

## Part I: Revenue Measures

**Table 1: Revenue Measures since the 1999-2000 MYEFO<sup>(a)(b)</sup>**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>Attorney-General's</b>				
Customs tariff changes	-	-	-	-
South Pacific and Regional Free Trade Agreement - Textiles, Clothing and Footwear Scheme	-0.1	-0.1	-0.1	-0.1
<b>Portfolio total</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.1</b>
<b>Communications, Information Technology and the Arts</b>				
Apply a charge to telecommunications end users to offset the cost of administration of a number pool of local rate and freephone numbers	0.1	0.4	0.4	0.4
Increase in annual carrier licence fees	0.5	2.8	1.6	1.4
Regional Equalisation Plan for digital television - licence fee rebates	-22.6	-22.6	-26.9	-27.1
<b>Portfolio total</b>	<b>-22.0</b>	<b>-19.4</b>	<b>-24.9</b>	<b>-25.3</b>
<b>Education, Training and Youth Affairs</b>				
Education Services for Overseas Students - increased registration fees for providers	1.0	1.0	1.0	1.0
<b>Portfolio total</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>
<b>Foreign Affairs and Trade</b>				
Increase in Consular notarial fees	1.1	1.1	1.1	1.1
<b>Portfolio total</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>
<b>Immigration and Multicultural Affairs</b>				
Future directions for the Overseas Student Visa Programme	2.6	4.6	6.8	7.1
Increased permanent migrant intake	6.4	2.8	3.2	3.2
Introduction of new entry requirements for aged parent migrants	12.5	89.7	26.3	26.9
Response to the Review of Illegal Workers in Australia	11.2	18.9	19.9	20.9
<b>Portfolio total</b>	<b>32.7</b>	<b>116.0</b>	<b>56.2</b>	<b>58.1</b>
<b>Transport and Regional Services</b>				
Extension of the application of the <i>Aircraft Noise Levy Collection Act (1995)</i> to Adelaide Airport	4.1	6.3	6.6	6.9
National Parking Regime at leased federal airports	1.5	1.6	1.7	1.8
<b>Portfolio total</b>	<b>5.6</b>	<b>7.9</b>	<b>8.3</b>	<b>8.7</b>

**Table 1: Revenue Measures since the 1999-2000 MYEFO<sup>(a)(b)</sup> (continued)**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>Treasury</b>				
<b>Income tax</b>				
Apportionment of deductions for donations to Environmental and Heritage Organisations	*	*	*	*
Capital gains tax treatment of assets disposed of by trusts	*	*	*	*
Change to the fringe benefits tax capping measure applying to public benevolent institutions and non-profit employers	-130.0	-130.0	-135.0	-140.0
Changes to the non-commercial losses measure	-20.0	-80.0	-70.0	-60.0
Changes to the tightening of the 13-month rule for advanced expenditure under tax shelters	-30.0	-	-	-
Deductibility of certain gifts	*	*	*	*
Extension of refund of excess imputation credits to charities	-	-50.0	-50.0	-50.0
Increasing the Medicare levy low income thresholds	-20.0	-10.0	-10.0	-10.0
Removal of Defence - East Timor levy	-900.0	45.0	-	-
Removal of income tax exemption for non-resident sporting clubs and associations and sportspersons	*	*	*	*
Simplification of the inter-entity loss multiplication measure	*	*	*	*
Simplification of <i>The New Business Tax System</i> integrity measures	*	*	*	*
Transitional arrangements for the alienation of personal services income measure	-190.0	-190.0	-60.0	-
<b>Indirect tax</b>				
Adjustment of alcohol excise rates	-150.0	-150.0	-140.0	-140.0
Airport regulation cost recovery	0.9	0.9	0.9	0.9
Product stewardship arrangements for waste oil	24.7	24.5	24.2	24.0
Stockpiling of alcoholic beverages	-	-	-	-
<b>Non-tax revenue</b>				
Postal services regulation cost recovery	1.0	1.0	1.0	1.0
Transfer of responsibility for unclaimed moneys from the States and Territories to the Commonwealth	5.5	5.5	5.5	5.5
<b>Portfolio total</b>	<b>-1407.9</b>	<b>-533.1</b>	<b>-433.4</b>	<b>-368.6</b>
<b>Total impact of revenue measures(c)</b>	<b>-1389.6</b>	<b>-426.6</b>	<b>-391.8</b>	<b>-325.1</b>

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

(a) Revenue is on a AAS31 basis.

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

(c) Measures may not add due to rounding.

**Table 2: Revenue Measures up to the 1999-2000 MYEFO<sup>(a)(b)(c)</sup>**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>DEMOCRATS AMENDMENTS - TAX REFORM</b>				
<b>Treasury</b>				
<b>Income tax</b>				
Reduced personal income tax cuts for income earners above \$50,000	1110.0	1234.0	1435.0	1655.0
<b>Indirect tax</b>				
Incentive for switch to lower sulphur diesels	-	-	18.0	44.0
Change of Diesel Fuel Rebate Scheme (DFRS) arrangements for rail excise and off-road diesel	333.1	322.0	317.0	313.0
Supporting renewable remote power generation	66.0	66.0	66.0	66.0
<b>Non-tax revenue</b>				
Additional payments from the States and Territories for GST administration	60.0	60.0	60.0	60.0
<b>Total Democrats Amendments - Tax Reform</b>	<b>1569.1</b>	<b>1682.0</b>	<b>1896.0</b>	<b>2138.0</b>
<b>Other Revenue Measures up to MYEFO</b>				
<b>Attorney-General's</b>				
Removal of nuisance tariffs	-12.1	-12.9	-13.8	-14.7
Reinstatement of some tariffs on non-medical and non-scientific equipment	0.8	0.9	0.9	0.9
<b>Portfolio total</b>	<b>-11.3</b>	<b>-12.0</b>	<b>-12.9</b>	<b>-13.8</b>
<b>Defence</b>				
United Nations reimbursements for East Timor assistance	114.0	106.0	76.0	76.0
<b>Portfolio total</b>	<b>114.0</b>	<b>106.0</b>	<b>76.0</b>	<b>76.0</b>
<b>Environment and Heritage</b>				
Sale of Halogen to the United States for essential use	6.0	-	-	-
<b>Portfolio total</b>	<b>6.0</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Immigration and Multicultural Affairs</b>				
Extension of regulation of the migration advice industry	1.7	1.8	1.3	-
<b>Portfolio total</b>	<b>1.7</b>	<b>1.8</b>	<b>1.3</b>	<b>-</b>
<b>Treasury</b>				
<b>Income tax</b>				
Defence - East Timor levy	900.0	-45.0	-	-
Deductibility of certain gifts	*	*	*	*
Immediate tax deductibility for GST-related expenditure	-175.0	75.0	75.0	15.0
Establishment of the Australian Rural Partnerships Foundation	-5.0	-5.0	-3.0	-1.2

**Table 2: Revenue Measures up to the 1999-2000 MYEFO<sup>(a)(b)(c)</sup> (continued)**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>Treasury (continued)</b>				
Tax exemption on business re-establishment grants made from the Cyclones Elaine and Vance Trust Fund	-	-	-	-
Fringe benefits reporting - exclusion of certain benefits provided to Australian Defence Force personnel	-10.0	-10.0	-10.0	-10.0
Dairy industry adjustment package	-1.0	-1.0	-1.0	-1.0
Double taxation agreements	*	*	*	*
<b><i>The New Business Tax System</i></b>				
Reduction in the company tax rate	-1260.0	-3480.0	-3135.0	-3090.0
Implementing a unified entity tax system	*	*	*	*
Deferred implementation of unified entity tax system to trusts	-140.0	-445.0	5.0	-
Early refunds of imputation credits	-	-190.0	-	-10.0
Removing the intercorporate dividend rebate on unfranked distributions	35.0	-70.0	-120.0	-155.0
Introduction of a common start date for the commencement of tax reform measures applying to life insurers	-180.0	-	40.0	-
Transitional taxation of fees on life insurance policies	-110.0	-110.0	-110.0	-90.0
Taxation of funeral bonds, scholarship plans and income bonds offered by Friendly Societies	*	*	*	*
Delayed commencement of life policyholder reform	-30.0	-30.0	-	-
Consolidation - losses of acquired companies	-	-190.0	-380.0	-390.0
Consolidation - value shifting and loss duplication in groups	-	-	75.0	80.0
Rollover relief for entity restructuring	*	*	*	*
Removal of accelerated depreciation	1050.0	2260.0	2300.0	2610.0
Removal of balancing charge offset	400.0	360.0	170.0	80.0
Pooling of low-value depreciable assets	30.0	410.0	40.0	-80.0
Allow write-off for indefeasible rights of use	-51.0	-37.0	-36.0	-30.0
Effective life depreciation for the mining, quarrying and resources industries	-	-	15.0	25.0
Cash accounting for small business	-	-220.0	-320.0	-
Simplified depreciation arrangements for small business	-	-60.0	-220.0	-230.0
Small business exemption from accelerated depreciation, balancing charge offset and low-value pooling measures	-219.0	-474.0	257.0	88.0
Reform of CGT for individuals	210.0	230.0	210.0	180.0
Reform of CGT for superannuation and related funds	-70.0	-50.0	-70.0	-60.0
Reform of CGT for other entities	10.0	40.0	50.0	60.0
CGT roll over relief for scrip-for- scrip acquisitions	2.0	-19.0	-5.0	11.0

**Table 2: Revenue Measures up to the 1999-2000 MYEFO<sup>(a)(b)(c)</sup> (continued)**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>Treasury (continued)</b>				
Allowance for CGT arbitrage activities(d)	-20.0	-50.0	-100.0	-150.0
Improving incentives for venture capital investment	*	*	*	*
Providing a new small business 15-year CGT exemption and streamlining of the existing small business provisions	*	*	*	*
Addressing lease assignments	15.0	45.0	55.0	70.0
Interim value shifting and loss duplication measures	60.0	42.0	-	-
Repeal of excess deduction rules for mining operations	30.0	40.0	35.0	35.0
Prevent duplication of unrealised losses	65.0	90.0	85.0	95.0
Remove defects in the continuity of ownership test	35.0	35.0	35.0	40.0
Disposal of loss assets within majority-owned groups	60.0	50.0	15.0	10.0
Prevent inter-entity loss multiplication	15.0	20.0	25.0	20.0
Value shifting measures outside groups	-	-	140.0	150.0
Tightening the 13-month rule for advance expenditure	220.0	325.0	260.0	275.0
Tightening the 13-month rule for advance expenditure under tax shelters	70.0	100.0	90.0	90.0
Treatment of losses from non-commercial activities	50.0	310.0	240.0	200.0
Alienation of personal services income	380.0	480.0	495.0	515.0
Amending dividend streaming and franking credit trading rules	*	*	*	*
Imputation credits for foreign dividend withholding tax	-	-	-340.0	-190.0
Thin capitalisation provisions	-	50.0	480.0	390.0
Gains on the disposal of interposed non-resident entities	-	-	40.0	50.0
Foreign income account	*	*	*	*
Consistent treatment of resident entities deriving foreign source income	*	*	*	*
Simplifying and strengthening the rules for foreign trusts	*	*	*	*
Foreign expatriates and residents departing Australia	*	*	*	*
Extending the scope of involuntary disposals	*	*	*	*
Recognition of blackhole expenditures	-	-30.0	-65.0	-85.0
High level reform to tax design and other measures	-	-57.0	-45.0	-125.0
Growth dividend(d)	50.0	100.0	200.0	300.0

**Table 2: Revenue Measures up to the 1999-2000 MYEFO<sup>(a)(b)(c)</sup> (continued)**

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
<b>Treasury (continued)</b>				
<b>Indirect tax</b>				
Application of excise on alcoholic cooking essences	5.1	5.3	5.5	5.7
Sales tax concession for taxis for the disabled	*	*	*	*
<b>Fringe benefit tax</b>				
Extension of FBT exemption for remote area housing to all employers	-15.0	-15.0	-15.0	-15.0
Adoption of dual gross-up formula for FBT	-35.0	-35.0	-35.0	-35.0
<b>Portfolio total</b>	<b>1371.1</b>	<b>-555.7</b>	<b>427.5</b>	<b>647.5</b>
<b>Total impact of other revenue measures up to MYEFO</b>	<b>1481.5</b>	<b>-459.9</b>	<b>491.9</b>	<b>709.7</b>
<i>Memorandum items:</i>				
Total Democrats Amendments - Tax Reform	1569.1	1682.0	1896.0	2138.0
Total impact of other revenue measures up to MYEFO	1481.5	-459.9	491.9	709.7
<b>Total revenue measures up to MYEFO(e)</b>	<b>3050.6</b>	<b>1222.1</b>	<b>2387.9</b>	<b>2847.7</b>

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

(a) Revenue is on a AAS31 basis.

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

(c) These estimates are as published in MYEFO. Descriptions of the measures are provided in MYEFO.

(d) Consistent with MYEFO, the *Allowance for CGT arbitrage activities* and *Growth dividend* are not strictly policy decisions, but have been included in the Summary table to show the overall fiscal impact of *The New Business Tax System*.

(e) Measures may not add due to rounding.

## Revenue Measures introduced since the 1999-2000 MYEFO

### Attorney-General's

#### ***Customs tariff changes***

##### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Customs Service:	-	-	-	-

##### *Explanation*

The *Customs Tariff Act 1995* was amended, with effect from 10 March 2000, to impose a customs duty on imported toluene, benzene, xylenes and mixed alkylbenzenes that can be used in illicit fuel blending. The customs duty imposed on these chemicals is now equivalent to petrol excise.

The imposition of duty on these imported products is designed to protect the excise revenue base by combating illicit fuel blending activities. Illicit fuel blending occurs when parties replace petrol used as transport fuel with chemicals which are subject to a lower rate of excise or customs duty.

#### ***South Pacific and Regional Free Trade Agreement – Textiles, Clothing and Footwear Scheme***

##### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Customs Service:	-0.1	-0.1	-0.1	-0.1

##### *Explanation*

The Government has decided to change the way in which local area content (LAC) is calculated for Textile, Clothing and Footwear (TCF) products under the existing South Pacific and Regional Free Trade Agreement (SPARTECA). This will allow a greater range of Forum Island Country (FIC) (particularly Fiji) products to be imported into Australia duty free, resulting in an expected fall in revenue from customs duty of \$0.1 million per annum.

The Import Credit Scheme (ICS), introduced in 1991 to assist the TCF industry, terminates on 30 June 2000. The scheme permitted TCF exporters to earn import credits on the value of their exports, which could be used to offset duty payments on their imports of other TCF goods. Relaxation of the LAC rules under SPARTECA will assist

in ameliorating some of the effects that the termination of ICS may have on FIC trade, particularly with Fiji.

*Further Information*

See also the related expense measures titled *South Pacific and Regional Free Trade Agreement – Textiles, Clothing and Footwear Scheme* and *Reallocation of funds from the Textile Clothing and Footwear Post 2000 initiative* in the Industry, Science and Resources portfolio.



## Communications, Information Technology and the Arts

### ***Apply a charge to telecommunications end users to offset the cost of administration of a number pool of local rate and freephone numbers***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Communications Authority:	0.1	0.4	0.4	0.4

#### *Explanation*

The Government will charge end users for the allocation of special business telephone numbers. Telephone numbers affected by this initiative include local rate (that is, 131000 numbers), freephone numbers (that is, 1800 numbers) and phonewords numbers.

This revenue will be used to create and administer a pool of special phone numbers that will enable the numbers to be allocated independent of carriage providers.

#### *Further Information*

See also the related expense measure titled *Creating and Administering a number pool of local rate and freephone numbers* in the Communications, Information Technology and the Arts portfolio.

### ***Increase in annual carrier licence fees***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Communications Authority:	0.5	2.8	1.6	1.4

#### *Explanation*

The Government will increase carrier licence fees, as described in section 15(1) of the *Telecommunications (Carrier Licence Charges) Act 1997*, to offset the costs of three new telecommunications initiatives that will create a more competitive and economically efficient telecommunications environment.

These programmes include:

- a study to examine the implications of introducing a market-based number allocation system (\$0.6 million);
- estimating the future cost of fulfilling the Universal Service Obligation (USO) on a national and regional basis (\$4.8 million); and
- funding for the Australian Competition and Consumer Commission (ACCC) to administer a number of powers under the telecommunications regulations (\$0.9 million).

*Further Information*

See also the related expense measures titled *Study to examine the feasibility of market based allocation of local rate and freephone numbers* and *Universal Service Obligations contestability arrangements* in the Communications, Information Technology and the Arts portfolio and *Extend communications regulation* in the Treasury portfolio.

***Regional Equalisation Plan for digital television — licence fee rebates***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Broadcasting Authority:	-22.6	-22.6	-26.9	-27.1

*Explanation*

The Government will assist regional commercial television broadcasters to convert to digital broadcasting by providing financial assistance of up to \$260 million payable over 13 years commencing in 2000-01. In general, assistance is to be delivered to individual broadcasters over an eight year period from the year in which the broadcaster commences digital transmissions. However, as the introduction of digital services is expected to be phased-in in the smaller regional markets up until 1 January 2004, the total period for the provision of assistance is estimated at 13 years.

Assistance under the Regional Equalisation Plan will be provided to broadcasters, primarily in the form of rebates on annual licence fees and, in some cases, taxable annual grants. The reduction in licence fees from regional broadcasters will result in a loss of Budget revenue as reflected in this measure.

*Further Information*

See also the related expense measure, *Regional Equalisation Plan for digital television — taxable grants*, in the Communications, Information Technology and the Arts portfolio.

## Education, Training and Youth Affairs

### ***Education Services for Overseas Students — increased registration fees for providers***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Education, Training and Youth Affairs:	1.0	1.0	1.0	1.0

#### *Explanation*

The Department of Education, Training and Youth Affairs maintains the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS), which is a register of providers of education and training services for overseas students. All such providers are required to be registered on CRICOS, and pay annual registration fees. The Government has decided to increase these annual registration fees to cover additional costs arising from a more active role in the regulation and registration of the education export industry. The amount of the increase to an individual provider will be dependent upon the number of overseas students enrolled.

#### *Further Information*

See also the related expense measure titled *Education Services for Overseas Students — strengthening the regulatory framework*, in the Education, Training and Youth Affairs portfolio.

## Foreign Affairs and Trade

### *Increase in Consular notarial fees*

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Foreign Affairs and Trade:	1.1	1.1	1.1	1.1

#### *Explanation*

Fees for Consular notarial services (for example, document certification and statutory declarations) will be increased in order to meet additional costs arising from the forecast increase in demand for these services.

#### *Further Information*

See also the related expense measure titled *Pricing review of departmental resourcing* in the Foreign Affairs and Trade portfolio.

## Immigration and Multicultural Affairs

### ***Future directions for the Overseas Student Visa Programme***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Immigration and Multicultural Affairs:	2.6	4.6	6.8	7.1

#### *Explanation*

The revenue under this measure reflects the increase in student visa application fees expected as a result of initiatives to expand the Overseas Student Visa Programme (OSVP). In particular, the development of more targeted visa assessment criteria will allow the OSVP to be expanded to countries that would otherwise have been viewed as too high-risk. Countries that are currently included in the OSVP will benefit from the development of specific criteria for different educational sectors, which will also allow an increase in the number of visa grants under the OSVP.

#### *Further Information*

See also the related expense measure, *Future directions for the Overseas Student Visa Programme*, in the Immigration and Multicultural Affairs portfolio.

### ***Increased permanent migrant intake***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Immigration and Multicultural Affairs:	6.4	2.8	3.2	3.2

#### *Explanation*

The Government announced on 3 April 2000 that it would increase the planning level for the permanent Migration (Non-Humanitarian) Programme from 70,000 to 76,000 places in 2000-01.

In certain visa categories, such as Employer Nominated and Business Skills, an additional visa fee is charged to cover the costs of this training, resulting in expected additional revenue.

#### *Further Information*

The planned migration levels also increase expenses in a number of portfolios for services accessed by migrants. See the related expense measure titled *Increased permanent migrant intake*, in the Immigration and Multicultural Affairs portfolio.

### ***Introduction of new entry requirements for aged parent migrants***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Immigration and Multicultural Affairs:	12.5	89.7	26.3	26.9

#### *Explanation*

The Government will introduce a new permanent visa class for aged parent migrants in 2000-01 aimed at ensuring that the positive benefits of migration for the budget and the economy are maintained.

Under the new arrangements, a condition of the visa grant will be a requirement to either take out private health insurance to cover the first ten years after arrival (if such a product is made available by the health insurance industry), or to pay a health services charge of \$25,000 per person. The increased revenue under this measure is attributable to the health services charge, with the greater figure in 2001-02 arising as a one-off impact of an estimated 3,500 aged parent migrants paying the health charge in that year. Estimates in later years reflect the expected provision of around 1,000 places on an on-going basis under these arrangements.

#### *Further Information*

This measure responds to the recent community consultations undertaken by the Minister for Immigration and Multicultural Affairs, which indicated that many people were prepared to guarantee to provide support to parents if they were allowed to migrate to Australia. These guarantees are essential if the Government is to ensure that the migration programme arrangements do not impose unreasonable costs on the broader community.

The Government has provided for a contingency reserve of 4,000 places under the migration programme, subject to the enactment of suitable legislative arrangements. It is anticipated that places in this reserve will be utilised primarily in 2001-02, with an ongoing allocation to accommodate an expanded parent migration programme in future years.

The increase in aged parent migration also affects expenses in programmes used by migrants, as set out in the related expense measure titled *Introduction of new entry requirements for aged parent migrants*, in the Immigration and Multicultural Affairs portfolio.

## ***Response to the Review of Illegal Workers in Australia***

### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Immigration and Multicultural Affairs:	11.2	18.9	19.9	20.9

### *Explanation*

The Government has responded to the recommendations of the recently released Review of Illegal Workers in Australia by implementing a range of initiatives that will make it easier for employers to identify people without work rights.

To support these enhanced arrangements, the Government will also strengthen the penalties for recruiting illegal workers by introducing a revised system of penalties. The proposed three-tier penalty structure will be introduced from November 2000, following consultation with industry groups, peak representative bodies and employment agencies.

To facilitate access by employers to legal workers the Government will pursue measures to expand the Working Holiday Maker programme and expand the number of countries with access to the free electronic Business Visitor visa.

The Government will also provide a new sponsored visitor visa class, which will allow families and organisations to sponsor visitors from high risk countries that may not otherwise be granted a visa. A condition of the visa is the requirement to give an explicit undertaking that the person they sponsor would return. A security bond may be required in some cases.

The increase in revenue under this measure arises from the penalties levied on the employers of illegal workers, the expected forfeiture of bonds under the sponsored visitor arrangement and additional working holiday maker visa revenue.

### *Further information*

The Review of Illegal Workers in Australia was compiled by an External Reference Group and released by the Minister for Immigration and Multicultural Affairs on 17 December 1999. The review found that additional measures were required to make Australia less attractive to people seeking to work illegally to ensure that Australia's labour markets operate efficiently and fairly.

See also the related capital and expense measures, titled *Response to the Review of Illegal Workers in Australia*, in the Immigration and Multicultural Affairs portfolio.

## Transport and Regional Services

### ***Extension of the application of the Aircraft Noise Levy Collection Act (1995) to Adelaide Airport***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Transport and Regional Services:	4.1	6.3	6.6	6.9

#### *Explanation*

The Government will extend the aircraft noise levy during 2000-01 to jet aircraft landing at Adelaide Airport. The levy paid by airlines will be applied at the same rate as for Sydney's Kingsford Smith Airport.

This measure will provide funding for the Adelaide Airport noise amelioration programme to undertake the insulation of residences and public buildings in areas of high aircraft noise surrounding Adelaide Airport. It is based on the same self-funding model existing for Sydney's Kingsford Smith Airport, through the application of a levy on jet aircraft landings under the *Aircraft Noise Levy Collection Act 1995*.

#### *Further Information*

See also the related expense measure titled *Adelaide Airport noise amelioration* in the Transport and Regional Services portfolio.

### ***National Parking Regime at leased federal airports***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of Transport and Regional Services:	1.5	1.6	1.7	1.8

#### *Explanation*

A new parking regime at leased federal airports will be implemented. Better enforcement is expected as a consequence which will lead to increased revenue from penalties. The parking regime is consistent with the Australian Road Rules being implemented nationally by States and Territories. The Australian Road Rules use a tiered system of penalty units to reflect the seriousness of the offence.

#### *Further Information*

See also the related expense measure titled *National Parking Regime at leased Federal Airports* in the Transport and Regional Services portfolio.



## Treasury

### Income Tax

#### ***Apportionment of deductions for donations to Environmental and Heritage Organisations***

##### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	*	*	*	*

##### *Explanation*

On 13 April 2000, the *Taxation Laws Amendment Bill (No. 8) 1999* was passed, which included Government amendments to allow apportionment of deductions for certain gifts made to environmental and heritage organisations, which are eligible for gift deductibility status, over a period of up to 5 years. This is similar to the apportionment of deductions for donations made under the Cultural Gifts Programme. It will apply to deductions for gifts made on or after 1 July 1999. This measure is part of the Government's package of measures to further encourage private and corporate support of approved community activities through donations.

#### ***Capital gains tax treatment of assets disposed of by trusts***

##### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	*	*	*	*

##### *Explanation*

The *New Business Tax System (Integrity and Other Measures) Act 1999* sets out the capital gains tax (CGT) treatment of assets disposed of by trusts prior to 1 July 2001. On 23 December 1999, the Government announced transitional arrangements on the CGT treatment of assets disposed of by trusts on or after 1 July 2001, the date from which trusts will be taxed like companies. The arrangements in broad terms are as follows:

- for assets acquired by a trust *before* 21 September 1999, held for at least 12 months and disposed of before 1 July 2001, the trustee will have the option of choosing either the 50 per cent discount or the frozen indexation option in calculating the trust's net income.
- for assets acquired by a trust *after* 21 September 1999, held for at least 12 months and disposed of before 1 July 2001, the trust will apply the 50 per cent discount.

- for assets disposed of by a trust taxed like a company after 1 July 2001, company tax treatment will apply (that is, full nominal gains taxation at the entity rate) unless the asset was acquired by the trust on or before 23 December 1999. If acquired on or before 23 December 1999, the trust would be eligible to benefit from a 50 per cent CGT discount (or the frozen indexation option if acquired before 21 September 1999).

This measure will provide greater certainty for taxpayers regarding the CGT treatment of assets disposed of by trusts.

*Further Information*

For further information see the Treasurer's Press Release No. 93 of 23 December 1999.

***Change to the fringe benefits tax capping measure applying to public benevolent institutions and non-profit employers***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-130.0	-130.0	-135.0	-140.0

*Explanation*

A *New Tax System* announced that the concessional fringe benefits tax (FBT) treatment available to public benevolent institutions and FBT rebatable employers would be capped at \$17,000 of 'grossed up' taxable value per employee from 1 April 2000.

In response to concerns raised by charitable institutions over the impact on their activities of the cap, the Government announced on 13 April 2000 that a cap of \$30,000 of grossed up taxable value will apply to public benevolent institutions and FBT rebatable employers (excluding public hospitals and private not-for-profit hospitals) effective from 1 April 2001.

The cap applying to public hospitals and not-for-profit hospitals will remain at \$17,000 and will be effective from 1 April 2000. To assist with the transition to the \$17,000 cap, the Government will provide grants to public hospitals and not-for-profit hospitals of \$88 million in 2000-01, \$80.5 million in 2001-02 and \$72 million in 2002-03.

As a further concession to charities and public and not-for-profit hospitals operating in rural and regional areas, an FBT exemption will apply to housing benefits provided by these employers effective from 1 April 2000. Housing benefits will qualify for the exemption where the housing is situated at least 100 kilometres from a population centre of 130,000 or more.

### *Further Information*

See also related expense measure, *Fringe Benefits Tax transitional grants for public and not-for-profit hospitals*, in the Health and Aged Care portfolio.

### ***Changes to the non-commercial losses measure***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-20.0	-80.0	-70.0	-60.0

#### *Explanation*

In response to *The Review of Business Taxation*, the Treasurer announced on 11 November 1999, changes to the way non-commercial losses can be set off against other income. Losses from a business activity carried out by an individual taxpayer can be deducted from other income only if at least one of four objective tests dealing with turnover, profitability and asset levels or a safeguard test is satisfied. This measure commences on 1 July 2000.

The Government announced on 13 April 2000, when legislation was introduced to effect these changes, that primary producers can continue to set off primary production losses against other assessable income (excluding net capital gains) of less than \$40,000. This includes all non-primary production income, and by using assessable income as the basis of the exclusion means that it applies to income prior to deductions. This is designed to ensure that the integrity measure does not impact on primary producers in a loss situation with limited other assessable income.

### ***Changes to the tightening of the 13-month rule for advanced expenditure under tax shelters***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-30.0	-	-	-

#### *Explanation*

In response to *The Review of Business Taxation*, the Treasurer announced on 11 November 1999 that the 13-month rule for advanced expenditure under tax shelters would be tightened by aligning deductions with the period in which services are provided. This measure commenced on the date of announcement.

Operating on the basis of the then law, a number of schemes had been progressed and were awaiting approval on 11 November 1999. To ensure that the removal of the tax advantage of pre-payments as from 11 November 1999 did not prejudice those

schemes that had applied for rulings, the Government announced on 13 April that the change to the 13-month rule should exclude schemes that have obtained a product ruling as at 11 November 1999, or have submitted to the Australian Taxation Office an application to obtain a product ruling as at 11 November 1999 where this results in a product ruling. Under these circumstances, all investors in the scheme will have their prepayments dealt with under the provisions of the law that applied prior to 11 November 1999 and will be unaffected by the announced tightening on this date.

***Deductibility of certain gifts***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	*	*	*	*

*Explanation*

The Government has announced that donations and gifts of \$2 or more to the following organisations have been made tax deductible:

- The United Hellenic Earthquake Appeal;
- The Foundation for Gambling Studies; and
- The Foundation for Rural and Regional Renewal Public Fund.

Tax deductibility for donations and gifts of \$2 or more to St Patrick’s Cathedral Parramatta has also been extended until 25 February 2002.

In addition, since the 1999-2000 Budget there have been:

- 83 admissions to the Register for Cultural Organisations and 27 deletions; and
- 27 admissions to the Register for Environmental Organisations and nil deletions.

***Extension of refund of excess imputation credits to charities***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-	-50.0	-50.0	-50.0

*Explanation*

The Treasurer announced on 13 April 2000, that the Government will legislate to refund excess imputation credits to certain registered charitable and gift-deductible organisations. This will provide a financial boost to charities of about \$50 million per year.

*Further Information*

Further information is available in the Treasurer's Press Release No. 24 of 13 April 2000.

***Increasing the Medicare levy low income thresholds***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-20.0	-10.0	-10.0	-10.0

*Explanation*

The Government introduced legislation on 9 December 1999 to increase the Medicare levy low income thresholds in line with CPI movements. The Medicare levy low income thresholds ensure that low income families and individuals are exempt from the levy. The Medicare levy low income thresholds for the 1999-2000 income year will be increased to \$13,350 for individuals and \$22,865 for families. The additional threshold for each dependant child or student is \$2,100.

***Removal of Defence — East Timor levy***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-900.0	45.0	-	-

*Explanation*

The Government has decided not to proceed with the temporary Defence — East Timor levy. In November 1999 the Government announced a proposal to introduce a

Defence — East Timor levy to offset the costs of Australia's involvement in East Timor to come into effect on 1 July 2000 for twelve months.

The decision to remove the levy reflects the lower than expected cost of the Defence deployment in East Timor and the improvement in the budget position since the levy was announced.

*Further Information*

The temporary levy was to apply to individual taxpayers at:

- 0.5 per cent of total taxable incomes from \$50,001 to \$100,000 per annum; and
- 1 per cent of total taxable incomes in excess of \$100,000 per annum.

The levy was to apply for the 2000-01 income year only.

***Removal of income tax exemption for non-resident sporting clubs and associations and sportspersons***

*Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	*	*	*	*

*Explanation*

On 9 December 1999, the Government introduced legislation to amend the *Income Tax Assessment Act 1936* to remove the exemption from income tax currently available to non-resident sportspersons and sporting clubs or associations on income earned in Australia. The removal of this exemption will apply to income derived from 1 July 2000.

The current law gives rise to inconsistent tax treatment as the exemption is available to certain non-resident sportspersons, sporting clubs and associations who meet certain criteria. For example, an exemption from income tax is currently available to a non-resident sportsperson competing in an outdoor athletic event but not to a non-resident sportsperson competing in an indoor event.

The removal of these exemptions will ensure that all non-resident sportspersons and their clubs or associations are taxed on the same basis.

An exemption from income tax may still be available to a society, association or club that is established for the encouragement or promotion of a game or sport generally.

### ***Simplification of the inter-entity loss multiplication measure***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	*	*	*	*

#### *Explanation*

The Government announced on 13 April 2000, amendments to the inter-entity loss multiplication measure to ensure that it applies only to deny losses of an entity that has a controlling stake in the loss company.

The original inter-entity loss multiplication measure was announced on 11 November 1999. The measure prevents multiple recognition of losses of a company where there has been a change in ownership or control in the company.

#### *Further Information*

Further information is available in the *New Business Tax System (Miscellaneous) Bill (No. 2) 2000*.

### ***Simplification of The New Business Tax System integrity measures***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	*	*	*	*

#### *Explanation*

The Government announced on 13 April 2000, several amendments to integrity measures. These included amendments that reduce the compliance costs associated with the measures. The most significant compliance cost savings are the removal of small business from the unrealised loss measure and the option for companies to disregard assets that cost less than \$10,000 when applying that measure.

The Government announced the integrity measures, on 21 September 1999, and they were enacted in the *New Business Tax System (Integrity and Other Measures) Act 1999*. The measures were aimed at removing loss duplication. Loss duplication arises where the taxation system recognises a single economic loss more than once.

#### *Further Information*

Further information is available in the *New Business Tax System (Miscellaneous) Bill (No. 2) 2000*.

### ***Transitional arrangements for the alienation of personal services income measure***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-190.0	-190.0	-60.0	-

#### *Explanation*

*The New Business Tax System* measure to address the alienation of personal services income will, from 1 July 2000, treat the income earned by an entity from the personal services of an individual as the income of the individual where the entity is not operating as a personal services business.

As announced by the Treasurer on 13 April 2000, a transitional provision will allow the Commissioner of Taxation to make a declaration that has the effect that the regime will not apply to a class of contractors under the Prescribed Payments System who have payee declarations with the Commissioner as at 13 April 2000. The declaration will apply for a period of two years, ending in July 2002.

As a further transitional measure, remittances under this measure will be quarterly for the 2000-01 income year for all affected taxpayers.

### **Indirect Tax**

#### ***Adjustment of alcohol excise rates***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-150.0	-150.0	-140.0	-140.0

#### *Explanation*

In *The New Tax System* the Government announced that excise rates would be adjusted when *The New Tax System* was introduced so that the retail price of a carton of full strength beer would rise by 1.9 per cent, the retail price of whisky would be unchanged and the brandy excise rate would increase but remain below the rate applying to other spirits. The Government also undertook to continue support for the production of low strength beer.

In setting the excise rates the Government has used recent industry data and adopted a more conservative approach compared with the assumptions underlying the forward estimates to ensure that the price commitments would be fully met.



In addition, following consultation with industry, the Government has decided to introduce a three-tiered beer excise rate structure — for full strength, mid strength and low strength beers — including an excise-free threshold of 1.15 per cent for all tiers.

This approach will encourage the consumption of lower alcohol beer over full strength beer. The revenue impact against the forward estimates of these measures and the Government's conservative approach in setting the excise rates is \$150 million in 2000-01.

The new excise rates effective from 1 July 2000 will be as follows:

<b>Beer *</b>	<b>Excise rate</b>
Low strength (0% to 3%)	\$41.67
Mid strength (3% to 3.5%)	\$35.38
Full strength (above 3.5%)	\$30.46

\*All beer has access to the 1.15 per cent excise free threshold.

<b>Spirits</b>	<b>Excise rate</b>
Spirits (excl. brandy)	\$51.58
Brandy	\$48.17

### ***Airport regulation cost recovery***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	0.9	0.9	0.9	0.9

#### *Explanation*

This measure increases the rate of excise and customs duty on aviation turbine fuel by 0.036 cents per litre. The measure is effective from midnight EST Budget night, 9 May 2000. All revenue raised through this measure will be used to fund regulatory activities by the ACCC. This includes: administering airport access arrangements; assessing compliance with airport price caps including pass through of necessary new investment; monitoring prices of aeronautical-related services at airports; monitoring quality of service; and performing other related functions.

#### *Further Information*

A 12 month review of prices oversight arrangements conducted by the ACCC at core regulated airports will begin in December 2000. Depending on the outcome of this review, this increase in the rate of excise may be wound back.

The ACCC has primary responsibility for administration of the economic regulatory arrangements at major airports.

See also related expense measure *Airport regulation*, in the Treasury portfolio.

### ***Product stewardship arrangements for waste oil***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	24.7	24.5	24.2	24.0

#### *Explanation*

As part of the development of product stewardship arrangements for waste oil, a five cent per litre levy will be applied to lubricating oils and similar products from 2000-01, to fund payments to eligible businesses involved in sustainable recycling and reuse of waste oil.

#### *Further Information*

The introduction of the product stewardship arrangements for waste oil were announced in May 1999, as part of the *A New Tax System — Measures for a Better Environment* package. The Government has previously committed \$60 million (over four years) for transitional assistance to facilitate the introduction of product stewardship.

See also the related expense measure under the Environment and Heritage portfolio entitled *Product stewardship arrangements for waste oil*.

### ***Stockpiling of alcoholic beverages***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Taxation Office:	-	-	-	-

#### *Explanation*

As a transition to the new tax arrangements, the Government will amend the *Sales Tax Assessment Act 1992* to impose a wholesale sales tax liability on alcoholic products which are not subject to the Wine Equalisation Tax and that are held sales tax free for wholesale sale at 30 June 2000. This measure will remove the incentive to stockpile alcoholic beverages that have been purchased sales tax free prior to 1 July 2000.

## Non-tax Revenue

### ***Postal services regulation cost recovery***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Department of the Treasury:	1.0	1.0	1.0	1.0

#### *Explanation*

The Government has decided to institute a levy for cost recovery of expenses incurred by the ACCC in carrying out its proposed role as the access regulator for postal services. The proposed access regime is a key feature of the postal reform package proposed to apply from 1 July 2000. Australia Post will be permitted to pass the cost of the levy on to parties obtaining access to its postal network.

#### *Further Information*

See the related expense measure titled *Postal services regulation*, also in the Treasury portfolio.

### ***Transfer of responsibility for unclaimed moneys from the States and Territories to the Commonwealth***

#### *Revenue (\$m)*

	2000-01	2001-02	2002-03	2003-04
Australian Securities and Investments Commission:	5.5	5.5	5.5	5.5

#### *Explanation*

Responsibility for unclaimed moneys for non-bank Authorised Deposit-taking Institutions has been transferred from the State and Territory governments to the Commonwealth. The Commonwealth's non-taxation revenue estimates will increase as a result of this transfer.

These are gross estimates and do not include provision for refunds. For banks, the level of refunds has been up to 45 per cent of the amount of unclaimed moneys in any one year. For non-bank Authorised Deposit-taking Institutions the refunds should be lower because they have a more narrowly targeted customer base.

#### *Further Information*

The Australian Securities and Investments Commission will now administer unclaimed moneys from non-bank Authorised Deposit-taking Institutions. To

consolidate administration of all unclaimed moneys, responsibility for administering bank unclaimed moneys will also be transferred from the Department of the Treasury to the Australian Securities and Investments Commission.

See also the related expense measure titled *Transfer of responsibility for unclaimed moneys from the States and Territories to the Commonwealth* in the Treasury portfolio.