

# APPENDIX A: POLICY DECISIONS TAKEN SINCE THE 2016 PEFO

## Revenue Measures

**Table 1: Revenue measures since the 2016 PEFO<sup>(a)</sup>**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>AGRICULTURE AND WATER RESOURCES</b>					
	<i>Department of Agriculture and Water Resources</i>					
101	Changes to agricultural production levies	-	0.5	0.9	0.9	0.9
	<b>Portfolio total</b>	-	<b>0.5</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
	<b>ATTORNEY-GENERAL'S</b>					
	<i>Attorney-General's Department</i>					
138	Safer Communities Fund(b)	-	11.1	-	-	-
	<i>Australian Federal Police</i>					
102	Australian Federal Police — not proceeding partial cost recovery of airport policing	-	-41.7	-43.0	-44.3	-45.6
	<b>Portfolio total</b>	-	<b>-30.7</b>	<b>-43.0</b>	<b>-44.3</b>	<b>-45.6</b>
	<b>COMMUNICATIONS AND THE ARTS</b>					
	<i>Departments of Communications and the Arts</i>					
103	NBN Co Limited — loan	-	-	175.4	462.1	611.7
103	Regional Broadband Scheme (b)	-	-	410.0	590.0	725.0
	<b>Portfolio total</b>	-	-	<b>585.4</b>	<b>1,052.1</b>	<b>1,336.7</b>
	<b>CROSS PORTFOLIO</b>					
	<i>Various Agencies</i>					
105	Commonwealth penalty unit — increase in value	-	-	40.0	25.0	25.0
	<b>Portfolio total</b>	-	-	<b>40.0</b>	<b>25.0</b>	<b>25.0</b>
	<b>DEFENCE</b>					
	<i>Department of Defence</i>					
143	Operation Highroad — extension(b)	-	-	-	-	-
	<b>Portfolio total</b>	-	-	-	-	-
	<b>EDUCATION AND TRAINING</b>					
	<i>Department of Education and Training</i>					
148	VET Student Loans — establishment(b)	-	-116.6	-127.8	-50.2	-120.0
	<b>Portfolio total</b>	-	<b>-116.6</b>	<b>-127.8</b>	<b>-50.2</b>	<b>-120.0</b>
	<b>EMPLOYMENT</b>					
	<i>Department of Employment</i>					
106	Fair Entitlements Guarantee — recovery program — continuation and expansion(b)	-	15.8	47.0	50.5	52.5
	<b>Portfolio total</b>	-	<b>15.8</b>	<b>47.0</b>	<b>50.5</b>	<b>52.5</b>

Appendix A: Policy decisions taken since the 2016 PEFO

**Table 1: Revenue measures since the 2016 PEFO <sup>(a)</sup> (continued)**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>ENVIRONMENT AND ENERGY</b>					
	<i>Department of the Environment and Energy</i>					
154	Green Army Program — termination(b)	-	nfp	nfp	nfp	-
	<b>Portfolio total</b>	-	-	-	-	-
	<b>FINANCE</b>					
	<i>Department of Finance</i>					
157	Asset Recycling Fund — not proceeding(b)	-	-	-184.1	-234.6	-228.9
193	National Disability Insurance Scheme — more flexible Commonwealth funding arrangements(b)	-	-0.1	-0.1	-0.1	..
159	Supporting Australia's Future Shipbuilding Capability — ASC Pty Ltd structural changes(b)	-	3.5	-	-	-
	<b>Portfolio total</b>	-	<b>3.4</b>	<b>-184.3</b>	<b>-234.7</b>	<b>-229.0</b>
	<b>HEALTH</b>					
	<i>Australian Aged Care Quality Agency</i>					
163	Aged Care Provider Funding — addressing growth in residential aged care(b)	-	-	-10.8	-	-
	<i>Department of Health</i>					
168	Pharmaceutical Benefits Scheme — new and amended listings(b)	-	nfp	nfp	nfp	nfp
171	Regulation of Medicinal Cannabis — charging arrangements(b)	-	0.6	0.9	0.9	0.9
	<b>Portfolio total</b>	-	<b>0.6</b>	<b>-9.9</b>	<b>0.9</b>	<b>0.9</b>
	<b>IMMIGRATION AND BORDER PROTECTION</b>					
	<i>Department of Immigration and Border Protection</i>					
107	Singapore-Australia Free Trade Agreement Working holiday makers	-	..	..	..	..
107	– increasing the passenger movement charge	-	-	55.0	100.0	105.0
108	– maintain at \$440 the visa application charge for the working holiday maker visa (subclass 417 and 462)	-	-	-	-	-
	<b>Portfolio total</b>	-	<b>..</b>	<b>55.0</b>	<b>100.0</b>	<b>105.0</b>

**Table 1: Revenue measures since the 2016 PEFO <sup>(a)</sup> (continued)**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>INDUSTRY, INNOVATION AND SCIENCE</b>					
	<i>Department of Industry, Innovation and Science</i>					
178	National Positioning Infrastructure Program — Satellite-Based Augmentation System (SBAS) test(b)	-	6.0	-	-	-
	<b>Portfolio total</b>	-	<b>6.0</b>	-	-	-
	<b>INFRASTRUCTURE AND REGIONAL DEVELOPMENT</b>					
	<i>Department of Infrastructure and Regional Development</i>					
109	Sunshine Coast Airport Concessional Loan(b)	-	-	-	nfp	nfp
	<i>National Capital Authority</i>					
186	Australian Parliament House Parking(b)	-	-0.2	-0.8	-0.8	-0.8
	<b>Portfolio total</b>	-	<b>-0.2</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>
	<b>SOCIAL SERVICES</b>					
	<i>National Disability Insurance Agency</i>					
193	National Disability Insurance Scheme — more flexible Commonwealth funding arrangements(b)	-	-3.6	-	-	-
	<b>Portfolio total</b>	-	<b>-3.6</b>	-	-	-
	<b>TREASURY</b>					
	<i>Australian Prudential Regulation Authority</i>					
197	SuperStream Program — Gateway Network Governance Body(b)	-	-	-	0.6	0.7
	<i>Australian Taxation Office</i>					
191	Extending Existing Freezes on Certain Family Payment Thresholds(b)	-	..	..	-2.0	-4.0
110	Finalised changes to the wine equalisation tax rebate and introduction of the Wine Tourism and Cellar Door grant	-	-	-30.0	20.0	-70.0
143	Operation Highroad — extension(b)	-	-	-	-	-
	Personal income tax					
110	– new treatment of fringe benefits for tax offset purposes	-	-	..	5.5	8.0
111	– tax relief for ex gratia disaster assistance payments	-	..	..	-	-
111	Research and Development Tax Incentive — rate reduction start date	-	-220.0	-30.0	-	-
112	Superannuation Reform Package — amendments	-	-50.0	-150.0	20.0	50.0
	Tax integrity					
112	– franked distributions funded by capital raisings	-	-	10.0	10.0	10.0
113	– improve the transparency of taxation debts	-	-	-	-	-

Appendix A: Policy decisions taken since the 2016 PEFO

**Table 1: Revenue measures since the 2016 PEFO <sup>(a)</sup> (continued)**

Page		2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
	<b>TREASURY (continued)</b>					
	Working holiday makers					
114	– changing the rate of tax on departing Australia superannuation payments to working holiday makers	-	-	15.0	20.0	20.0
114	– delay commencement of the 2015-16 Budget measure to treat all working holiday makers as non-residents to 1 January 2017	-	-20.0	-20.0	-	-
115	– lowering the tax rate for all working holiday makers	-	-35.0	-105.0	-140.0	-140.0
	<i>Department of the Treasury</i>					
197	Professional Standards for Financial Advisers(b)	-	2.3	4.0	4.2	4.5
	<b>Portfolio total</b>	-	<b>-322.7</b>	<b>-306.0</b>	<b>-61.7</b>	<b>-120.9</b>
	<b>Decisions taken but not yet announced</b>	-	<b>41.6</b>	<b>73.5</b>	<b>28.1</b>	<b>99.2</b>
	<b>Total impact of revenue measures(c)</b>	-	<b>-406.0</b>	<b>130.0</b>	<b>865.8</b>	<b>1,104.0</b>

\* The nature of the measure is such that a reliable estimate cannot be provided.

.. Not zero, but rounded to zero.

- Nil.

nfp not for publication.

(a) A minus sign before an estimate indicates a reduction in revenue, no sign before an estimate indicates a gain in revenue.

(b) These measures can also be found in the expense measures summary table.

(c) Measures may not add due to rounding.

## AGRICULTURE AND WATER RESOURCES

### Changes to agricultural production levies

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Agriculture and Water Resources	-	0.5	0.9	0.9	0.9
<i>Related expense (\$m)</i>					
<i>Department of Agriculture and Water Resources</i>	-	-5.4	-10.9	0.1	0.1

The Government will make changes to the following agricultural levies and export charges to meet changes in the funding needs of the agricultural industry and the industry organisations they support:

- Red meat slaughter levy: from 1 January 2017 set the research and development (R&D) levy rate to zero for 18 months and equivalently increase the marketing levy rate, then from 1 July 2018 split the total levy paid into 60 per cent R&D and 40 per cent marketing in the following way:
  - Cattle slaughter: adjust the rate of the R&D levy to \$0.0036 per kilogram and marketing levy to \$0.0024 per kilogram;
  - Goat slaughter: adjust the rate of the R&D levy to \$0.06 per head and marketing levy to \$0.04 per head;
  - Lamb slaughter: adjust the rate of the R&D levy to \$0.096 per head and marketing levy to \$0.064 per head; and
  - Sheep slaughter: adjust the rate of the R&D levy to \$0.09 per head and marketing levy to \$0.06 per head.
- Melon levy: from 1 January 2017, establish the following:
  - R&D levy at a rate of \$0.003 per kilogram;
  - Plant Health Australia membership levy at a rate of \$0.001 per kilogram; and
  - Emergency Plant Pest Response levy at a nil rate.

## ATTORNEY-GENERAL'S

### Australian Federal Police — not proceeding partial cost recovery of airport policing

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Federal Police	-	-41.7	-43.0	-44.3	-45.6

The Government will not proceed with the partial cost recovery of costs for aviation security services that are provided by the Australian Federal Police at major international airports. The Government was concerned that this measure would contravene the long-standing principle that community policing is a public good that should be publicly funded, and would result in additional costs being passed on to passengers, in particular domestic passengers.

This measure reverses the 2012-13 Budget measure titled *Australian Federal Police – partial cost recovery of airport policing*.

## COMMUNICATIONS AND THE ARTS

### NBN Co Limited — loan

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Communications and the Arts	-	-	175.4	462.1	611.7

The Government will provide NBN Co Limited (NBN Co) with a loan of up to \$19.5 billion from 2017-18 to 2020-21 to support the completion of the National Broadband Network.

The Government is providing \$29.5 billion in equity to NBN Co which is expected to be fully expended in 2016-17. A Government loan on commercial terms represents the most cost effective way to raise the necessary debt and secure funding to complete the rollout of this important national infrastructure project.

The loan is expected to be provided to NBN Co over four years. The measure includes estimated revenue of \$1.574 billion over four years (including \$0.325 billion in 2020-21) from the interest paid by NBN Co (based on market conditions applying on 9 November 2016). The loan will be re-financed by NBN Co on external markets in 2020-21.

Further information can be found in the joint press release of 18 November 2016 issued by the Minister for Communications and the Minister for Finance.

### Regional Broadband Scheme

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Communications and the Arts	-	-	410.0	590.0	725.0
<i>Related expense (\$m)</i>					
<i>Australian Competition and Consumer Commission</i>	-	0.2	-	-	-
<i>Department of Communications and the Arts</i>	-	-	370.0	589.3	724.9
<i>Australian Communications and Media Authority</i>	-	-	0.1	0.1	..
<i>Total — Expense</i>	-	0.2	370.1	589.4	724.9
<i>Related capital (\$m)</i>					
<i>Australian Communications and Media Authority</i>	-	0.4	0.1	-	-

The Government will introduce the Regional Broadband Scheme (RBS) from 1 July 2017 to sustainably fund the long term costs of providing affordable broadband to regional and remote Australia via NBN Co Limited's (NBN Co) satellite and fixed wireless networks.

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Australian users of fixed wireless and satellite services will benefit from the RBS which will require all eligible fixed-line superfast broadband network operators to make a proportionate contribution. As the largest network operator, NBN Co will continue to be responsible for the overwhelming majority of funding for regional and rural broadband services.

This measure is estimated to have a positive impact of \$40.0 million on the fiscal balance and a negligible impact on the underlying cash balance over the forward estimates period. This difference occurs because the levy applies from 2017-18 but payments to NBN Co do not begin until 2018-19.



## CROSS PORTFOLIO

### Commonwealth penalty unit — increase in value

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Various Agencies	-	-	40.0	25.0	25.0

The Government will increase the value of the Commonwealth penalty unit from \$180 to \$210, with effect from 1 July 2017. The value will be indexed every three years in line with the CPI with the first indexation occurring on 1 July 2020 (this will supersede the indexation arrangements announced in the 2015-16 Budget). This measure is estimated to have a gain to revenue of \$90.0 million over the forward estimates period. In underlying cash balance terms this measure increases receipts by \$80.0 million over the forward estimates.

Penalty units are used to describe the amount payable for fines under Commonwealth laws. Fines are calculated by multiplying the value of one penalty unit by the number of penalty units prescribed for the offence. This measure ensures that financial penalties for Commonwealth offences keep pace with inflation and continue to remain effective in deterring unlawful behaviour.

## EMPLOYMENT

### Fair Entitlements Guarantee — recovery program — continuation and expansion

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Employment	-	15.8	47.0	50.5	52.5
<i>Related expense (\$m)</i>					
<i>Department of Employment</i>	-	27.4	40.3	40.5	40.6

The Government will achieve efficiencies of \$16.9 million over four years from 2016-17 by continuing the *Fair Entitlements Guarantee – recovery program* (the program). A trial of the program was announced in the 2015-16 Budget and it will now be an ongoing program from 1 January 2017, with expanded resources.

The Government will provide \$47.2 million over four years from 2016-17 to continue funding case assessment and litigation activities to improve the recovery of employment entitlements from companies that go into liquidation without paying those entitlements, and instead those entitlements are advanced under the Fair Entitlements Guarantee (FEG) scheme. This is estimated to achieve additional FEG recoveries of \$165.7 million over four years.

Under the FEG scheme if a company goes into liquidation or bankruptcy occurs, the Government provides assistance to cover certain unpaid employee entitlements to eligible employees and there is a source of funds for employee entitlements. Under the program, the Government then exercises its rights as a creditor to recover its costs.

The Government will also not proceed with the *Fair Entitlements Guarantee – aligning redundancy payments to national employment standards* measure announced in the 2014-15 Budget.

The savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities.

## IMMIGRATION AND BORDER PROTECTION

### Singapore-Australia Free Trade Agreement

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Immigration and Border Protection	-	..	..	..	..

On 13 October 2016, the governments of Australia and Singapore signed the Agreement to Amend the Singapore-Australia Free Trade Agreement (SAFTA). SAFTA entered into force in 2003 and it is the central pillar of Australia's economic relationship with Singapore. The update to the SAFTA will boost the competitiveness of Australia's services exporters by addressing key behind-the-border barriers, delivering new access and greater certainty to service suppliers in sectors such as education, law, communications, financial and professional services.

Further information can be found in the press release of 13 October 2016 issued by the Minister for Trade and Investment.

### Working holiday makers — increasing the passenger movement charge

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Immigration and Border Protection	-	-	55.0	100.0	105.0

The Government has increased the passenger movement charge by \$5 to \$60 per passenger with effect from 1 July 2017. This measure is estimated to have a gain to revenue of \$260.0 million over the forward estimates period.

The passenger movement charge was last increased in 2012.

This measure forms part of the Government's *Working Holiday Maker Reform Package* to meet seasonal labour needs and ensure Australia continues to be a top destination for working holiday makers.

The revenue raised by this measure will offset some of the cost of the *Working Holiday Maker Reform Package*.

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**Working holiday makers — maintain at \$440 the visa application charge for the working holiday maker visa (subclass 417 and 462)**

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Immigration and Border Protection	-	-	-	-	-

During the finalisation of the *Working Holiday Maker Reform Package*, the Government agreed to maintain at \$440 the working holiday maker visa (subclass 417 and 462) application charge. Maintaining the charge at \$440 will have no revenue impact over the forward estimates period.

## INFRASTRUCTURE AND REGIONAL DEVELOPMENT

### Sunshine Coast Airport Concessional Loan

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Department of Infrastructure and Regional Development	-	-	-	nfp	nfp
<i>Related expense (\$m)</i>					
<i>Department of Infrastructure and Regional Development</i>	-	-	-	nfp	nfp

The Government will provide a concessional loan of up to \$181.0 million to the Sunshine Coast Council as part of the \$347.0 million Sunshine Coast Airport Expansion Project (the Project). The Project involves constructing a new runway, expanding the passenger transport apron and upgrading existing terminal facilities.

The Queensland Government, through the Queensland Treasury Corporation, will provide a full guarantee of the principal and interest on the concessional loan provided by the Commonwealth.

The loan will be available for drawdown during the construction period from 1 July 2017 to 1 July 2022. The full repayment of the loan is expected in 2022.

The cost of this measure will be met from within the existing resources of the Department of Infrastructure and Regional Development.

This measure delivers on the Government's election commitment.

## TREASURY

### Finalised changes to the wine equalisation tax rebate and introduction of the Wine Tourism and Cellar Door grant

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-	-30.0	20.0	-70.0
<i>Related expense (\$m)</i>					
<i>Australian Grape and Wine Authority</i>	-	-	-	-	10.0

The Government is amending the wine equalisation tax (WET) rebate following consultation with industry, and introducing a new grant for cellar door sales.

The Government will reduce the rebate cap from \$500,000 to \$350,000 on 1 July 2018, and will not proceed with the further reduction in the rebate cap to \$290,000 announced in the 2016-17 Budget. New eligibility criteria to protect the integrity of the WET rebate scheme will apply to all wine from 1 July 2018. These new eligibility criteria will restrict claims that have been made by bulk and unbranded wine. Additional integrity measures will also be introduced to stop the rebate being claimed multiple times on the same parcel of wine. This measure will better target the rebate and reduce distortions in the wine industry.

To encourage wine tourism the Government will introduce a wine tourism and cellar door grant to allow producers who exceed their cap to access a grant of up to \$100,000 for their cellar door sales. The grant will be available from 2018-19 and will be capped at \$10.0 million per year.

This measure will have a cost to the budget of \$90.0 million over the forward estimates period.

Further information can be found in the joint press release of 2 December 2016 issued by the Minister for Revenue and Financial Services and the Assistant Minister for Agriculture and Water Resources.

### Personal income tax — new treatment of fringe benefits for tax offset purposes

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-	..	5.5	8.0
<i>Related expense (\$m)</i>					
<i>Australian Taxation Office</i>	-	-	-0.5	-0.5	-0.5

The Government has changed the way fringe benefits will be treated for the calculation of several tax offsets from 1 July 2017. This measure is estimated to have a gain to the budget of \$15.0 million over the forward estimates period.

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The Government has modified the meaning of 'adjusted fringe benefits total' so that the gross rather than the adjusted net value of reportable fringe benefits is used. 'Adjusted fringe benefits total' is used to calculate a taxpayer's entitlement for the low income superannuation tax offset, the seniors and pensioners tax offset, the net medical expenses tax offset and the dependent (invalid and carer) tax offset and the amount of offset available. Fringe benefits received by individuals working for public benevolent institutions, health promotion charities and some hospitals and public ambulance services will not be affected by this change. This aligns the treatment for tax offsets to the treatment for the income tests for family assistance and youth payments, as detailed in the 2015-16 MYEFO.

**Personal income tax — tax relief for ex gratia disaster assistance payments**

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	..	..	-	-

The Government will provide ongoing tax relief to ex gratia disaster assistance payments made to New Zealand Special Class Visa (subclass 444) holders. The Government will provide this tax relief for the 2014-15 financial year and all following financial years. This measure is estimated to have a negligible cost to revenue over the forward estimates period.

The Government will exempt ex gratia Disaster Recovery Payments from income tax and make a tax offset available for ex gratia Income Support Allowance payments. These ex gratia payments are equivalent to the tax-exempt Australian Government Disaster Recovery Payment and Disaster Recovery Allowance, respectively, which are made to Australians. All of these payments provide financial assistance to individuals who are negatively affected by a disaster occurring in Australia. Making the tax relief ongoing will remove the need for amendments to be made periodically and will provide greater certainty to recipients.

**Research and Development Tax Incentive — rate reduction start date**

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-220.0	-30.0	-	-
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	140.0	-	-	-

The Government has deferred the start date, from 1 July 2014 to 1 July 2016, of the 2014-15 Budget measure *Research and Development Tax Incentive – reducing the rates of the refundable and non-refundable tax offsets*. The reduced rates passed the Senate as part of the *Budget Savings (Omnibus) Bill 2016* on 15 September 2016.

This measure is estimated to have a cost to the budget of \$390.0 million over the forward estimates period.

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**Superannuation Reform Package — amendments**

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-50.0	-150.0	20.0	50.0

Following consultation, the Government has made amendments to the *Superannuation Reform Package* announced in the 2016-17 Budget.

From 1 July 2017, the Government will lower the annual non-concessional contributions cap to \$100,000 and will limit the eligibility to make non-concessional contributions to individuals with a total superannuation balance of less than the superannuation transfer balance cap, currently set at \$1.6 million. Eligible individuals under 65 will continue to be able to bring forward up to 3 years of non-concessional contributions, maintaining flexibility for individuals to grow their retirement savings by accommodating lump sum contributions, such as from downsizing their home, an inheritance or from the sale of a business. This replaces the lifetime non-concessional contributions cap announced in the 2016-17 Budget. To offset the cost of this change, the Government is not proceeding with changes to the contribution rules for people aged between 65 and 74 and has also deferred the commencement of the catch up superannuation contributions measure until 1 July 2018. The Government is also providing transitional relief from capital gains tax to assist people affected by the introduction of the transfer balance cap and/or the changes to transition to retirement income stream arrangements.

These amendments are estimated to have a cost to revenue of \$130.0 million over the forward estimates period relative to the measures set out in the 2016-17 Budget.

These changes form part of the Government's *Superannuation Reform Package*, announced in the 2016-17 Budget, which improves the sustainability, flexibility and integrity of the superannuation system. Further information can be found in the joint press release of 15 September 2016 issued by the Treasurer and the Minister for Revenue and Financial Services.

**Tax integrity — franked distributions funded by capital raisings**

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-	10.0	10.0	10.0

The Government will introduce a specific measure preventing the distribution of franking credits where a distribution to shareholders is funded by particular capital raising activities.



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The measure will apply to distributions declared by a company to its shareholders outside or additional to the company's normal dividend cycle (a special dividend), to the extent it is funded directly or indirectly by capital raising activities which result in the issue of new equity interests. Examples of capital raising activities include an underwritten dividend reinvestment plan, a placement or an underwritten rights issue.

Where such arrangements are entered into, the corporation will be prevented from attaching franking credits to shareholder distributions.

This measure will address the issues raised by the Australian Taxation Office in Taxpayer Alert TA 2015/2: *Franked distributions funded by raising capital to release credits to shareholders*.

This measure will apply to distributions made after 12:00pm (AEDT) on 19 December 2016. It is estimated to have a gain to revenue of \$30.0 million over the forward estimates period.

**Tax integrity — improve the transparency of taxation debts**

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-	-	-	-
<i>Related expense (\$m)</i>					
Australian Taxation Office	-	1.4	0.1	0.1	-
Department of the Treasury	-	-	15.0	5.0	5.0
<b>Total — Expense</b>	-	1.4	15.1	5.1	5.0
<i>Related capital (\$m)</i>					
Australian Taxation Office	-	0.4	-	-	-

From 1 July 2017, the Government will allow the Australian Taxation Office (ATO) to disclose to Credit Reporting Bureaus the tax debt information of businesses that have not effectively engaged with the ATO to manage these debts. The ATO does not currently provide this information.

This measure will initially only apply to businesses with Australian Business Numbers and tax debt of more than \$10,000 that is at least 90 days overdue.

Businesses are expected to pay taxation debts in a more timely manner to avoid affecting their credit rating.

This measure is estimated to have a gain to the budget of \$63.0 million in underlying cash balance terms over the forward estimates period.

In fiscal balance terms, the cost to the budget is estimated to be \$27.0 million over the forward estimates period. The estimated fiscal cost is represented by \$25.0 million in GST payments to the States and Territories and \$2.0 million in ATO funding. There is no revenue in fiscal balance terms as the tax liabilities have already been recognised.

**Working holiday makers — changing the rate of tax on departing Australia superannuation payments to working holiday makers**

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-	15.0	20.0	20.0

The Government has changed the rate of tax to 65 per cent on departing Australia superannuation payments made to working holiday makers after they have left Australia. This measure will have effect from 1 July 2017 and is estimated to have a gain to revenue of \$55.0 million over the forward estimates period. In underlying cash balance terms this measure is estimated to increase receipts by \$50.0 million over the forward estimates period.

This measure forms part of the Government's *Working Holiday Maker Reform Package* to meet seasonal labour needs and ensure Australia continues to be a top destination for working holiday makers.

The revenue raised by this measure will offset some of the cost of the *Working Holiday Maker Reform Package*.

**Working holiday makers — delay commencement of the 2015-16 Budget measure to treat all working holiday makers as non-residents to 1 January 2017**

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-20.0	-20.0	-	-

The Government announced prior to the 2016 election that it would delay the commencement of the 2015-16 Budget measure *Personal Income Tax – changes to tax residency rules for temporary working holiday makers* for six months from the proposed commencement date of 1 July 2016 to 1 January 2017.

This measure was one of the Government's 2016 election commitments and is estimated to have a cost to revenue of \$40.0 million over the forward estimates period.

**Working holiday makers — lowering the tax rate for all working holiday makers**

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	2019-20
Australian Taxation Office	-	-35.0	-105.0	-140.0	-140.0

The Government has lowered the income tax rate for all working holiday makers on a subclass 417 or 462 visa to 15 per cent from the first dollar earned up to \$37,000, with ordinary marginal tax rates to apply above \$37,000. This measure will apply from 1 January 2017 and is estimated to have a cost to revenue of \$420.0 million over the forward estimates period.

This measure amends the unlegislated 2015-16 Budget measure *Personal Income Tax – changes to tax residency rules for temporary working holiday makers* which would have applied a tax rate of 32.5 per cent for all working holiday makers from the first dollar earned.

This measure forms part of the Government's *Working Holiday Maker Reform Package* to meet seasonal labour needs and ensure Australia continues to be a top destination for working holiday makers.

