

APPENDIX B: CHANGES TO TAX EXPENDITURES IN 2009

This Appendix provides an outline of the changes to the list of tax expenditures since the *2008 Tax Expenditures Statement*. Since the 2008 TES, 20 new tax expenditures have been added, 27 tax expenditures have been modified and seven 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 *2008 Tax Expenditures Statement* up to the date of the *Mid-Year Economic and Fiscal Outlook 2009-10*. 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		
A56	Payments of the Tax Bonus for Working Australians to eligible taxpayers from April 2009 are exempt from income tax.	New policy measure reported in the <i>Updated Economic and Fiscal Outlook 2008-09</i> and 2009-10 Budget.
A58	A tax expenditure arises because the rules for determining whether individuals that carry on unprofitable business activities can claim deductions for losses arising from those activities are concessional for certain taxpayers with an adjusted taxable income below \$250,000.	Existing measure not previously recognised as a tax expenditure, modified by a policy proposal reported in the 2009-10 Budget.
Business income		
B25	The rate of income tax payable by a not-for-profit company that has a taxable income not exceeding \$416 in a given income year is reduced to zero.	Existing measure not previously identified as a tax expenditure.
B27	Certain payments to victims of Australian natural disasters are exempt from income tax.	New policy measure reported in the 2009-10 Budget. Reporting modification incorporating B26 and B27 from the 2008 TES.

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Table B.1: New tax expenditures (continued)

TES code	Tax expenditure description	Reason for new tax expenditure
B65	The Refundable R&D Tax Credit provides a company that has a grouped turnover of less than \$20 million with a refundable tax offset equal to 45 per cent of its eligible spending on R&D activities in lieu of normal tax deductions for that spending. The Credit is a tax exempt government payment.	New policy measure reported in the 2009-10 Budget.
B67	The Standard R&D Tax Credit provides a company with a tax offset equal to 40% of its eligible spending on R&D activities, in lieu of normal tax deductions for that spending. The tax offset is non-refundable, but can be carried forward and applied against future tax liabilities.	New policy measure reported in the 2009-10 Budget.
B99	Businesses that acquire eligible new tangible depreciating assets between 13 December 2008 and 31 December 2009 and start to use or have installed ready for use by 31 December 2010 can claim a bonus tax deduction in the income year that they use or install the asset.	New policy measures reported in the <i>Updated Economic and Fiscal Outlook 2008-09</i> and 2009-10 Budget.
Retirement savings		
C11	Caps apply to the amount of concessional contributions which receive this concessional taxation treatment. From the 2009-10 financial year onwards the concessional contributions cap has been reduced from \$50,000 to \$25,000 per annum. The transitional cap, which applies to persons aged 50 and over, has been reduced from \$100,000 to \$50,000. Contributions above these limits are taxed at the top marginal tax rate and Medicare Levy by applying an additional tax of 31.5 per cent on the excess contribution payable by the individual.	Existing measure not previously recognised as a tax expenditure.
C17	Amounts transferred from a New Zealand Kiwi Saver account to an Australian APRA-regulated complying superannuation fund will also be generally treated as non-concessional contributions.	New policy measure reported in the 2009-10 Budget.
Fringe Benefits Tax		
D22	Donations to deductible gift recipients made under salary sacrifice arrangements will not result in an employer incurring an FBT liability, with effect from the 2008-09 FBT year.	New policy measure reported in the 2009-10 Budget.
D23	Food, drink and accomodation provided to people training under the Australian Traineeship System is exempt from fringe benefits tax if the benefits are provided in accordance with an award or an industry custom and are not provided at a party, reception or other social function.	This item was erroneously removed from the 2008 TES.

Table B.1: New tax expenditures (continued)

TES code	Tax expenditure description	Reason for new tax expenditure
Capital Gains Tax		
E5	This tax expenditure item provides an estimate of the tax expenditure associated with the providing the 50 per cent discount to disposals of an individual's main residence.	Existing measure not previously recognised as a tax expenditure.
E11	A capital gains tax roll over will be available for capital gains arising from the transfer of assets between two trusts with no material discretionary elements (sometimes referred to as fixed trusts) and with the same beneficiaries with the same proportional interests.	New policy measure reported in the 2009-10 Budget.
E12	A roll-over will be available for capital losses and the transfer of revenue losses arising on the merger of a complying superannuation fund with another complying superannuation fund with at least five members. The measure will also allow the transfer of previously realised capital losses and revenue losses from the original fund to the continuing fund.	New policy measure reported in the 2009-10 Budget.
CONSUMPTION		
Goods and Services Tax		
H22	From 1 July 2010, the total transport cost of imported goods will be included in the value of taxable importation calculation for GST purposes. If the imported good is not a taxable importation, any domestic transport component of the transportation supply will not be subject to GST.	New policy measure reported in the 2009-10 Budget.
EXTERNALITIES		
Carbon Pollution Reduction Scheme		
I1	Entities emitting greenhouse gases below a threshold (typically 25,000 tonnes) per year will not be liable under the Carbon Pollution Reduction Scheme.	New policy measure reported in the <i>Updated Economic and Fiscal Outlook 2008-09</i> .
I2	Deforestation activity is to be excluded from the Carbon Pollution Reduction Scheme.	New policy measure reported in the <i>Updated Economic and Fiscal Outlook 2008-09</i> .
I3	Emissions from landfill sites that closed prior to 30 June 2008 are to be excluded from the Carbon Pollution Reduction Scheme.	New policy measure reported in the <i>Updated Economic and Fiscal Outlook 2008-09</i> .
I4	Agricultural entities are to be excluded from the Carbon Pollution Reduction Scheme regardless of entity emissions.	New policy measure reported in the <i>Updated Economic and Fiscal Outlook 2008-09</i> .
I5	Fugitive emissions from decommissioned coal mines are to be excluded from the Carbon Pollution Reduction Scheme.	New policy measure reported in the <i>Updated Economic and Fiscal Outlook 2008-09</i> .

B.2 MODIFIED TAX EXPENDITURES

Table B.2 reports tax expenditures that have been modified since they were last reported in the 2008 TES (the respective tax expenditure reference codes from this Statement and the 2008 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 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		Modification to the tax expenditure	Nature of modification
2009	2008		
INCOME TAX			
Personal income			
A3	A3	The Government will better target the income tax exemption for foreign employment income, with effect from 1 July 2009. Foreign employment income will generally become taxable and taxpayers will be entitled to a foreign income tax offset for foreign tax paid on the foreign employment	Modification to an existing tax expenditure as a result of a policy measure reported in the 2009-10 Budget.
A4	A4	Foreign earnings derived by an Australian individual engaged in continuous foreign service for not less than 91 days may be exempt from income tax if the foreign service meets certain criteria.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2009-10 Budget.
A22	A23	The Government increased the Medicare levy low-income thresholds to \$17,794 for individuals and \$30,025 for individuals in families, with effect from 1 July 2008.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2009-10 Budget.
A23	A24	From 1 July 2010, the Government introduced three new 'Private Health Insurance Tiers' which may affect the amount of private health insurance refund a taxpayer can receive.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2009-10 Budget.
A27	A28	From 1 July 2010, the Government introduced three new 'Private Health Insurance Tiers' which may affect the amount of surcharge to which a taxpayer is subject.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2009-10 Budget.
A47	A49	From 20 September 2009 the Utilities Allowance was absorbed into the Pension Supplement and the Seniors' Concession Allowance, together with the Telephone Allowance, became part of the Seniors' Supplement.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2009-10 Budget.

Table B.2: Modified tax expenditures (continued)

TES code		Modification to the tax expenditure	Nature of modification
2009	2008		
A48	A50	The Government will provide additional assistance to first home buyers from 14 October 2008 to 31 December 2009.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2009-10 Budget.
A53	A55	From 1 July 2009, the tax on the discount for shares and rights acquired under an employee share scheme will be paid upfront. However, tax may be deferred in schemes where there is a real risk of forfeiture or where the benefits are provided under salary sacrifice arrangements. For those taxpayers who meet the conditions for deferral of tax, the maximum time for deferral is reduced from ten years to seven years. The deferral arrangements applying to salary sacrifice-based schemes will apply up to a cap of \$5,000 worth of shares. Eligibility for the \$1,000 upfront tax concession will be means tested and only be available to taxpayers with an adjusted taxable income of less than \$180,000.	Modification to an existing tax expenditure as a result of policy measures reported in the 2009-10 Budget and <i>Mid-Year Economic and Fiscal Outlook 2009-10</i> .
A66	A70	Reporting modification.	On 1 October 2009, 'Prescribed Private Funds' became 'Private Ancillary Funds'.
A71	B100	Reporting modification.	This exemption has been moved from the business income benchmark to the personal income benchmark.
Business income			
B4	A8	Reporting modification.	This tax expenditure has been moved from the personal income benchmark to the business income benchmark.
B13	B12	Interest withholding tax exemption was extended to Commonwealth Government securities.	Modification to an existing tax expenditure as a result of a policy measure reported in the <i>Mid-Year Economic and Fiscal Outlook 2009-10</i> .
B32	B31	The Australian Film Finance Corporation has been wound up and its functions moved into Screen Sound Australia.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2007-08 Budget.
B61	A59	Reporting modification.	This exemption has been moved from the personal income benchmark to the business income benchmark.
B64	A62	Reporting modification.	This rebate has been moved from the personal income benchmark to the business income benchmark.
B95	B89	The Government will replace the Research and Development Tax Concessions with a new Research and Development (R&D) Tax Credit with effect from 1 July 2010.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2009-10 Budget.

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Table B.2: Modified tax expenditures (continued)

TES code		Modification to the tax expenditure	Nature of modification
2009	2008		
B96	B90	The Government will replace the Research and Development Tax Concessions with a new Research and Development (R&D) Tax Credit with effect from 1 July 2010.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2009-10 Budget.
Retirement savings			
C5	C5	The Government will reduce the concessional contribution cap from \$50,000 to \$25,000 and the transitional contribution cap for persons aged 50 and over will be reduced from \$100,000 to \$50,000 with effect from 1 July 2009.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2009-10 Budget.
C8	C8	Concessional contribution cap reduced to \$25,000. Transitional concessional contribution cap reduced to \$50,000.	Modification to existing tax expenditure as a result of a policy measure reported in the 2009-10 Budget.
Fringe Benefits Tax			
D26	D24	New data and research has become available which has led to a large decrease in the estimate for the concessional treatment of car fringe benefits.	Reporting modification.
Capital Gains Tax			
E4	E4	Reporting modification.	This tax expenditure has been split into two components-a component reflecting the 50 per cent discount provided to disposals of non-main residence assets (E5), and a component that brings the concession up to 100 per cent (E4).
E9	E8, B96	Merged the capital gains tax relief TES items for demutualisation activities by friendly societies and health insurers.	Modification to an existing tax expenditure as a result of reporting modification. This exemption now includes B96 from the 2008 TES.
CONSUMPTION			
Commodity taxes			
F3	F3	From 1 July 2011, fuel tax rates will be reduced on a 'cent-for-cent' basis with the impact of the Carbon Pollution Reduction Scheme on fuel for three years. This reduces the benchmark tax rate.	Modification to an existing tax expenditure as a result of a policy measure reported in the <i>Updated Economic and Fiscal Outlook 2008-09</i> .
F4	F4	From 1 July 2011, fuel tax rates will be reduced on a 'cent-for-cent' basis with the impact of the Carbon Pollution Reduction Scheme on fuel for three years. This reduces the benchmark tax rate.	Modification to an existing tax expenditure as a result of a policy measure reported in the <i>Updated Economic and Fiscal Outlook 2008-09</i> .
F5	F5	From 1 July 2011, fuel tax rates will be reduced on a 'cent-for-cent' basis with the impact of the Carbon Pollution Reduction Scheme on fuel for three years. This reduces the benchmark tax rate.	Modification to an existing tax expenditure as a result of a policy measure reported in the <i>Updated Economic and Fiscal Outlook 2008-09</i> .

Table B.2: Modified tax expenditures (continued)

TES code		Modification to the tax expenditure	Nature of modification
2009	2008		
F6	F6	From 1 July 2011, the general fuel tax rate will be reduced on a 'cent-for-cent' basis with the impact of the Carbon Pollution Reduction Scheme on fuel for three years. The benchmark rates for alternative fuels reduce proportionally.	Modification to an existing tax expenditure as a result of a policy measure reported in the <i>Updated Economic and Fiscal Outlook 2008-09</i> .
Goods and Services Tax			
H18	H19	From 1 July 2010, farm land supplied for farming will no longer be GST free, instead GST may be reverse charged to the recipient. The reverse charge mechanism can only be used by registered recipients. As a result, farm land supplied for farming to an unregistered recipient will no longer be GST free.	Modification to an existing tax expenditure as a result of a policy measure reported in the 2009-10 Budget.

B.3 DELETED TAX EXPENDITURES

Table B.3 reports tax expenditures that have been deleted since the 2008 *Tax Expenditures Statement*. 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
2008		
INCOME TAX		
Personal income		
A32	A tax deduction was available for tax agent fees for Family Tax Benefit claims relating to the 2001-02 income year lodged through Centrelink between 1 July 2003 and 30 June 2004.	This no longer has an impact over the reported time horizon.
A75	Taxpayers were entitled to a tax offset equal to 10 cents for each dollar of interest on certain government or semi-government securities issued before 1 November 1968.	This no longer has an impact over the reported time horizon.
Business income		
B26	Payments from the Business Assistance Fund to businesses adversely affected by Cyclone Larry or flooding owing to the cumulative effects of Cyclones Larry and Monica are exempt from tax.	Reporting modification. This exemption is included in B27.
B27	Taxpayers are exempt from tax on Government reimbursements for fuel excise paid to businesses adversely affected by Cyclone Larry.	Reporting modification. This exemption is included in B27.
B96	Policyholders of a friendly society that demutualises to a for-profit entity is not subject to capital gains tax on any capital gains or losses they realise on the exchange of rights in the friendly society for shares in the demutualised entity.	Reporting modification. This exemption is included in E8.
B103	Transitional tax exemption for certain life insurance management fees received on certain life insurance policies taken out before 1 July 2000.	This no longer has an impact over the reported time horizon.

Table B.3: Deleted tax expenditures (continued)

TES code	Tax expenditure description	Reason for deletion
2008		
CONSUMPTION		
Commodity taxes		
F17	Partial rebates of wine equalisation tax were available for certain cellar door, mail order and internet sales of wine from 1 July 2000 to 1 October 2004. Replaced by the wine equalisation tax producer rebate (F17).	This no longer has an impact over the reported time horizon.

