APPENDIX B: CHANGES TO TAX EXPENDITURES IN 2012

This Appendix provides an outline of the changes to the list of tax expenditures since the 2011 Tax Expenditures Statement. Since the 2011 TES, nine new tax expenditures have been added, 31 tax expenditures have been modified and 10 tax expenditures have been deleted.

B.1 NEW TAX EXPENDITURES

Table B.1 reports new tax expenditure items arising from measures that have been announced since the 2011 TES up to the date of the *Mid-Year Economic and Fiscal Outlook 2012-13*. The table also reports existing measures that were not previously reported as tax expenditures, but which have been recently identified as tax expenditures.

Table B.1: New tax expenditures

TES code	Tax expenditure description	Reason for new tax expenditure
INCOME TAX		
Personal income		
A29	The Schoolkids Bonus (replacing the Education Tax Refund (ETR)) and the one-off transitional ETR lump sum payment for 2011-12 are exempt from income tax.	New policy measure reported in the 2012-13 Budget.
Business income		
B19	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 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 as 'information exchange countries'.	New policy measure reported in the 2012-13 Mid-Year Economic and Fiscal Outlook.
B33	The International Cricket Council will be exempt from income tax for the 2015 Cricket World Cup to be held in Australia.	New policy measure reported in the 2012-13 Mid-Year Economic and Fiscal Outlook.

Table B.1: New tax expenditures (continued)

TES code	Tax expenditure description	Reason for new tax expenditure
B40	Qualifying primary producers are able to claim a 15 per cent refundable tax offset on the cost of an eligible seeder installed ready for use between 1 July 2012 and 30 June 2015.	Existing measure not previously recognised as a tax expenditure.
B109	The benchmark treatment for tax losses is that they can be carried forward to be deducted in a future year. From the 2012-13 income year, the loss carry-back treatment departs from the benchmark by allowing them to be carried back to an earlier year instead. Loss carry-back allows corporate tax entities to carry their tax losses back up to two years as an alternative to carrying them forward as a deduction in a future year. The amount carried back is limited to $1 million a year and produces an offset equal to the amount carried back multiplied by that year's corporate tax rate. The offset is further limited to the tax liability of the year(s) the loss was carried back to and to the balance in the entity's franking account at the end of the current year. Only losses that were not transferred from another entity can be carried back.	New policy measure reported in the 2012-13 Budget.
Fringe Benefits Tax		
D15	Meals provided on working days to employees of primary producers who are carrying on business in remote areas are exempt from fringe benefits tax.	Reporting modification. This tax expenditure was previously reported as a component of *Exemption for employees living away from home* (D46).
INDIRECT TAXES		
Commodity and other indirect taxes		
F7	Wine equalisation tax and excise-equivalent customs duty are not imposed for tobacco and alcohol products brought into Australia by inbound international travellers, within an allowance.	Existing measure not previously recognised as a tax expenditure.
Carbon Pricing Mechanism		
I5	Certain products are exempt from the equivalent carbon price applied to synthetic greenhouse gases.	New policy measure reported in the 2012-13 Budget.
I8	Emissions from the Joint Petroleum Development Area and the Greater Sunrise Unit Area will be effectively excluded from the CPM from 1 July 2012 until 30 June 2015, or until final regulations are made under the Clean Energy Act 2011. This is to allow consultation with Timor-Leste concerning the application of the CPM.	New policy measure reported in the 2012-13 Mid-Year Economic and Fiscal Outlook.

B.2 MODIFIED TAX EXPENDITURES

Table B.2 reports tax expenditures that have been modified since they were last reported in the 2011 TES (the respective tax expenditure reference codes from this Statement and the 2011 TES are shown in the first two columns of the table).

Modified tax expenditures refer to tax expenditures that have changed materially, for example because of a change to the benchmark, a measure that has been announced since the 2011 TES, a decision to remove a tax expenditure in a certain year, an amalgamation or split of tax expenditures, or the inclusion of a new element to an existing tax expenditure.

Table B.2: Modified tax expenditures

TES code			
2012	**2011**	**Modification to the tax expenditure**	**Nature of modification**
INCOME TAX			
Personal income			
A17	A17	The Education Tax Refund was replaced by the Schoolkids Bonus on 26 May 2012.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.
A23	A24	The net medical expenses tax offset is means tested from 1 July 2012.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.
A30	A30	Exemptions from the flood levy have been extended to include those who have been affected by a natural disaster in 2011-12.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget
A35	A35	From 1 July 2012, the dependency tax offsets have been consolidated into a single offset that is only available for taxpayers who maintain a dependent who is unable to work due to invalidity or carer obligations.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.
A36	A36	From 1 July 2012, the dependency tax offsets have been consolidated into a single offset that is only available for taxpayers who maintain a dependent who is unable to work due to invalidity or carer obligations.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.
A37	A37	The mature age worker tax offset is being phased out from 1 July 2012 for taxpayers born on or after 1 July 1957.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.
A38	A38	The marginal tax rate of 15 per cent (on the first $37,000 of income) will be imposed as a final withholding tax, rather than on an assessment basis as was the case under the now replaced Pacific Seasonal Workers Pilot Scheme.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.

Table B.2: Modified tax expenditures (continued)

TES code 2012	TES code 2011	Modification to the tax expenditure	Nature of modification
Business income			
B51	B50	A new loss wastage rule that limits the wastage of losses in respect of shipping losses only. The new rule will disregard 90 per cent of a shipping company's net exempt income when calculating a tax loss for an income year.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.
B52	B51	The rate of the seafarer refundable tax offset increased from 27 per cent to 30 per cent.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.
B66	B66	The new tax system for managed investment trusts has been deferred by one year to 1 July 2014.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Mid-Year Economic and Fiscal Outlook.
B90	B92	Improvements to the exploration and prospecting deduction modelling methodology and data.	Modelling updates.
B108	B111	The withholding tax rate for fund payments made to residents of exchange of information countries has been increased from 7.5 per cent to 15 per cent.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.
Retirement savings			
C3	C3	From 1 July 2012, only that part of an employment termination payment (ETP) that takes a person’s total annual taxable income (including the ETP) to no more than $180,000 will receive the ETP tax offset. Any ETP amounts above this whole of income cap will be taxed at marginal rates.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.
C5	C5	The increase in the concessional contributions cap for individuals aged 50 and over with superannuation balances below $500,000 was deferred by two years to now commence on 1 July 2014. Further, from 1 July 2012, individuals with incomes greater than $300,000 will have the tax concession on their contributions reduced from 30 per cent to 15 per cent (excluding the Medicare Levy).	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.
Fringe Benefits Tax			
D22	D21	From 22 October 2012, concessional FBT treatment is no longer available for in-house fringe benefits accessed by way of a salary sacrifice arrangement.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Mid-Year Economic and Fiscal Outlook.
D24	D23	The method of determining the taxable value of airline transport fringe benefits provided after 8 May 2012 changed from stand-by value to market value.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.

Table B.2: Modified tax expenditures (continued)

TES code			
2012	2011	Modification to the tax expenditure	Nature of modification
D36	D35	From 22 October 2012, concessional FBT treatment is no longer available for public transport employee commuter travel fringe benefits accessed by way of a salary sacrifice arrangement.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Mid-Year Economic and Fiscal Outlook.
D46	D45	From 1 October 2012, employees will be required to maintain a home in Australia for their immediate use, from which they have to live away from, for work purposes. Employees will also need to substantiate their actual expenditure on accommodation and food (where that component exceeds the reasonable amounts determined by the Commissioner of Taxation). There will be a 12-month limit on access to the concession, except for fly-in, fly-out and drive-in, drive-out workers.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.
D49	D48	From 22 October 2012, concessional FBT treatment is no longer available for in-house fringe benefits accessed by way of a salary sacrifice arrangement.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Mid-Year Economic and Fiscal Outlook.
Capital Gains Tax			
E8	E8	Taxpayers eligible for an automatic CGT exemption will not be prevented from choosing the same CGT treatment available to other taxpayers under the relief. Taxpayers that participate in an eligible land swap program for natural disasters in relation to their main residence can now treat the replacement land they receive under the program as their main residence.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.
E14	E14	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.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.
E15	E15	The revenue asset and trading stock roll-overs that apply to the exchange of interests in a company or unit trust for shares in another company have been broadened.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.
E17	E17	The CGT discount will be removed for non-resident individuals on capital gains accrued after 8 May 2012.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.
E28	E28	A loss transfer is available for the transfer by Commonwealth Superannuation Corporation of losses from the MSB Fund to the ARIA Investments Trust.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Mid-Year Economic and Fiscal Outlook.

Table B.2: Modified tax expenditures (continued)

TES code			
2012	2011	Modification to the tax expenditure	Nature of modification
E29	E29	The integrity provisions of the CGT scrip for scrip roll-over were amended to remove significant tax minimisation opportunities.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.
INDIRECT TAXES			
Commodity and other indirect taxes			
F4	F5	The commercial television broadcasters' 50 per cent license fee rebate was extended by six months to 30 June 2012.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.
F5	F3	The rate of the Passenger Movement Charge increased from $47 to $55 on 1 July 2012.	Modification to an existing tax expenditure as a result of policy measures reported in the 2012-13 Budget and 2012-13 Mid-Year Economic and Fiscal Outlook.
F12	F11	Estimates for excise levied on cigarettes are not reported due to taxpayer confidentiality.	Reporting modification.
F19	F18	The microbreweries excise refund scheme has been extended to all breweries regardless of their levels of production, and the maximum excise refund amount has been increased from $10,000 to $30,000.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2012-13 Budget.
F21	F20	As of 1 December 2012, wine producers are not able to claim multiple rebates for the same quantity of wine, arising where wine is subject to blending and/or further manufacture.	Modification to an existing tax expenditure as a result of policy measures reported in the 2012-13 Budget and 2012-13 Mid-Year Economic and Fiscal Outlook.
Goods and Services Tax			
H11	H11	Improvements to modelling methodology and data.	Modelling updates.
H21	H21	Improvements to modelling methodology and data.	Modelling updates.

B.3 DELETED TAX EXPENDITURES

Table B.3 reports tax expenditures that have been deleted since the 2011 TES. Deleted tax expenditures generally arise because the relevant tax provisions have been abolished or cease to have effect within the reported time horizon of a particular TES. Deleted tax expenditures do not include tax expenditures that have been abolished but are still relevant to some years within the reported time horizon.

Table B.3: Deleted tax expenditures

TES code	Tax expenditure description	Reason for deletion
2011		
INCOME TAX		
Personal income		
A20	From 2003-04, a specific tax deduction was available for all medical practitioners (including retirees) required to pay United Medical Protection Limited support payments, equal to the full amount of the payment.	This no longer has an impact over the reported time horizon.
A60	Australian resident individuals were to be provided with a 50 per cent tax discount on up to $500 of interest income from 1 July 2013, and up to $1,000 of interest income from 1 July 2014.	Government decision not to proceed with this announced but not enacted policy.
A67	Individual taxpayers were to be provided with an optional standard deduction of $500 in 2013-14 and $1,000 from 2014-15 in lieu of claiming work-related expenses and the cost of managing tax affairs.	Government decision not to proceed with this announced but not enacted policy.
Business income		
B32	The former Australian Film Finance Corporation was exempt from income tax. The Australian Film Finance Corporation was wound up as of 1 July 2008 and its functions are now performed by Screen Australia.	This no longer has an impact over the reported time horizon.
B41	Grants to individuals who exited the sugar industry under the Sugar Industry Reform Program were exempt from tax if the recipient remained out of the agricultural industry for at least five years.	This no longer has an impact over the reported time horizon.
B58	From 2012-13, the tax rate for small business companies with an aggregated annual turnover of less than $2 million was to have been reduced from 30 per cent to 29 per cent, one year earlier than other companies.	Government decision not to proceed with this announced but not enacted policy.

Table B.3: Deleted tax expenditures (continued)

TES code	Tax expenditure description	Reason for deletion
2011		
B76	Amounts paid by investors in 2005-06 and 2006-07 for shares in a film licensed investment company were immediately deductible. The deduction does not apply to shares issued after 30 June 2007.	This no longer has an impact over the reported time horizon.
B91	For major projects approved by the Development Allowance Authority, 10 per cent of capital expenditure on plant and equipment, including motor vehicles and primary production, was immediately deductible. Registrations for projects closed on 31 July 1996 for plant and equipment that was first used or installed ready for use before 1 July 2002.	This no longer has an impact over the reported time horizon.
B109	Businesses that significantly improved the energy efficiency of certain existing commercial buildings between 1 July 2012 and 30 June 2016 were going to be able to apply for a one-off bonus tax deduction.	Government decision not to proceed with this announced but not enacted policy.
Retirement savings		
C16	Retirement savings amounts transferred from a New Zealand KiwiSaver account to an Australian APRA regulated complying superannuation fund will be treated as non-concessional contributions.	Reporting modification. This exemption is already covered by the underlying superannuation tax expenditures (notably C6).