 128 of the *Income Tax Assessment Act 1997*		

There is no CGT taxing point when a taxpayer dies. Recognition of the gains or losses accruing during the life of the deceased is deferred until the person inheriting the CGT asset later disposes of it. An exception applies if the asset passes to an exempt entity, the trustee of a complying superannuation entity, or a foreign resident.

E12 Demerger concessions

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption, Deferral	*2015 TES code:*	E17
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	2002	*Expiry date:*	
Legislative reference:	Division 125 of the *Income Tax Assessment Act 1997* Subsection 44(4) of the *Income Tax Assessment Act 1936*		

Concessions are available to defer or exempt the CGT payable in respect of the restructuring of a corporate or trust group, where the group is split into two or more entities or groups (that is, by demerging). There are three elements to demerger relief:

- CGT roll-over at the shareholder or trust membership interest level for interests such as shares that are exchanged during the demerger process;
- a CGT exemption for certain capital gains and losses at the entity level; and
- an income tax exemption for certain 'demerger dividends'.

E13 Discount for individuals and trusts

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
4,070	4,420	6,530	9,750	9,610	11,080	11,310	12,090

Tax expenditure type:	Reduction in taxable value	*2015 TES code:*	E11
Estimate Reliability:	Medium		
Commencement date:	1999; 2012 (removal for non-residents)	*Expiry date:*	
Legislative reference:	Division 115 of the *Income Tax Assessment Act 1997*		

A CGT exemption applies to 50 per cent of any nominal capital gain made by a resident individual or trust where the asset has been owned for at least 12 months. Different rules may apply to assets acquired before 21 September 1999.

E14 Discount for investors in listed investment companies

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
35	40	60	55	55	60	80	85

Tax expenditure type:	Deduction	*2015 TES code:*	E12
Estimate Reliability:	Low		
Commencement date:	2001	*Expiry date:*	
Legislative reference:	Subdivision 115-D of the *Income Tax Assessment Act 1997*		

The shareholders of a listed investment company (LIC) who receive dividends that represent a distribution of capital gains made by that company are entitled to a deduction equivalent to the CGT discount they would have received if they had realised the capital gains themselves. This concession applies in respect of gains realised by a LIC on or after 1 July 2001, provided the assets have been held by the LIC for at least 12 months.

E15 Exemption for assets acquired before 20 September 1985

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	E13
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1985	*Expiry date:*	
Legislative reference:	Division 104 of the *Income Tax Assessment Act 1997*		

Capital gains or losses on assets acquired before 20 September 1985 (the commencement date of the CGT regime) are generally exempt from CGT.

E16 Exemption for demutualisation of mutual entities

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	E14
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1995 (mutual entities); 2007 (health insurers); 2008 (friendly societies)	*Expiry date:*	
Legislative reference:	Division 9AA and Schedule 2H of the *Income Tax Assessment Act 1936* Division 315 and 316 of the *Income Tax Assessment Act 1997*		

Capital gains and losses arising under the demutualisation of a mutual entity, including a life insurer, general insurer or health insurer are disregarded for members and/or policyholders that receive shares in the demutualised entity. Special rules determine the cost base of the shares received.

E17 Exemption for testamentary gifts to deductible gift recipients

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	E27
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1999 (expanded 2005)	*Expiry date:*	
Legislative reference:	Subsections 118-60(1) and (1A) of the *Income Tax Assessment Act 1997*		

Testamentary gifts (gifts made under a will) of certain property to deductible gift recipients are exempt from CGT.

E18 Exemption from the market value substitution rule for certain interests in widely held entities

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	E26
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	2006	*Expiry date:*	
Legislative reference:	Section 116-30 of the *Income Tax Assessment Act 1997*		

The CGT market value substitution rule deems assets that are disposed of for less than their market value to have been disposed for a consideration equal to their market value. This treatment exempts membership interests in widely-held entities that are disposed of by way of a redemption, cancellation or surrender of the interest from the market value substitution rule.

E19 Grandfathering indexation of the cost base

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Reduction in taxable value	*2015 TES code:*	E16
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1985	*Expiry date:*	
Legislative reference:	Section 110-36 and Division 114 of the *Income Tax Assessment Act 1997*		

For assets acquired at or before 11:45 am EST on 21 September 1999, taxpayers may choose to calculate the capital gain on the asset by reference to its indexed cost base. Taxpayers that choose to use the indexed cost base cannot access the CGT discount. The indexed cost base for these assets was frozen as at 30 September 1999.

E20 Quarantining of capital losses

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Denial of deduction	*2015 TES code:*	E28
Estimate Reliability:	Not Applicable	** Category*	4-
Commencement date:	1985	*Expiry date:*	
Legislative reference:	Section 100-50 of the *Income Tax Assessment Act 1997*		

Capital losses may only be offset against capital gains, which means they are quarantined from ordinary income.

E21 Removal of taxation of certain financial instruments at point of conversion or exchange

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2015 TES code:*	E29
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	2002	*Expiry date:*	
Legislative reference:	Sections 26BB and 70B of the *Income Tax Assessment Act 1936*		

Gains or losses from conversion or exchange of convertible or exchangeable interests issued after 14 May 2002 are not subject to taxation at the point of conversion or exchange, but instead, taxation is deferred until the ultimate disposal of the shares.

Convertible interests are financial instruments that may convert into shares in the company that issued the convertible interest. Exchangeable interests are instruments that may convert into shares in a company other than the issuer.

E22 Roll-over for assets compulsorily acquired, lost or destroyed

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2015 TES code:*	E18
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1985	*Expiry date:*	
Legislative reference:	Subdivision 124-B of the *Income Tax Assessment Act 1997*		

A CGT roll-over is available for capital gains where an asset is compulsorily acquired (whether by a private or public acquirer), lost or destroyed and the taxpayer purchases a replacement asset. The capital gains liability is deferred until the ultimate disposal of the replacement asset.

E23 Roll-over for complying superannuation funds in certain circumstances

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2015 TES code:*	E19
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1994 (ADFs); 2008 (merging funds); 2013 (inter-fund MySuper mandatory transfers) and 2015 (intra-fund MySuper mandatory transfers)	*Expiry date:* 2017 (merging funds and MySuper mandatory transfers)	
Legislative reference:	Subdivision 126-C (trust deeds), and Division 310 (merging funds) of the *Income Tax Assessment Act 1997* Division 311 of the *Income Tax Assessment Act 1997* (MySuper mandatory transfers)		

A roll-over is available where a complying superannuation fund or a complying Approved Deposit Fund amends or replaces its trust deed.

From 24 December 2008 to 2 July 2017, complying superannuation funds that merge are provided with loss relief and an asset roll-over. Loss relief and an asset roll-over will also be provided between 1 July 2013 to 1 July 2017 for mandatory transfers of default members' balances and relevant assets to a MySuper product in another complying superannuation fund. In addition, from 29 June 2015 to 1 July 2017 an asset roll-over will be provided for mandatory transfers of default members' balances and relevant assets to a MySuper product within a complying superannuation fund's structure.

E24 Roll-over for replacement small business active assets

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
200	200	210	250	260	270	280	280

Tax expenditure type:	Deferral	*2015 TES code:*	E20
Estimate Reliability:	Medium		
Commencement date:	1997	*Expiry date:*	
Legislative reference:	Subdivision 152-E of the *Income Tax Assessment Act 1997*		

A CGT roll-over is available for eligible small businesses, for capital gains arising from the disposal of active small business assets if the proceeds of the sale are used to purchase other active small business assets. Active assets include assets used in carrying on a business and intangible assets inherently connected with a business (for example, goodwill).

E25 Roll-over for statutory licences and water entitlements

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2015 TES code:*	E21
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1985, 2005 and 2006	*Expiry date:*	
Legislative reference:	Subdivisions 124-C (statutory licences) and 124-R (water entitlements) of the *Income Tax Assessment Act 1997*		

A CGT roll-over is available where a statutory licence ends and is replaced with a new licence that authorises substantially similar activity to the original licence. In addition, a CGT roll-over is available where a taxpayer's ownership of one or more water entitlements ends and the taxpayer receives one or more replacement water entitlements.

E26 Roll-over for transfer of assets on marriage or relationship breakdown

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2015 TES code:*	E22
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1985	*Expiry date:*	
Legislative reference:	Subdivision 126-A of the *Income Tax Assessment Act 1997*		

An automatic roll-over is available where a CGT asset is transferred to a spouse or former spouse because of a marriage or relationship breakdown, or under a binding financial agreement or an arbitral award entered into under the *Family Law Act 1975* or similar arrangements under state, territory or foreign legislation.

E27 Roll-overs not otherwise recognised

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deferral	*2015 TES code:*	E23
Estimate Reliability:	Not Applicable	** Category*	NA
Commencement date:	Various	*Expiry date:*	
Legislative reference:	Divisions 122, 124 and 126 of the *Income Tax Assessment Act 1997*		

This tax expenditure encompasses other CGT roll-overs not specifically covered in existing CGT roll-over tax expenditures. For example, the crown lease roll-over in Subdivision 124-J, the roll-over for the disposal of assets by a trust to a company provided in Subdivision 124-N, and the roll-overs facilitating a change to a company structure in Division 122.

E28 Scrip-for-scrip roll-over

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-150	-300	-150	-160	*	*	*	*

Tax expenditure type:	Deferral	*2015 TES code:*	E24
Estimate Reliability:	Low	** Category*	3+
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Subdivision 124-M of the *Income Tax Assessment Act 1997*		

A CGT roll-over is available for capital gains arising from an exchange of interests in companies or fixed trusts, removing impediments to takeovers or similar arrangements. The roll-over ensures that an equity holder who exchanges original shares or other equity for new equity in a takeover or merger can defer a CGT liability arising from the exchange until the ultimate disposal of the replacement asset.

E29 Small business 50 per cent reduction

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
580	570	590	660	630	640	650	660

Tax expenditure type:	Exemption	*2015 TES code:*	E30
Estimate Reliability:	Medium		
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Subdivision 152-C of the *Income Tax Assessment Act 1997*		

A capital gain that arises from the sale of active assets held in an eligible small business can be reduced by 50 per cent. This applies in addition to any CGT discount entitlement of the taxpayer. Active assets include assets used in carrying on a business and intangible assets inherently connected with a business (for example, goodwill).

E30 Small business restructure roll-over

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-	-	-	-	-	20	20	20

Tax expenditure type:	Deferral	*2015 TES code:*	E15
Estimate Reliability:	Very Low		
Commencement date:	1 July 2016	*Expiry date:*	
Legislative reference:	Subdivision 328-G of the *Income Tax Assessment Act 1997*		

Owners of small business active assets are eligible for capital gains roll-over relief when they change the legal structure of their business, provided the underlying economic ownership of the assets is unchanged.

COMMODITY AND OTHER INDIRECT TAXES

F1 Primary industry levy exemptions

Agriculture, forestry and fishing ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	F1
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	Introduced before 1985	*Expiry date:*	
Legislative reference:	*Primary Industries (Customs) Charges Act 1999* *Primary Industries (Excise) Levies Act 1999*		

Certain producers are exempt from primary industry levies. While the specific exemptions differ on a commodity by commodity basis, they are all in some way related to the quantity or value of the particular commodity produced in a given year.

F2 Exemptions from radiocommunications taxes for not-for-profit community or government entities

General public services – General services ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
8	3	5	7	7	7	7	7

Tax expenditure type:	Exemption	*2015 TES code:*	F2
Estimate Reliability:	Medium		
Commencement date:	1992	*Expiry date:*	
Legislative reference:	Section 294, Part 5.7 of the *Radiocommunications Act 1992* and Regulation 5 of the *Radiocommunications Taxes Collection Regulations 1985*		

An exemption from the apparatus licence fee is available to organisations or individuals who are: diplomatic and consular missions; surf lifesaving and remote area ambulance services; emergency services or services for the safe-guarding of human life — such as rural fire fighting and coast guard services. These must be staffed principally by volunteers and be exempt from paying income tax.

F3 Passenger Movement Charge exemptions

Transport and communication ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
60	70	70	70	80	80	90	90

Tax expenditure type:	Exemption	*2015 TES code:*	F3
Estimate Reliability:	Medium - High		
Commencement date:	1978	*Expiry date:*	
Legislative reference:	Section 5, *Passenger Movement Charge Collection Act 1978*		

Certain passengers are exempt from the Passenger Movement Charge including foreign diplomats, children and outbound crew.

F4 Regional Equalisation Plan rebates

Transport and communication ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1	1	1	1	1	..	..	..

Tax expenditure type:	Rebate	*2015 TES code:*	F4
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	31 Dec 2017
Legislative reference:	*Television Licence Fees Act 1964* *Television Licence Fees Regulations 1990*		

Remote commercial television broadcasters are entitled to a licence fee rebate to assist with the costs associated with the switchover to digital television until 31 December 2017. Regional broadcasters were entitled to the rebate until 31 December 2012.

F5 Luxury car tax

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-432	-476	-540	-620	-640	-640	-660	-700

Tax expenditure type:	Increased rate	*2015 TES code:*	F5
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	*A New Tax System (Luxury Car Tax) Act 2000*		

The luxury car tax currently applies to cars that have a GST inclusive price over $64,132 (the luxury car tax threshold for the 2016-17 financial year). The luxury car tax is 33 per cent of the GST exclusive value of the car that exceeds the luxury car tax threshold. Generally, motor vehicle purchases are only subject to goods and services tax. Consequently, the luxury car tax is a negative tax expenditure.

'Primary producers' or certain tourism businesses that acquire a 'refund-eligible car' are eligible to claim a tax refund of up to $3,000 of the amount of luxury car tax paid.

Since October 2008 a higher luxury car tax threshold has applied to fuel efficient cars. Eligible fuel efficient cars are subject to a threshold of $75,526 for luxury car tax purposes (for the 2016-17 financial year).

Public museums and public art galleries that have been endorsed by the Commissioner of Taxation as a Deductible Gift Recipient will be allowed to acquire cars free of luxury car tax when the car is acquired for the purpose of public display. This will have effect from the date of Royal Assent of the enabling legislation.

F6 Tourism – inwards duty free

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	F6
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	Introduced before 1985 1 July 2000 (WET)	*Expiry date:*	
Legislative reference:	*Customs Act 1901* Item 15 in Part 1 of Schedule 4 to the *Customs Tariff Act 1995* Section 7-15 of a *A New Tax System (Wine Equalisation Tax) Act 1999*		

Tobacco and alcohol products brought into Australia by inbound international travellers 18 years and over, within an allowance, are not subject to wine equalisation tax and excise-equivalent customs duty.

F7 Concessional rate of excise levied on aviation gasoline and aviation turbine fuel

Fuel and energy ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
970	950	1,110	1,230	1,250	1,330	1,400	1,510

Tax expenditure type:	Concessional rate	*2015 TES code:*	F7
Estimate Reliability:	Medium		
Commencement date:	15 March 1956	*Expiry date:*	
Legislative reference:	Item 10 of the Schedule to the *Excise Tariff Act 1921*		

Aviation gasoline and aviation turbine fuel are subject to a lower rate of excise than the benchmark rate. From 1 July 2012 to 30 June 2014, the excise rate included a ‘carbon component rate’, which was determined by the emission factor of each fuel and the carbon price. The inclusion of a carbon component of excise reduced the value of the concessional rate of excise. From 1 July 2014, the value of the concession increased due to the removal of the carbon component.

F8 Excise concessions for 'alternative fuels'

Fuel and energy ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
550	340	270	240	220	220	230	240

Tax expenditure type:	Concessional rate, Increased rate	*2015 TES code:*	F8
Estimate Reliability:	Low		
Commencement date:	1985	*Expiry date:*	
Legislative reference:	*Excise Tariff Act 1921*		

‘Alternative’ fuels includes ethanol, biodiesel, liquefied petroleum gas (LPG), liquefied natural gas (LNG) and compressed natural gas (CNG). These fuels are subject to rates of duty which are lower than the benchmark rates. The benchmark rates vary depending on the fuels’ energy content relative to petrol and diesel. The difference between the actual rate of duty and the benchmark rate for each fuel gives rise to the tax expenditure.

From 1 July 2015, domestically produced ethanol and biodiesel had their rates of duty reduced to zero. Each 1 July thereafter, domestically produced ethanol will have its rate of duty increased (in addition to indexation) until the 2020-2021 financial year, when the excise rate for ethanol will be approximately 33 per cent of the excise rate for petrol. This will be 50 per cent of ethanol's benchmark rate.

Domestically produced biodiesel will have its rate of duty increased (in addition to indexation) until the 2030-2031 financial year, when the excise rate for biodiesel will be approximately 50 per cent of the excise rate for diesel.

Since 1 July 2015, the rates of duty on LPG, LNG and CNG have been 50 per cent of each fuel's respective benchmark rate.

Users of small, non-commercial scale, domestically-based compressed natural gas refuellers are exempt from paying excise duty on compressed natural gas used to fuel their vehicles.

F9 Excise levied on fuel oil, heating oil and kerosene

Fuel and energy ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-490	-440	-250	-190	-165	-175	-185	-200

Tax expenditure type:	Increased rate	*2015 TES code:*	F9
Estimate Reliability:	Medium - Low		
Commencement date:	1983	*Expiry date:*	
Legislative reference:	Item 10 of the Schedule to the *Excise Tariff Act 1921*		

The benchmark excise rate for fuels consumed for a purpose other than in an internal combustion engine is zero. Fuel oil, heating oil, and kerosene are subject to excise equivalent to that applying to petroleum and diesel. Users are eligible for a fuel tax credit of an equivalent value.

F10 Excise levied on fuel products used for purposes other than as fuel

Fuel and energy ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-55	-55	-55	-55	-55	-60	-65	-65

Tax expenditure type:	Rebate	*2015 TES code:*	F10
Estimate Reliability:	Medium - Low		
Commencement date:	1 July 2006	*Expiry date:*	
Legislative reference:	Item 10 of the Schedule to the *Excise Tariff Act 1921*		

Fuels consumed for a purpose other than in an internal combustion engine (such as toluene, mineral turpentine and white spirits) are subject to excise equivalent to that applying to petroleum and diesel. Business users of these products are eligible for a fuel tax credit of an equivalent value.

F11 Higher rate of excise levied on cigarettes not exceeding 0.8 grams of tobacco

Health ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
nfp	-1,790	-1,935	-2,065	-2,235	-2,420	-2,645	-2,925

Tax expenditure type:	Increased rate	*2015 TES code:*	F11
Estimate Reliability:	Medium - Low		
Commencement date:	1999	*Expiry date:*	
Legislative reference:	Item 5 of the Schedule to the *Excise Tariff Act 1921*		

Note: estimate for 2012-13 is not reported consistent with statutory requirements relating to taxpayer confidentiality.

The benchmark excise rate is the rate per kilogram applying to tobacco products containing more than 0.8 grams of tobacco. Cigarettes and cigars containing no more than 0.8 grams of tobacco pay excise at a per-stick rate. For cigarettes containing less than 0.8 grams of tobacco, this results in a higher excise liability than if they were subject to the benchmark rate.

F12 Concessional rate of excise levied on brandy

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
4	4	5	5	5	5	5	5

Tax expenditure type:	Concessional rate	*2015 TES code:*	F12
Estimate Reliability:	Medium		
Commencement date:	9 November 1979	*Expiry date:*	
Legislative reference:	Item 3 of the Schedule to the *Excise Tariff Act 1921*		

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

F13 Concessional rate of excise levied on brew-on-premise beer

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
4	4	4	4	4	4	4	4

Tax expenditure type:	Concessional rate	*2015 TES code:*	F13
Estimate Reliability:	Medium		
Commencement date:	1993	*Expiry date:*	
Legislative reference:	Item 1 of the Schedule to the *Excise Tariff Act 1921*		

Brew-on-premise beer (that is, beer produced for non-commercial purposes using commercial facilities or equipment) is subject to a lower rate of excise than the benchmark rate of full strength beer packaged in individual containers not exceeding 48 litres.

F14 Concessional rate of excise levied on draught beer

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
155	160	160	160	165	170	175	185

Tax expenditure type:	Concessional rate	*2015 TES code:*	F14
Estimate Reliability:	Medium		
Commencement date:	2001	*Expiry date:*	
Legislative reference:	Item 1 of the Schedule to the *Excise Tariff Act 1921*		

Draught beer (that is, beer packaged in individual containers exceeding 48 litres) is subject to a lower rate of excise than the benchmark rate of full strength beer packaged in individual containers not exceeding 48 litres.

F15 Concessional rate of excise levied on low strength packaged beer

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
8	7	6	6	5	6	6	6

Tax expenditure type:	Concessional rate	*2015 TES code:*	F15
Estimate Reliability:	Medium		
Commencement date:	21 August 1984	*Expiry date:*	
Legislative reference:	Item 1 of the Schedule to the *Excise Tariff Act 1921*		

Low strength beer with an alcohol content of no more than 3 per cent packaged in containers not exceeding 48 litres is subject to a lower rate of excise than the benchmark rate of similarly packaged full strength beer.

F16 Excise concession for breweries

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
4	5	5	6	6	10	11	12

Tax expenditure type:	Rebate	*2015 TES code:*	F16
Estimate Reliability:	Medium		
Commencement date:	2000	*Expiry date:*	
Legislative reference:	Part 2, Division 4 and Schedule 1 to the *Excise Regulations 2015*		

Breweries receive an excise refund of 60 per cent of excise paid on or after 1 July 2012, up to a maximum amount of $30,000 per financial year. Domestic distilleries and producers of low strength fermented beverages such as non-traditional cider (excluding most alcopops producers) can also claim the refund from 1 July 2017.

F17 Excise exemption for privately produced beer

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	F17
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	18 April 1973	*Expiry date:*	
Legislative reference:	Schedule to the *Excise Tariff Act 1921*		

Beer made for personal use by private individuals is exempt from the payment of excise.

F18 Increased rate of excise levied on ready to drink alcoholic beverages

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-515	-510	-495	-500	-505	-520	-540	-575

Tax expenditure type:	Increased rate	*2015 TES code:*	F18
Estimate Reliability:	Medium		
Commencement date:	2000	*Expiry date:*	
Legislative reference:	Item 2 of the Schedule to the *Excise Tariff Act 1921*		

Excisable alcoholic beverages other than beer with an alcohol content not exceeding 10 per cent (such as ready to drink spirit-based beverages) are subject to a higher rate of excise than the benchmark rate of full strength beer packaged in individual containers not exceeding 48 litres.

From 27 April 2008 the excise rate on these other excisable beverages increased to the same excise rate as applies to most spirits ($81.21 per litre of alcohol as at 1 August 2016).

F19 Wine equalisation tax exemption for privately produced wine

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	F19
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	19 August 1970	*Expiry date:*	
Legislative reference:	*A New Tax System (Wine Equalisation Tax) Act 1999*		

Wine made for personal use by private individuals is exempt from the wine equalisation tax.

F20 Wine equalisation tax producer rebate

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
290	300	320	320	330	320	270	260

Tax expenditure type:	Rebate	*2015 TES code:*	F20
Estimate Reliability:	Medium		
Commencement date:	1 October 2004	*Expiry date:*	
Legislative reference:	*A New Tax System (Wine Equalisation Tax) Act 1999*		

Wine producers are able to claim a rebate of up to $500,000 of wine equalisation tax (WET) payable, or which would have been payable had the buyer not quoted, on eligible wine sales per financial year. The rebate also extends to traditionally-brewed cider, mead, perry and sake.

Subject to the passage of legislation, from 1 July 2018, the following eligibility criteria for access to the rebate will apply:

- producers must own 85 per cent of the grapes throughout the winemaking process;
- wine must be packaged in a container not exceeding 5 litres (51 litres for cider and perry) and branded with a registered trademark (common law trademark by exception) for domestic retail sale; and
- the rebate claims must be better linked to the WET being paid.

The rebate cap will be reduced to $350,000 per year from 1 July 2018.

F21 Certain exemptions for diplomatic missions and foreign diplomats

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1	1	1	1	1	1	1	2

Tax expenditure type:	Concessional rate	*2015 TES code:*	F21
Estimate Reliability:	Medium - High		
Commencement date:	21 August 1940	*Expiry date:*	
Legislative reference:	Division 2 and Schedule 1 of the *Excise Regulation 2015* Section 10 of the *Diplomatic Privileges and Immunities Act 1967* Section 10 of the *Consular Privileges and Immunities Act 1972* Section 11 of the *International Organisations (Privileges and Immunities) Act 1963* Section 12 of the *Overseas Missions (Privileges and Immunities) Act 1995*		

Note: estimates represent excise duty only.

Excise, luxury car tax and wine equalisation tax are not payable (or an equivalent amount of that paid is claimable) for alcohol, fuel, motor vehicles and tobacco used for official purposes by diplomatic missions or for personal use by persons identified in the *Diplomatic Privileges and Immunities Act 1967*.

F22 Certain exemptions for Australian military sea vessels

Defence ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Concessional rate	*2015 TES code:*	F22
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	2 August 1934	*Expiry date:*	
Legislative reference:	Schedule 1 to the *Excise Regulation 2015*		

Note: estimates represent excise duty only.

Excise on tobacco and certain alcoholic products is not payable by Australian military seagoing vessels in full commission when the products are consumed on board.

F23 Customs duty

Mining, manufacturing and construction ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
-2,730	-3,040	-2,700	-2,280	-1,450	-1,060	-1,170	-1,340

Tax expenditure type:	Increased rate	*2015 TES code:*	F23
Estimate Reliability:	Medium - High		
Commencement date:	4 October 1901	*Expiry date:*	
Legislative reference:	*Customs Act 1901* *Customs Tariff Act 1995*		

Customs duty is collected on certain goods imported into Australia (for example, most cars are subject to 5 per cent customs duty upon importation). This is a negative tax expenditure because the benchmark treatment is that imported goods are subject to the same taxes on consumption as domestically produced goods and, therefore, are free from customs duty (except for excise-equivalent customs duty).

NATURAL RESOURCES TAXES

G1 Crude Oil Excise

Fuel and energy ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Concessional rate	*2015 TES code:*	G1
Estimate Reliability:	Not Applicable	** Category*	NA
Commencement date:	1 July 2012	*Expiry date:*	
Legislative reference:	*Petroleum Resource Rent Tax Assessment Act 1987*		

Under the natural resource benchmark, crude oil excise is treated as a prepayment of Petroleum Resource Rent Tax (PRRT) liabilities and to the extent that the crude oil excise exceeds the PRRT payable in a year, a negative tax expenditure will arise for that period. Where crude oil excise credits are carried forward and used to reduce PRRT in later periods, a tax expenditure will arise in the year the carried forward credit is utilised.

G2 PRRT – denial of refund of tax credits for losses at project end

Fuel and energy ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Denial of refund	*2015 TES code:*	G2
Estimate Reliability:	Not Applicable	** Category*	1-
Commencement date:	1 July 1990	*Expiry date:*	
Legislative reference:	*Petroleum Resource Rent Tax Act 1987*		

There is no refund of the tax value of losses available when the project closes down. This treatment is consistent with the benchmark prior to 1 July 2012 but gives rise to a tax expenditure under the benchmark applying from 1 July 2012.

G3 PRRT – expenditure uplift rate

Fuel and energy ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2015 TES code:*	G3
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 1990	*Expiry date:*	
Legislative reference:	*Petroleum Resource Rent Tax Act 1987*		

Expenditure that generates project losses is uplifted at a number of different rates depending on when the expenditure took place and the nature of the expenditure. For example, exploration expenditure is uplifted at the long term bond rate plus 15 percentage points and general expenditure is uplifted at the long term bond rate plus 5 percentage points. These uplift rates are beyond the appropriate benchmark rate of the long term bond rate.

G4 PRRT – gas transfer price regulations

Fuel and energy ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2015 TES code:*	G4
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	20 December 2005	*Expiry date:*	
Legislative reference:	*Petroleum Resource Rent Tax Assessment Regulation 2015*		

The PRRT gas transfer price regulations stipulate rules for calculating the gas transfer price where there is no arm's length transaction. The regulations provide an allowance for capital expenditure which is based on the long term bond rate plus 7 percentage points rather than the benchmark rate which is the long term bond rate. The regulations also provide further concessions in the calculation of the gas transfer price by reducing the estimated upstream gas price by half the difference between the estimated 'upstream' price and the estimated 'downstream' price where the upstream price is the higher.

G5 PRRT – starting base and uplift rate for capital assets

Fuel and energy ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Deduction	*2015 TES code:*	G5
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 2012	*Expiry date:*	
Legislative reference:	*Petroleum Resource Rent Tax Assessment Act 1987*		

Existing investments of projects brought under the PRRT on 1 July 2012 are recognised through the provision of a starting base allowance. The starting base allowance recognises assets relating to the upstream assets of the PRRT project on 2 May 2010. Unused starting base losses are uplifted at the long term bond rate plus 5 percentage points. Unused exploration expenditure under the look back valuation option is uplifted at long term bond rate plus 15 percentage points.

GOODS AND SERVICES TAX

H1 Financial supplies – financial acquisitions threshold – input tax credits

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Concessional rate	*2015 TES code:*	H1
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Sections 11-15(4) and 189-5 of the *A New Tax System (Goods and Services Tax) Act 1999*		

Generally, financial supplies are not subject to GST and input tax credits cannot be claimed for such supplies. However, entities that make financial supplies without exceeding the financial acquisitions threshold are entitled to input tax credits for acquisitions used or intended to be used for making the financial supplies.

An entity does not exceed the financial acquisitions threshold if the input tax credits it would have been entitled to for the acquisitions do not exceed $150,000 or 10 per cent of their total input tax credits for the year.

H2 Financial supplies – input taxed treatment

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
2,450	2,800	3,050	3,250	3,450	3,700	3,900	4,200

Tax expenditure type:	Exemption, Concessional rate	*2015 TES code:*	H2
Estimate Reliability:	Medium - Low		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Subdivision 40-A of the *A New Tax System (Goods and Services Tax) Act 1999*		

Generally, financial supplies are not subject to GST and input tax credits cannot be claimed for such supplies. For example, banks do not charge GST on the supply of bank accounts to customers, and cannot claim back the GST component of the costs they incur in supplying bank accounts. A positive tax expenditure arises in this situation as the GST paid is less than 10 per cent of the final value of the financial supply.

A negative tax expenditure arises where the financial supply is to a business. This is because no GST would actually be payable under the benchmark (subjecting financial services to GST) in this situation as businesses would claim an input tax credit for the GST amount. However, under actual tax arrangements, some GST is paid as input tax credits cannot be claimed on financial supplies to businesses.

H3 Financial supplies – reduced input tax credits

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
600	700	750	800	850	950	1,000	1,050

Tax expenditure type:	Concessional rate	*2015 TES code:*	H3
Estimate Reliability:	Low		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Division 70 of the *A New Tax System (Goods and Services Tax) Act 1999*		

Generally, financial supplies are not subject to GST and input tax credits cannot be claimed for such supplies. However, input tax credits may be claimed for the acquisition of certain supplies (known as reduced credit acquisitions), but at a reduced rate (either 55 or 75 per cent of the standard input tax credit entitlement depending on the acquisition).

H4 Charitable institutions and non-profit bodies

General public services – General services ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	H4
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Subdivision 38-G of the *A New Tax System (Goods and Services Tax) Act 1999*		

Non-profit bodies are entitled to a higher GST registration threshold of $150,000. They are entitled to GST-free treatment on non-commercial activities, certain retirement village services, bingo, and sale of second hand goods. Charities can elect to have fund raising treated as input taxed. This option is also available to gift deductible entities and government schools. Simplified accounting methods may be available and a range of other concessions apply.

Certain entities have the option of separately identifying some or all of their operations and treating each as a separate entity for GST purposes.

H5 Child care services

Housing and community amenities ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
870	1,010	1,160	1,300	1,430	1,560	1,840	2,030

Tax expenditure type:	Exemption	*2015 TES code:*	H5
Estimate Reliability:	Medium - Low		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Subdivision 38-D of the *A New Tax System (Goods and Services Tax) Act 1999*		

Generally, child care will be GST-free if provided at facilities that are eligible to receive government funding or if the provider is a registered carer or child care service for the purposes of the relevant Commonwealth legislation. All supplies that are directly related to child care are also GST-free.

H6 Water, sewerage and drainage

Housing and community amenities ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
760	840	860	890	960	1,050	1,130	1,230

Tax expenditure type:	Exemption	*2015 TES code:*	H6
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Subdivision 38-I of the *A New Tax System (Goods and Services Tax) Act 1999*		

A supply of water is GST-free unless it is supplied in, or transferred into, a container with a capacity of less than 100 litres. The draining of storm water, the emptying of a septic tank and sewerage and sewerage-like services are also GST free. Water sold as a beverage is included in tax expenditure H28.

H7 Diplomats, diplomatic missions and approved international organisations

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
7	7	8	8	9	9	9	10

Tax expenditure type:	Exemption	*2015 TES code:*	H7
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Section 10B of the *Diplomatic Privileges and Immunities Act 1967* Section 10A of the *Consular Privileges and Immunities Act 1972* Section 11C of the *International Organisations (Privileges and Immunities) Act 1963*		

Diplomatic missions, consulates and certain international organisations may be reimbursed the GST included in their purchases of certain goods and services, where the purchase is for the official use of the organisation. The GST included in purchases by diplomatic and consular staff, or certain staff of some international organisations, for the private use of the person may also be refundable. The refund must be within the scope of the *Diplomatic Privileges and Immunities Act 1967*, the *Consular Privileges and Immunities Act 1972*, or the *International Organisations (Privileges and Immunities) Act 1963*.

H8 Global roaming by visitors to Australia

Transport and communication ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	H8
Estimate Reliability:	Not Applicable	** Category*	1+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Section 38-570 of the *A New Tax System (Goods and Services Tax) Act 1999*		

Telecommunication supplies for global roaming services provided to visitors to Australia are GST-free, consistent with Australia's treaty obligations under the International Telecommunication Regulations (the Melbourne Agreement).

H9 Tourist refund scheme

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	H9
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Division 168 of the *A New Tax System (Goods and Services Tax) Act 1999*		

International travellers visiting Australia and Australians travelling overseas may be able to claim a refund of GST paid on certain goods bought in Australia if the total value of the goods is $300 or more, they are purchased within 60 days of departure and the goods are taken with the traveller when they depart Australia.

In addition, residents of Australia's External Territories (such as Norfolk, Cocos (Keeling) and Christmas Islands) can claim refunds of GST under the tourist refund scheme. Claims can be made if Australian External Territory residents leaving Australia can show proof that the goods have been exported to their External Territory within the required period after the goods were acquired.

H10 Boats for export

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
9	8	15	11	11	12	11	10

Tax expenditure type:	Exemption	*2015 TES code:*	H10
Estimate Reliability:	Low		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Item 4 of section 38-185 of the *A New Tax System (Goods and Services Tax) Act 1999*		

Supplies of eligible boats used for recreational purposes are GST-free if the boats are exported by the purchaser from Australia within 12 months, with effect from 1 July 2011. Other goods must be exported from Australia within 60 days in order to be GST-free.

H11 Digital products and services

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
170	180	200	230	250	-	-	-

Tax expenditure type:	Exemption	*2015 TES code:*	H11
Estimate Reliability:	Low		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Sections 13-1, 38-610 and 40-180 and Division 84 of the *A New Tax System (Goods and Services Tax) Act 1999* Schedule 1 of the *Tax and Superannuation Laws Amendment (2016 Measures No. 1) Act 2016*		

Digital products and services which are not subject to a reverse charge are not subject to GST. This includes, for example, software supplied electronically to Australian consumers by overseas vendors. From 1 July 2017, these products and services will be subject to GST.

H12 Importation threshold

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
400	390	380	390	390	-	-	-

Tax expenditure type:	Exemption	*2015 TES code:*	H12
Estimate Reliability:	Low		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Section 42-5 of the *A New Tax System (Goods and Services Tax) Act 1999* Schedule 4 to the *Customs Tariff Act 1995*		

With the exception of consignments containing tobacco, tobacco products or alcoholic beverages, a GST exemption currently applies to imports of goods with a customs value of no more than $1,000. From 1 July 2017, these goods will be subject to GST. Overseas suppliers that have a turnover of $75,000 or more will be required to account for GST for low value goods supplied to consumers in Australia, using a vendor registration model.

H13 Tourism – domestic travel as part of an international arrangement

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	H13
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Section 38-355 of the *A New Tax System (Goods and Services Tax) Act 1999*		

Domestic air or sea travel within Australia by residents or non-residents as part of a wider international arrangement is not subject to GST. Domestic air travel within Australia by non-residents is also GST-free if the ticket is purchased outside Australia. Transport insurance for the above supplies is also GST-free.

H14 Tourism – inwards duty free

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	H14
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Section 38-415 of the *A New Tax System (Goods and Services Tax) Act 1999*		

Supplies made through an inwards duty free shop to inbound international travellers are not subject to GST.

H15 Tourism – travel agents – overseas travel

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
160	165	170	175	175	175	180	190

Tax expenditure type:	Exemption	*2015 TES code:*	H15
Estimate Reliability:	Low		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Section 38-360 of the *A New Tax System (Goods and Services Tax) Act 1999*		

The arranging of overseas travel, accommodation and other services by travel agents in Australia in the course of their business is GST-free. The arranging service must relate to a holiday or supply that takes place or is used overseas.

H16 Education

Education ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
3,350	3,650	3,850	4,150	4,500	4,850	5,250	5,700

Tax expenditure type:	Exemption	*2015 TES code:*	H16
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Subdivision 38-C of the *A New Tax System (Goods and Services Tax) Act 1999*		

Certain education supplies are GST-free. These include education courses, directly related administrative services, curriculum-related goods, student accommodation for students attending a primary, secondary or special education course, excursions and field trips and supplies related to the recognition of prior learning.

H17 Health – drugs and medicinal preparations

Health ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
320	340	360	380	410	440	470	500

Tax expenditure type:	Exemption	*2015 TES code:*	H17
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Section 38-50 of the *A New Tax System (Goods and Services Tax) Act 1999*		

Most medicines for human use are GST-free. GST-free medicines include: medicines that can only be supplied on prescription; medicines supplied as a pharmaceutical benefit; non-prescription drugs that can only be supplied by a doctor, dentist, pharmacist or other prescribed person as described by relevant state or territory law; medicines supplied under the Special Access Scheme; and certain analgesics covered by a written determination by the Federal Health Minister.

H18 Health – medical aids and appliances

Health ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
50	55	60	60	65	70	75	80

Tax expenditure type:	Exemption	*2015 TES code:*	H18
Estimate Reliability:	Low		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Sections 38-38, 38-45, 38-47 and Subdivision 38-P of the *A New Tax System (Goods and Services Tax) Act 1999*		

A medical aid or appliance is GST-free if the medical aid or appliance is listed in Schedule 3 to the *A New Tax System (Goods and Services Tax) Act 1999*, or specified in the regulations and specifically designed for people with an illness or disability and not widely used by others.

The supply of cars for use by disabled persons, spare parts for medical aids and appliances and the services related to the provision of the medical aid or appliance are GST-free. Goods that are the subject of a written determination by the Federal Health Minister are also GST-free, including certain disability supports delivered under the *National Disability Insurance Scheme Act 2013*.

H19 Health – medical and health services

Health ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
3,100	3,300	3,500	3,750	4,000	4,300	4,600	4,900

Tax expenditure type:	Exemption	*2015 TES code:*	H19
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Sections 38-7, 38-10, 38-15, 38-20 of the *A New Tax System (Goods and Services Tax) Act 1999*		

Medical services are GST-free if: they are a service for which a Medicare benefit is payable under the *Health Insurance Act 1973*; they are supplied by, or on behalf of, a medical practitioner; and they constitute a service that is generally accepted in the medical profession as being necessary for the treatment of the patient.

Health services rendered by a recognised professional, as well as hospital treatment are also GST-free. Goods supplied in the course of making GST-free health care services are generally GST-free.

H20 Health – residential care, community care and other care services

Health ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
900	950	1,010	1,080	1,150	1,230	1,320	1,410

Tax expenditure type:	Exemption	*2015 TES code:*	H20
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Sections 38-25, 38-30, 38-35, 38-38, 38-40 of the *A New Tax System (Goods and Services Tax) Act 1999*		

Some services provided by care and specialist disability providers are GST-free, including certain disability supports delivered under the *National Disability Insurance Scheme Act 2013*. The quality of care principles found in the *Aged Care Act 1997* apply in determining the tax status of specific care services. In general, publicly funded aged or disability care services are GST-free, as are privately funded aged care services which meet the quality of care principles found in the *Aged Care Act 1997* and are provided to those needing daily living activities assistance or nursing services.

H21 Private health insurance

Health ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
250	260	290	320	340	360	390	410

Tax expenditure type:	Exemption	*2015 TES code:*	H21
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Sections 38-55, 38-60 of the *A New Tax System (Goods and Services Tax) Act 1999*		

A supply of private health insurance by a private health insurer (within the meaning of the *Private Health Insurance Act 2007*) is GST-free. In line with the GST treatment of general insurance, the tax expenditure for this item is based on the difference between the premium income of private health insurers and the value of benefits paid out.

H22 Religious services

Recreation and culture ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
35	35	40	45	45	50	55	60

Tax expenditure type:	Exemption	*2015 TES code:*	H22
Estimate Reliability:	Low		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Section 38-220 of the *A New Tax System (Goods and Services Tax) Act 1999*		

Supplies of religious services are GST-free if supplied by a religious institution and the supplied service is integral to the practice of that religion.

H23 Supplies of farm land

Agriculture, forestry and fishing ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	H23
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Subdivision 38-O of the *A New Tax System (Goods and Services Tax) Act 1999*		

Specific supplies of farm land are GST-free. This includes: farm land supplied for farming on which a farming business has been carried on for at least five years and upon which a farming business is intended to continue to be carried on; and subdivided farm land that is potential residential land that is supplied to associates for nil or inadequate consideration.

H24 Registration thresholds

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	H24
Estimate Reliability:	Not Applicable	** Category*	3+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Section 23-15 and Part 4-5 of the *A New Tax System (Goods and Services Tax) Act 1999* Regulations 23-15.01 and 23-15.02 of the *A New Tax System (Goods and Services Tax) Regulation 1999*		

Entities (other than taxi operators) with a GST turnover less than $75,000 or $150,000 for non-profit entities are not required to register for GST. Supplies made by unregistered entities are not subject to GST.

H25 Simplified accounting methods

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
12	11	11	11	13	14	13	13

Tax expenditure type:	Concessional rate	*2015 TES code:*	H25
Estimate Reliability:	Low		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Division 123 of the *A New Tax System (Goods and Services Tax) Act 1999*		

The Commissioner of Taxation can create simplified accounting methods (SAMs) that some small businesses can choose to apply to reduce their GST compliance costs. SAMs allow taxpayers to apply simple ratios to calculate their GST liabilities (or components of them) rather than accounting for each supply to determine if it is taxable or non-taxable. Being ratios, SAMs will benefit some taxpayers by reducing their GST liabilities while increasing the GST liabilities of others, relative to the amounts calculated using a full GST calculation.

While SAMs are designed to reduce compliance costs rather than provide a tax concession, entities that expect to receive a tax benefit from applying SAMs are more likely to adopt this methodology than those that do not. This would be expected to result in a net tax concession.

H26 Precious metal

Mining, manufacturing and construction ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
*	*	*	*	*	*	*	*

Tax expenditure type:	Exemption	*2015 TES code:*	H26
Estimate Reliability:	Not Applicable	** Category*	2+
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Subdivision 38-L of the *A New Tax System (Goods and Services Tax) Act 1999*		

The first supply of a precious metal (after its refining by or on behalf of the supplier) to a precious metal dealer is GST-free. Subsequent supplies of precious metals are input taxed. The importation of precious metals is a non-taxable importation and GST is not charged on the importation. The tax expenditure here is the loss of tax on the GST-free and input taxed supplies and imports (where this would not be offset by input tax credits) reduced by any input tax credits denied for acquisitions related to the input taxed activities.

H27 Cross-border transport supplies

Transport and communication ($m)

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
2	2	2	2	2	2	2	2

Tax expenditure type:	Exemption	*2015 TES code:*	H27
Estimate Reliability:	Low		
Commencement date:	1 July 2010	*Expiry date:*	
Legislative reference:	Section 13-20 of the *A New Tax System (Goods and Services Tax) Act 1999*		

Since 1 July 2010, the total transport and insurance cost of imported goods is included in the calculation of the value of the taxable importation. If the imported good is a non-taxable importation (for example, the supply of the good would be GST-free or the value of the good does not exceed the import threshold of $1,000), the domestic transport or insurance component of the transportation supplied is still not taxed.

H28 Food

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

2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
6,000	6,200	6,400	6,600	6,900	7,200	7,500	7,800

Tax expenditure type:	Exemption	*2015 TES code:*	H28
Estimate Reliability:	Medium		
Commencement date:	1 July 2000	*Expiry date:*	
Legislative reference:	Subdivision 38-A of the *A New Tax System (Goods and Services Tax) Act*		

Most food items for human consumption that are prepared and/or consumed at home are GST-free. Examples of GST-free food include fresh fruit and vegetables, fish, dairy products, bread and meat. Examples of GST-free beverages include unflavoured milk products, tea, coffee, water and fruit juices. Food and beverages subject to GST include: restaurant and takeaway meals, confectionary, savoury snacks, ice cream, biscuits and soft drinks.

Chapter 3: Revenue gain estimates of tax expenditures

The revenue gain approach is an alternative to the revenue forgone approach used to produce the tax expenditure estimates in Chapter 2. Revenue gain estimates for individual tax expenditure items are more akin to estimates of the revenue impact of budget measures.

Consistent with a recommendation of the Australian National Audit Office in its 2007-08 performance audit of the TES,[3] this Chapter reports revenue gain estimates for 10 large tax expenditures.[4]

These tax expenditures have been chosen because they best illustrate the considerable differences between the revenue forgone and revenue gain approaches, and how those differences can vary between tax expenditure items.

Revenue gain estimates for tax expenditures relating to the CGT concessions for housing (E5 and E6) and the CGT discount for individuals and trusts (E13) have not been produced because of the significant uncertainty about taxpayer behavioural responses were these tax expenditures to be (hypothetically) abolished.

Revenue gain estimates should be treated with extreme caution.

- In practice, the revenue gain can be difficult to estimate as there is usually little, if any, information on how taxpayers might react to the removal of a tax expenditure. Assumptions about taxpayer behavioural responses therefore need to be made, and these assumptions can be difficult to meaningfully substantiate.
- Revenue gains estimates assume that a tax expenditure is abolished with immediate effect, whereas it may be more plausible on policy grounds to adopt transitional arrangements (for example, grandfathering), or to reduce the size of a tax expenditure rather than abolish it.
- Judgments also need to be made about likely policy settings — for example, whether it is realistic to assess the abolition of a single tax expenditure (for example, a particular GST exemption) while keeping other tax expenditures unchanged (for example, other GST exemptions).
- Revenue gain estimates do not take into account any potential changes in direct expenditure flowing from the removal of a tax expenditure.

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3 ANAO Audit Report No. 32, 2007-08, *Preparation of the Tax Expenditures Statement*, Recommendation 5.

4 Ranked according to their revenue forgone estimates.

3.1 Standard assumptions for the revenue gain estimates

The tax expenditures listed below have been estimated using both the revenue gain and revenue forgone approaches. The revenue gain estimates all assume that the tax expenditures:

- are removed with effect from 1 July 2016;
- apply prospectively to transactions entered into after that date; and
- include other specific assumptions concerning likely policy specifications for the removal of each concession as set out in the text below each set of estimates.

The revenue gain estimates also incorporate the impact of direct behavioural responses from the change where these are expected to have a significant impact on the estimates. The revenue gain estimates do not include any allowance for second round effects (that is, those arising from the flow-on of a change, beyond those directly affected, into the wider economy) because of the considerable uncertainty regarding the magnitude and timing of such effects.

Revenue forgone and revenue gain estimates are presented for a four-year period from 2016-17. A brief outline of the reasons for any difference between the revenue gain and revenue forgone estimates is then provided.

TAX EXPENDITURES BASED ON REVENUE GAIN APPROACH

C2: Concessional taxation of employer superannuation contributions

Estimates	Revenue forgone estimate ($m)				Revenue gain estimate ($m)			
	2016-17	2017-18	2018-19	2019-20	2016-17	2017-18	2018-19	2019-20
	16,250	16,200	17,800	18,800	15,600	15,500	17,050	18,050

Reason for difference: Broadly, the revenue gain approach yields a lower estimate of the tax expenditure because it incorporates a likely behavioural response, with removal of the concessional taxation of superannuation leading to reduced superannuation contributions. It is assumed that the Superannuation Guarantee remains and therefore compulsory contributions continue. Voluntary contributions are assumed to be directed to alternative tax-preferred investments.

C4: Concessional taxation of superannuation entity earnings

Estimates	Revenue forgone estimate ($m)				Revenue gain estimate ($m)			
	2016-17	2017-18	2018-19	2019-20	2016-17	2017-18	2018-19	2019-20
	16,850	17,700	20,650	24,050	15,750	15,800	18,200	21,100

Reason for difference: Broadly, the revenue gain approach yields a lower estimate of the tax expenditure because it incorporates a likely behavioural response, with removal of the concessional taxation of both superannuation contributions and earnings leading to reduced superannuation contributions (and lower balances). It is assumed current preservation rules remain. In the accumulation phase, voluntary concessional contributions are assumed to cease (as in C2) and most non concessional contributions also cease after the start date. Over time this reduces the superannuation asset base and thus the revenue gain on withdrawing the earnings tax concession. Additionally, a significant proportion of funds in the retirement phase (not preserved) are withdrawn. Because of other tax concessions for older Australians (particularly the Seniors and Pensioners Tax Offset), the funds withdrawn attract minimal tax in the new investments chosen.

H28: GST — Food

Estimates	Revenue forgone estimate ($m)				Revenue gain estimate ($m)			
	2016-17	2017-18	2018-19	2019-20	2016-17	2017-18	2018-19	2019-20
	6,900	7,200	7,500	7,800	6,800	7,000	7,300	7,600

Reason for difference: Removing the GST exemption applicable to certain types of food would be expected to decrease demand for those items. However, the impact of this behavioural response is expected to be small as demand for GST-free food is likely to be relatively unresponsive to changes in price.

H16: GST — Education

Estimates	Revenue forgone estimate ($m)				Revenue gain estimate ($m)			
	2016-17	2017-18	2018-19	2019-20	2016-17	2017-18	2018-19	2019-20
	4,500	4,850	5,250	5,700	4,050	4,350	4,750	5,150

Reason for difference: Removing the GST exemption for education would be expected to decrease demand for education services. This is primarily due to an expected fall in demand for private education and ‘discretionary courses’.

H2: GST — Financial supplies — input taxed treatment								
Estimates	**Revenue forgone estimate ($m)**				**Revenue gain estimate ($m)**			
	2016-17	**2017-18**	**2018-19**	**2019-20**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
	3,450	3,700	3,900	4,200	3,450	3,700	3,900	4,200
Reason for difference	Removing the input taxed treatment of financial services is not expected to materially impact the demand for these services. This is because of the relatively small increase in the price of financial services that would result from applying the normal GST rules and the lack of substitutable services that are available.							

H19: GST — Health — medical and health services								
Estimates	**Revenue forgone estimate ($m)**				**Revenue gain estimate ($m)**			
	2016-17	**2017-18**	**2018-19**	**2019-20**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
	4,000	4,300	4,600	4,900	3,950	4,250	4,500	4,800
Reason for difference	Removing the GST exemption for medical and health services would be expected to decrease demand for those services. However, the impact of this behavioural response is expected to be small as demand for medical and health services is likely to be relatively unresponsive to changes in price.							

A24: Concessional taxation of non-superannuation termination benefits								
Estimates	**Revenue forgone estimate ($m)**				**Revenue gain estimate ($m)**			
	2016-17	**2017-18**	**2018-19**	**2019-20**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
	2,600	2,500	2,400	2,300	2,600	2,500	2,400	2,300
Reason for difference	As this tax expenditure relates to termination of employment (including cases such as redundancy), it is expected that employees would have limited capacity to alter their employment status if the tax treatment changed. As a result there is no material difference between the revenue forgone and revenue gain estimates.							

F23: Customs duty								
Estimates	**Revenue forgone estimate ($m)**				**Revenue gain estimate ($m)**			
	2016-17	**2017-18**	**2018-19**	**2019-20**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
	-1,450	-1,060	-1,170	-1,340	-1,450	-1,060	-1,170	-1,340
Reason for difference	Under the customs duty benchmark, goods imported into Australia are free from customs duty except to the extent that the duty is equivalent to taxes imposed on domestically produced goods. Bringing the customs duty tax expenditure in line with the benchmark would remove the revenue currently collected from tariffs on imports (which is reported as a negative tax expenditure). While the change may increase demand for imported goods, this would have no impact on customs duty revenue once the tax rate has been reduced to zero.							

A40: Exemption of Family Tax Benefit payments								
Estimates	**Revenue forgone estimate ($m)**				**Revenue gain estimate ($m)**			
	2016-17	**2017-18**	**2018-19**	**2019-20**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
	2,200	2,100	2,110	2,070	2,200	2,100	2,110	2,070
Reason for difference	Removing the exemption of Family Tax Benefit, Parts A and B could be expected to result in a change in labour force participation; however, the size of the effect is uncertain and has not been quantified. As a result there is no difference between the revenue forgone and revenue gain estimates.							

B12: Exemption from interest withholding tax on certain securities								
Estimates	**Revenue forgone estimate ($m)**				**Revenue gain estimate ($m)**			
	2016-17	**2017-18**	**2018-19**	**2019-20**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
	2,310	2,310	2,310	2,310	1,630	1,720	1,620	1,620
Reason for difference	Removing the exemption from interest withholding tax on certain securities would be expected to result in some borrowers switching to other forms of exempt borrowings, resulting in no revenue gain. In addition, some interest payments may be increased to cover the tax, leading to increased income tax deductions.							

APPENDIX A: SUPERANNUATION TAX EXPENDITURES

This Appendix provides additional technical detail on some matters that are frequently raised with regard to the superannuation tax expenditures.

A.1 Choice of benchmark

The Tax Expenditures Statement uses a comprehensive income tax benchmark to estimate the value of tax expenditures on savings, including superannuation. Some argue that an expenditure tax benchmark would be more appropriate.

There are three conceptual taxing points for superannuation: when contributions are made into a superannuation fund; when investments in superannuation funds earn income; and when superannuation benefits are paid.

The treatment of superannuation under a comprehensive income tax benchmark is for: superannuation contributions to be funded from after-tax income, earnings to be taxed at marginal rates, and benefits to be untaxed. Under an expenditure tax benchmark, on the other hand, contributions are taxed at marginal tax rates, while earnings and benefits are exempt from tax. The point of difference between the two benchmarks is the taxation of superannuation earnings. Estimates of superannuation tax expenditures using the two benchmarks will be quite different.

The use of a comprehensive income tax benchmark for superannuation is consistent with the benchmark applied to savings generally in the Tax Expenditures Statement; that is, for bank interest, term deposits and debentures, investment returns on shares and managed funds, rental income and net capital gains.

There is, however, an issue about whether an expenditure tax benchmark would be more appropriate for savings. The 2013 Tax Expenditures Statement (Appendix A, pages 193-4) raised this issue and included experimental estimates for a range of superannuation tax expenditures measured against an expenditure tax benchmark. The Australian Government response to the House of Representatives Standing Committee on Tax and Revenue report on the Tax Expenditures Statement stated that Treasury should explore reporting savings tax expenditures against an expenditure tax benchmark in future editions of the TES, in addition to an income tax benchmark. Treasury will undertake this work in 2017.

A.2 Choice of alternative investments

The use of the comprehensive income tax benchmark and the need to measure the income tax that would otherwise have been paid on investment income requires some assumption of where people would otherwise have invested their savings. Questions are sometimes raised as to the treatment of investment income under this counterfactual scenario, particularly with regard to people's ability to minimise their marginal tax by investing in alternative tax-effective investments.

The revenue forgone estimates are based on the assumption that the assets held outside of the superannuation system would have the same portfolio allocation as those held inside the superannuation system, and earn the same before-tax rates of return. This includes assets with deferred capital gains such as shares and property. Imputation credits as well as the costs of generating earnings such as insurance, rates and maintenance for property are also taken into account in the estimates.

The revenue gain estimates, which allow for a behavioural response, make further allowances for the fact that people can minimise their marginal tax by making use of trusts or company tax structures or by investing in negatively-geared assets, lower-taxed foreign jurisdictions or owner-occupied housing.

A.3 Accounting for effects on the Age Pension

One effect of superannuation is to reduce outlays on Age Pension. Some commentary argues that these expenditure savings should be recognised in the estimates of superannuation tax expenditures.

Tax expenditures seek to measure the deviation in the actual tax treatment of an activity or class of taxpayer from the benchmark tax treatment. They are therefore a more limited construct than a budget costing and, by their nature, do not seek to measure the full budgetary impact on related current or future government expenditure since these are not taxes.

Other forms of analysis from time to time cover these broader considerations. For example, a 2013 analysis estimated the fiscal impact of a phased increase in the Superannuation Guarantee rate from 9 per cent to 12 per cent, including the balance between tax losses and Age Pension savings (see Charter Group, *A Super Charter: Fewer Changes, Better Outcomes: A report to the Treasurer and Minister Assisting for Financial Services and Superannuation*, 2013, page 11).

A.4 Reliability of estimates

Why do some of the estimates of superannuation tax expenditures exhibit considerable volatility, both over time and with the annual revision of estimates?

Some drivers of the superannuation tax expenditure estimates, such as Superannuation Guarantee contributions, are reasonably stable and predictable. However, a number of the estimates rely on either forecasts of equity returns or forecasts of individual behaviour based on those equity returns (for example, discretionary superannuation contributions). These elements are difficult to estimate and are typically volatile. For example, estimates of the tax expenditure on superannuation earnings have historically been particularly volatile. This uncertainty is why the reliability of the estimate for this tax expenditure is clearly identified as 'low' in the Tax Expenditures Statement.

In addition, the superannuation reform package included in the 2016-17 Budget and 2016-17 Mid-year Economic and Fiscal Outlook, has affected a number of superannuation tax expenditures. Most significantly, this has the effect of reducing the tax expenditures for superannuation earnings and employer contributions and increasing the tax expenditure for personal superannuation contributions compared to what would otherwise have been reported.

The financial implications of the superannuation reform package were included in the Explanatory Memorandum to the *Treasury Laws Amendment (Fair and Sustainable Superannuation) Bill 2016*.

APPENDIX B: TECHNICAL NOTES

B.1 Reliability

The reliability of each tax expenditure estimate (where quantified) has been assessed by separately scoring:

- the reliability of the available data;
- the underlying assumptions made where no or insufficient data is available; and
- other relevant factors (for example, the volatility of growth rates over time).

Scores range from 0 (very low) to 3 (high). The three scores are then summed to give an overall reliability rating as set out below.

Score	Rating
0	Very low
1	Low
2	Low
3	Low
4	Medium — low
5	Medium
6	Medium
7	Medium
8	Medium — high
9	High

The reliability of quantified tax expenditures in the 2016 TES is shown in Table B1.

Table B1: Reliability of quantified tax expenditures for 2016-17

Reliability rating	Number of tax expenditures
High	3
Medium — high	13
Medium	61
Medium — low	21
Low	43
Very low	6
Total	147

B.2 Unquantifiable tax expenditures

Where tax expenditures are not quantifiable, an order of magnitude is provided using the categories set out in Table B2.

Table B2: Orders of magnitude

Order of magnitude range	
Category	**Expected tax expenditure ($m)**
0	0 on average over reporting period
1	0–10
2	10–100
3	100–1,000
4	1,000 +
NA	not available

Category classifications are provided as a broad guide only. They are based on assumptions and judgment and should be treated with caution.

The category classification also indicates whether a tax expenditure is positive or negative. For example, '1+' indicates a positive tax expenditure. Where a tax expenditure could be positive or negative, a '+/-' classification is assigned.

The category assigned to a tax expenditure refers to the year the tax expenditure is considered to be most significant.

B.3 Benchmarks

The concept of a benchmark is explained in Chapter 1. Broadly, benchmarks comprise the following elements:

- the tax base — the activities or transactions subject to the tax;
- the tax rate — the rate of tax that applies to the base;
- the tax unit — the entity liable to pay the tax; and
- the tax period — the period in which the activities or transactions are undertaken.

INCOME TAX BENCHMARK

The starting point for defining the income tax benchmark is the Schanz-Haig-Simons (SHS) definition of income. Under this definition, income is equal to the increase in an entity's economic wealth (stock of assets) between two points in time plus the entity's consumption in that period. Consumption includes all expenditures except those incurred in earning or producing income.

However, the income tax benchmark departs from the SHS definition of income in places – for example, it does not include unrealised capital gains. The benchmark must also deal with features of the tax system not addressed by the SHS definition – for example, the progressive personal tax rate scale, which is included in the benchmark as it is considered to be a structural feature of the tax system.

Tax base

Under the income tax benchmark, income includes:

- wages and salaries;
- allowances;
- business receipts;
- realised capital gains (except where they form part of the normal trading activities of a business);
- interest, royalties and dividends;
- partnership income;
- government cash transfers; and
- distributions from trusts.

Expenses incurred in earning assessable income are deductible. Where an expense is incurred for both income producing and private purposes, deductions are limited to the portion of expenses relating to income production.

The income tax benchmark incorporates a range of features of the tax system, including the following:

- Assessment applies to nominal rather than real income. Expenses incurred in earning income are deductible at historical cost.
- The taxable income of some taxpayers (typically individuals) is assessed on a cash basis – that is, as it is actually received by the taxpayer. The taxable income of other taxpayers (typically businesses) is assessed on an accruals basis – that is, when the right to the income arises (even if it has not yet been received).
- Deductions for expenses related to economic benefits that extend beyond the income year in which the expenditure is incurred are spread over the period of the benefits. This treatment also applies to expenditure in advance (prepayments) for services.
- Imputed rent from owner-occupied housing is not included in income. Expenditure incurred in earning imputed rent is not deductible.

- Certain gains, such as gains received by way of compensation for damage or any wrong or injury suffered by a taxpayer (where compensation is not solely responsible for the loss of income), or gains or winnings from gambling (where taxpayers are not considered to be carrying on a business of gambling), are not included in income.

- Losses are deductible against assessable income for a later income year. Losses generally cannot be transferred to other taxpayers, and some losses may only be claimed against certain types of future income.

  – Non-commercial loss rules prevent individuals carrying on unprofitable business activities from claiming deductions for losses arising from such activities against their other income. The denial of losses from non-commercial activities is part of the benchmark.

- Depreciation deductions are made over the effective life of the asset.

- Business capital expenditures not elsewhere recognised within the taxation laws (black hole expenditures) are deductible over five years.

- The mutuality principle excludes income from dealings with oneself or members of mutual associations and societies. For instance, goods produced by taxpayers for their own consumption, or services performed by taxpayers for their own benefit are generally not included in the tax base.

- Arrangements to reduce or eliminate double taxation - for example, the imputation system, which eliminates the double taxation of company profits distributed to resident shareholders.

Under the income tax benchmark, Australian residents are taxed on their on their Australian source and foreign source income. The benchmark also incorporates international tax arrangements, including the following:

- Resident taxpayers are allowed to claim foreign income tax offsets up to the amount of Australian tax payable on their foreign income. These arrangements ensure foreign source income is not excessively taxed.

- The controlled foreign company and trust rules ensure Australian residents cannot escape or defer taxation of certain income (often passive in nature) by interposing a foreign resident legal entity.

- Transfer pricing and thin capitalisation rules and interest, dividend and royalty withholding taxes aim to tax appropriately Australian sourced income and are included in the benchmark.

- Foreign residents are taxed on their Australian source income only. As part of this benchmark, where foreign income (or foreign capital gains) earned by an

Australian entity is subsequently distributed to a foreign resident, the distribution attracts no Australian tax.

  - Generally, persons in Australia on temporary visas are taxed as foreign residents.

- The benchmark for Australian residents includes their worldwide capital gains. For foreign residents, the benchmark includes the limitation of domestic and treaty capital gains tax rules to the direct or indirect disposal of interests in Australian land (and similar interests such as mining rights) and branch office assets (from 12 December 2006).

- Taxation treaties primarily operate to allocate taxing rights over income between the source country of income and the taxpayer's country of residence. However, some articles (by incorporation into Australia's domestic law) have the effect of imposing taxation or determining source. For distributions of Australian source income to foreign residents, the basic rates of Australian tax (typically imposed as withholding tax) prescribed in these treaties in respect of specified classes of income, such as interest, dividend and royalty income, are included in the benchmark as the applicable tax rates.

  - Under this approach, the benchmark rate of interest, dividend and royalty withholding rates will vary depending on whether the country in question has a tax treaty with Australia.

  - If a tax treaty exists, the benchmark rates of withholding tax for a class of income will be the 'basic rate', where the basic rate is the highest rate specified in the treaty for each withholding tax.

  - Exemptions or reductions relative to the basic rates prescribed in a particular tax treaty will give rise to tax expenditures.

  - If a tax treaty does not apply, any exemptions or reductions from the standard domestic statutory rates will give rise to tax expenditures.

Tax rates

The income tax benchmark includes:

- for resident individuals: the tax-free threshold, the progressive personal income tax rate scale, Low Income Tax Offset, the Medicare levy and, from 2014-15 to 2016-17, the Temporary Budget Repair Levy (TBRL);

- for non-resident individuals: the foreign resident income tax scale, non-eligibility for the Low Income Tax Offset and non-liability for the Medicare levy (although they are liable for the TBRL); and

- for companies: the company tax rate (currently, 30 per cent).

Tax unit

For the personal income tax system in Australia, the benchmark unit is the individual.

For companies, the benchmark tax unit is the company (including the head entity of a consolidated group or a multiple entry consolidated group).

Sole traders, partnerships and trusts are not separate tax units. Income earned by these entities is taxable in the hands of the recipient.

Tax period

Generally, the tax period under the income tax benchmark is the financial year (1 July to 30 June). However, the benchmark also includes arrangements for entities whose accounting period differs from the standard financial year (for example, companies with a substituted accounting period).

Superannuation

Superannuation may be taxed at three stages:

- when contributions are made to a superannuation fund;
- when investments in superannuation funds earn income; and
- when superannuation benefits are paid out.

The income tax benchmark treatment of superannuation is that contributions are made from after-tax income, earnings are taxed at marginal rates and benefits from superannuation are untaxed. Any costs associated with superannuation investments are deductible under the benchmark.

As discussed in Chapter One, in 2017, Treasury will explore reporting savings tax expenditures against an expenditure tax benchmark in future editions of the Tax Expenditures Statement, in addition to an income tax benchmark.

Fringe benefits

Under the income tax benchmark:

- fringe benefits are classified as individual employee income;
- the tax base includes property rights, privileges or services. However, payments of salary or wages, eligible termination payments, contributions to complying superannuation funds and certain benefits arising from employee share schemes are excluded;
- the benchmark value of a fringe benefit to an employee is taken to be its market value less any contribution that the employee pays from after-tax income;

- the tax rate is the employee's marginal income tax rate;
- fringe benefits tax is calculated on the grossed-up taxable value (that is, the pre-tax equivalent value) of the fringe benefit. In some cases, discount valuation methods are available to calculate the taxable value of a fringe benefit. Such methods are reported as tax expenditures;
- the tax unit is the employer (as the relevant legislation makes employers liable for the tax);
- generally, employers may claim the cost of providing fringe benefits and the amount of fringe benefits tax paid as income tax deductions; and
- the tax period is the fringe benefits tax year (1 April to 31 March).

INDIRECT TAX BENCHMARKS

The main indirect taxes are:

- the goods and services tax;
- taxes on commodities such as fuel, tobacco, alcoholic beverages and motor vehicles;
- crude oil excise and the Petroleum Resource Rent Tax; and
- miscellaneous taxes such as agricultural levies and the passenger movement charge.

Unlike the income tax benchmark, there is no starting point such as the Schanz-Haig-Simons definition of income for determining the benchmarks for indirect taxes. Each indirect tax therefore has its own benchmark that reflects the standard features of the tax in question. Identifying the standard features of a tax unavoidably involves judgment.

Generally, for each tax, the tax unit under the benchmark is the entity that has the legal obligation to pay the tax.

Goods and services tax

The goods and services tax (GST) is a broad-based consumption tax charged at the rate of 10 per cent. While it is payable at each step of the supply chain, firms are normally able to claim an input tax credit (ITC) for the GST they pay on their inputs.

The supply of certain goods and services is either:

- GST-free – that is, where no GST is payable on the supply and the supplier is entitled to claim ITCs; or

- input-taxed – that is, where no GST is payable on the supply but the supplier cannot claim ITCs (or can only claim reduced credits).

ITCs do not constitute tax expenditures as they are an integral part of the GST system, ensuring that the economic incidence of the tax usually falls on final consumers.

Broadly, the tax base for the GST benchmark is the supply of all goods and services in Australia. The definition of 'goods and services' is broad and includes, for example, commercial property. Other features of the benchmark tax base include:

- exports are exempt from GST;

- non-commercial activities of governments are exempt from GST;

- the supply of private residential accommodation[5] is input-taxed (meaning rent is not subject to GST);

- the sale of pre-existing residential premises is input-taxed;

  – the sale of new residential premises and the supply of alterations, additions and improvements to residential premises are subject to GST;

- goods and services supplied to oneself are not subject to GST.

The tax unit for the GST benchmark is the supplier of goods or services (consistent with the legal incidence of the tax). Exceptions include 'reverse charging', where the purchaser is liable to pay GST. Reverse charging occurs in limited situations where goods or services are imported (for example, where an overseas supplier itself imports goods into Australia and installs them, this supplier and the Australian purchaser may agree that the purchaser pays the GST).

The tax rate for the GST benchmark is 10 per cent.

The tax period for the GST benchmark is the financial year (1 July to 30 June).

Fuel

The Australian Government imposes a volumetric tax on the consumption of fuel (that is, tax is charged as a fixed proportion of the quantity sold).

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5 Including owner-occupied housing and long-term commercial residential accommodation.

The tax base for the consumption of all fuel (or energy) is split into two activities:

- fuels consumed in an internal combustion engine (that is, primarily for transport use); and
- fuels consumed for a purpose other than in an internal combustion engine (for example, a product that can be used as a fuel in an internal combustion engine but is used in a solvent application or for heating).

The taxation of these activities reflects longstanding and integral features of the tax system whereby excise rates are dependent on whether the fuel is used in an internal combustion engine.

The benchmark excise rates for fuels consumed in an internal combustion engine are the full energy content based rates established using an energy band system and in reference to the rate applying high energy content fuels. The bands used are:

- high energy content fuels, with an energy content of more than 30 megajoules per litre (such as petrol, diesel, biodiesel and aviation fuel);
- medium energy content fuels, with an energy content between 20 and 30 megajoules per litre (such as liquefied petroleum gas (LPG) and fuel ethanol), and an excise rate approximately two-thirds of that applying to high energy content fuels;
- low energy content fuels, with an energy content of less than 20 megajoules per litre (such as methanol), and an excise rate approximately 45 per cent of that applying to high energy content fuels; and
- liquefied natural gas (LNG) and compressed natural gas (CNG) fuels, which are taxed on a mass basis using a conversion rate of approximately 1.37 litres per kilogram.[6]

Fuels consumed other than in an internal combustion engine are exempt from excise under the benchmark.

Tobacco

The Australian Government imposes a volumetric tax on the consumption of tobacco (that is, tax is charged as a fixed proportion of the quantity sold).

The benchmark for the consumption of tobacco and tobacco products is the excise rate that applies to tobacco by weight of tobacco content.

6 For example, 38.143 cents per litre multiplied by 1.37 litres per kilogram becomes 52.26 cents per kilogram.

Alcoholic beverages

The Australian Government imposes volumetric taxes on the consumption of beer and spirits (that is, tax is charged as a fixed proportion of the quantity sold) and an ad valorem tax on the consumption of wine (that is, tax is charged as a fixed proportion of the value of the commodity sold).

The tax base for the consumption of alcoholic beverages is separated into three components based on the types of beverage:

- the consumption of lower alcohol content beverages (beverages not exceeding 10 per cent alcohol content) such as beer and ready to drink beverages;
- the consumption of higher alcohol content beverages (beverages with greater than 10 per cent alcohol content) such as brandy and other spirits; and
- the consumption of wine and alcoholic cider.

The taxation of these activities reflects a longstanding feature of the tax system whereby different tax rates apply to beer, spirits and wine.

- The benchmark excise rate for lower alcohol content beverages (for example, beer) is the volumetric excise rate that applies to full strength packaged beer (including the excise-free threshold of the first 1.15 per cent of alcohol).
- The benchmark excise rate for higher alcohol content beverages (for example, spirits) is the volumetric excise rate on spirits other than brandy.
- The benchmark rate for wine and alcoholic cider is the ad valorem wine equalisation tax rate.

Motor vehicles

Generally, motor vehicle purchases are only subject to goods and services tax. Consequently, the luxury car tax is a negative tax expenditure.

Customs duties

The customs duty benchmark treats goods imported into Australia as being subject to the same taxes on consumption as domestically produced goods. The main domestic consumption taxes are goods and services tax and excise-equivalent customs duties on tobacco, alcohol and fuel. Customs duty (other than on excise-equivalent goods) therefore constitutes a negative tax expenditure.

Natural resources

The natural resources benchmark only applies to the extraction of petroleum products (crude oil, natural gas, LPG, condensate and coal seam gas) with some variation in treatment before and after the expansion of the Petroleum Resource Rent Tax (PRRT) on 1 July 2012. The benchmark does not apply to the extraction of other natural resources.

From 1 July 2012, the PRRT applies to all petroleum production offshore and onshore (including coal seam gas). Consequently, the natural resources benchmark applying from 1 July 2012 is based on the new taxation arrangements and applies to all petroleum and coal seam gas.

The benchmark is a 40 per cent tax rate on the economic rents earned on the extraction of these resources. There is a full tax-loss offset which can be utilised by transferring tax losses among commonly owned projects that are subject to the same tax rate. The tax unit is the project interest.

The benchmark also includes immediate expensing of project expenditures. To the extent that losses are carried forward because they cannot be utilised immediately, they are uplifted at the long-term government bond rate (a proxy for the risk-free rate). The uplift rate compensates investors for the delay in the recognition of the tax credit and preserves the value of the tax credit over time. A refund of unutilised tax credits is available when the project closes down.

Under the arrangements applying from 1 July 2012, crude oil excise is still payable in respect of certain petroleum production, and is creditable against the project's PRRT liabilities. Where this occurs, the crude oil excise paid in a period is treated as a prepayment of the PRRT liability for that period. To the extent that the tax prepayment exceeds the PRRT liability in a year, a negative tax expenditure arises for the year, while credits for overpayments recouped in subsequent years would count as positive tax expenditures in those years.

Passenger Movement Charge

The Passenger Movement Charge is a flat charge imposed on persons upon their departure from Australia. Exemptions from the charge create a tax expenditure.

Primary industry levies

Primary industry levies provide collective industry funding for activities such as research and development, promotion and marketing, residue testing and plant and animal health programs. The levies are levied on the volume or value of the relevant type of produce. Exemptions from levies create tax expenditures (except exemptions for products which are unfit for human consumption or exemptions for products used by the producer for domestic purposes).

B.4 Modelling tax expenditures

This section provides an overview of the various modelling techniques used in the TES to estimate the value of tax expenditures.

The methods used to calculate the estimates of individual tax expenditures in this statement vary. The appropriate approach is determined by the nature of the tax benchmark, the particular tax concession examined and the availability of data. Data availability is a major factor influencing the reliability of the estimates and, in many cases, estimates are not provided owing to data limitations.

The approaches used to estimate tax expenditures include aggregate modelling, distributional modelling and microsimulation. The approach most commonly used is distributional modelling.

AGGREGATE MODELLING

This approach involves using information on the aggregate volume of transactions to calculate the value of a particular tax concession. Aggregate modelling is an appropriate approach for measuring tax exemptions or concessions where the impact can be represented as a simple proportion of the total transactions concerned. Data sources suitable for aggregate modelling include national accounts data, trade and production statistics, and aggregates derived from administrative databases (such as taxation records).

Aggregate modelling is used to estimate tax expenditures for fuel excise. Tax expenditures for exemptions or reduced excise rates can be estimated from statistics on the aggregate volume of fuels produced.

DISTRIBUTIONAL MODELLING

This approach involves using discrete aggregate data to calculate the impact of tax concessions on particular segments of the economy. Distributional modelling is an appropriate approach for measuring concessions that vary according to the characteristics of the taxpayer. Data sources suitable for distributional modelling include survey data and data derived from administrative databases.

Distributional modelling is used to estimate tax expenditures for personal income tax concessions when the cost is related to a taxpayer's taxable income. For these concessions, data on income distribution and tax concessions by grade of taxable income can be used to estimate the cost of tax expenditures for those concessions.

MICROSIMULATION

This approach involves examining detailed datasets, such as taxpayer records, to determine the value of taxable transactions for each taxpayer. The value of the tax expenditure is the difference between the tax paid on those transactions under the concession and the tax that would have been collected under the benchmark. Microsimulation modelling requires either a comprehensive database of all taxpayers or a detailed sample that is representative of the population. The data must provide sufficient detail on the value of transactions affecting the calculation of tax liabilities to allow the required calculations.

Microsimulation modelling is used to estimate tax expenditures that closely target particular taxpayer groups (for instance, benefits subject to detailed eligibility tests) and concessions where the payment rate varies considerably according to taxpayer behaviour or circumstance.

Microsimulation modelling can also be used to derive key information, such as average effective tax rates, which can be used in other models that employ aggregate or distributional modelling. This is appropriate for situations where detailed datasets are not available for all items.

REVENUE FORGONE ESTIMATES – DOUBLE COUNTING AND CLAWBACKS

Treatment of imputation

The value of some concessions reported in this statement is partially offset as a result of the imputation system. For example, concessions that reduce company tax may be clawed back through the subsequent taxation of dividends in the hands of shareholders. The estimates in this statement generally make no allowance for this clawback owing to the practical difficulties of doing so.

Income tax clawback

In addition, the value of some tax expenditures can include an income tax clawback. An income tax clawback will occur when a taxpayer's taxable income is affected by the operation of a particular tax expenditure.

For example, an income tax clawback can occur in respect of taxes that are deductible for income tax purposes and that are not passed on to final consumers through higher prices. That is, while a tax expenditure may offer a concession to a group of taxpayers or type of activity, if that concession were removed, there would be a resulting increase in deductible expenses and decrease in income tax paid that would partially offset the additional tax liability.

Tax expenditure estimates for consumption taxes generally do not include an income tax clawback as consumption taxes are usually assumed to be passed onto final consumers, resulting in no change to the taxable income of the taxpayer. Tax expenditure estimates for other taxes can include an income tax clawback where the tax is assumed to be borne by the taxpayer.

Capital gains tax estimates

Under the income tax benchmark as it applies to CGT, nominal capital gains are fully taxable upon realisation. The most significant tax expenditure against this benchmark is the 50 per cent discount for capital gains realised by resident individuals and trusts, which affects most capital gains realised by these entities.

Individuals and trusts may also be eligible for other CGT concessions. The revenue forgone methodology that is generally used in this statement implies that estimates for these other CGT concessions should be calculated against the benchmark of full taxation of nominal capital gains.

To avoid double counting, the values of tax expenditures for other CGT concessions are reduced by the CGT discount component and the discount component of these other concessions is included in the tax expenditure for the CGT discount (E13). This modification to the tax expenditure methodology provides more realistic estimates of the value of the benefits taxpayers receive from capital gains concessions in aggregate, though it has the effect of understating the value of individual CGT tax expenditures other than the discount.

B.5 Accrual estimates

Like budget revenue estimates, tax expenditures estimates are prepared in accordance with Australian Accounting Standards and Government Finance Statistics standards for accrual accounting.

Broadly, tax expenditures arising from the following taxes use the Tax Liability Method (TLM) method of accrual accounting:

- individuals and other withholding taxation;
- company income taxation; and
- superannuation taxation.[7]

Under TLM, taxation revenue is accounted for at the time a taxpayer makes a self-assessment or when an assessment of a taxation liability is raised by the relevant authority (such as the Australian Taxation Office).

Tax expenditures arising from indirect taxes, natural resource taxes and fringe benefits tax use the Economic Transactions Method, under which tax revenue is recognised in the reporting period in which the taxpayer earns the income in question.

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7 These three forms of taxation also incorporate capital gains taxation.

APPENDIX C: CHANGES TO TAX EXPENDITURES IN 2016

This Appendix provides an outline of the changes to the list of tax expenditures since the 2015 Tax Expenditures Statement. Since the 2015 TES, one new tax expenditure has been added, several tax expenditures have been modified and two tax expenditures have been deleted. Six significant reporting modifications have also been made.

C.1 New tax expenditures

Table C.1 reports new tax expenditure items arising from measures that have been announced since the 2015 TES up to the date of the *2016-17 Mid-Year Economic and Fiscal Outlook*.

Table C.1: New tax expenditures

TES code	Tax expenditure title	Reason for new tax expenditure
A35	Working Holiday Makers	New policy measure reported in the 2016-17 MYEFO

C.2 Modified tax expenditures

Table C.2 reports tax expenditures that have been modified since the 2015 TES. Tax expenditures can be modified by, for example, a change to a benchmark or a revenue measure announced since the 2015 TES.

Table C.2: Modified tax expenditures

TES code	Tax expenditure title	Modification
A19	Medicare levy exemption for residents with taxable income below the low-income thresholds	The Medicare levy low-income thresholds for singles, families and seniors and pensioners have been increased from the 2015-16 income year.
A27	Exemption of Child Care Assistance payments	The implementation of the Child Care Subsidy will be deferred by one year to 1 July 2018.
B58	Tax incentives for early stage investors	The capital gains tax exemption is capped at ten years and investments must be held for at least 12 months.
C2	Concessional taxation of employer superannuation contributions	See p64.
C3	Concessional taxation of personal superannuation contributions	See pp64-65.
C4	Concessional taxation of superannuation entity earnings	See p65.
C7	Superannuation measures for low-income earners	See p66.
C8	Tax on excess non-concessional superannuation contributions	See p67.
C9	Tax on funded superannuation income streams	See p67.

Table C.2: Modified tax expenditures (continued)

TES code	Tax expenditure title	Modification to the tax expenditure
F16	Excise concession for breweries	Domestic distilleries and producers of low strength fermented beverages can claim the concession after 1 July 2017.
F20	Wine equalisation tax producer rebate	The WET rebate cap will reduce to $350,000 and new eligibility criteria will apply from 1 July 2018.
F21	Certain exemptions for diplomatic missions and foreign diplomats	The Indirect Tax Concession Scheme has been extended to Cyprus, Estonia, Finland and the Organisation for the Prohibition of Chemical Weapons.
H7	Diplomats, diplomatic missions and approved international organisations	The Indirect Tax Concession Scheme has been extended to Cyprus, Estonia, Finland and the Organisation for the Prohibition of Chemical Weapons.
H12	Importation threshold	From 1 July 2017 overseas vendors that have an Australian turnover of $75,000 or more will be required to collect and remit GST for low value goods ($1,000 or less) supplied to consumers in Australia.

In addition, small business tax expenditures were affected by the increase in the small business entity annual turnover threshold from $2 million to $10 million from 1 July 2016.

C.3 Deleted tax expenditures

Table C.3 reports tax expenditures that have been deleted since the 2015 TES. Tax expenditures were deleted where legislation to abolish them commenced before the 2016-17 MYEFO unless, for example, the tax expenditure continued to generate significant revenue forgone estimates in future years.

Table C.3: Deleted tax expenditures

2015 TES code	Tax expenditure title	Reason for deletion
B2	National Guarantee Fund payment exemption	This exemption was repealed by the *Omnibus Repeal Day (Autumn 2015) Act 2016.*
B17	Regional headquarters set-up cost deduction	This exemption was repealed by the *Omnibus Repeal Day (Autumn 2015) Act 2016.*

C.4 Reporting modifications

Table C.4 lists significant reporting modifications made to tax expenditures since the 2015 TES.

Table C.4: Reporting modifications

2015 TES code	Tax expenditure title	Modification
C4	Concessional taxation of lump sum payments for unused recreation and long service leave (now A23)	
C5	Concessional taxation of non-superannuation termination benefits (now A24)	Moved from the retirement savings section to the personal income section.
C8	Concessional taxation of unused long service leave accumulated prior to 16 August 1978 (now A25)	
C14	Exemption of foreign termination payments (now A36)	
B46	Unincorporated small business tax discount	This tax expenditure was included in *B46 Concessional taxation for small business* in the 2015 TES. It is now reported separately at B61.
E31	Exemption for certain investments in venture capital	This tax expenditure is now incorporated into *B56 Tax exemption for Venture Capital Limited Partnerships and Early Stage Venture Capital Limited Partnerships.*

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