

Tax Expenditures
Statement

2002

© Commonwealth of Australia 2003

ISBN 0 642 74178 6

This work is copyright. Apart from any use as permitted under the Copyright Act 1968, no part may be reproduced by any process without prior written permission from the Commonwealth available from the Department of Communications, Information Technology and the Arts. Requests and inquiries concerning reproduction and rights should be addressed to:

The Commonwealth Copyright Administration
Intellectual Property Branch
Department of Communications, Information Technology and the Arts
GPO Box 2154
CANBERRA ACT 2601

Or posted at:

<http://www.dcita.gov.au/cca>

A copy of this document and other Treasury information appears on the Treasury Website. The Treasury Website address is: <http://www.treasury.gov.au>.

Printed by Canprint Communications Pty Ltd

| | | |
|-------------------|---|----|
| Chapter 1: | Introduction | 1 |
| | 1.1 Background..... | 1 |
| | 1.2 What is a tax expenditure? | 1 |
| | 1.3 Purpose of this Statement | 2 |
| | 1.4 Interpretation of tax expenditure estimates | 3 |
| | 1.5 Structure of this Statement | 4 |
| Chapter 2: | Overview of tax expenditure aggregates | 5 |
| | 2.1 Introduction | 5 |
| | 2.2 Trends in tax expenditures | 5 |
| | 2.3 Tax expenditures by function | 6 |
| | 2.4 Comparison with direct expenditure | 9 |
| | 2.5 Tax expenditures by taxpayer affected | 11 |
| Chapter 3: | Methodology | 15 |
| | 3.1 Defining benchmarks | 15 |
| | 3.2 General features of the taxation benchmark | 16 |
| | 3.3 The personal income tax benchmark | 17 |
| | 3.4 The retirement benefits benchmark | 18 |
| | 3.5 The fringe benefits tax benchmark..... | 18 |
| | 3.6 The business tax benchmark..... | 19 |
| | 3.7 The excise duty benchmark | 22 |
| Chapter 4: | Changes from 2001 TES | 25 |
| | 4.1 Introduction | 25 |
| | 4.2 New tax expenditures | 25 |
| | 4.3 Modified tax expenditures..... | 26 |
| | 4.4 Deleted tax expenditures | 28 |
| Chapter 5: | Tax expenditure estimates | 31 |
| | 5.1 Introduction | 31 |
| | 5.2 Accrual estimates..... | 31 |

| | |
|--|-----|
| Appendix A: Description of tax expenditures | 53 |
| A Personal income tax benchmark | 53 |
| B Retirement benefits benchmark..... | 67 |
| C Fringe benefits tax benchmark | 69 |
| D Business tax benchmark | 80 |
| E Excise duty benchmark | 105 |
| Appendix B: Superannuation benefits | 109 |
| B.1 Scope..... | 109 |
| B.2 Interpretation..... | 110 |
| B.3 Estimates..... | 110 |
| Index | 113 |

List of tables

| | |
|--|-----|
| Table 2.1: Total measured tax expenditures | 5 |
| Table 2.2: Aggregate tax expenditures by function | 7 |
| Table 2.3: Aggregate tax expenditures and direct expenditures by function in 2001-02 | 10 |
| Table 2.4: Aggregate tax expenditures by taxpayer affected | 12 |
| Table 5.1 Tax expenditure reference table..... | 34 |
| Table B1: Estimated tax expenditures through superannuation tax concessions, 1998-99 to 2005-06 | 111 |

Acronyms

| | |
|---------|--|
| ABARE | Australian Bureau of Agricultural and Resource Economics |
| ADF | Australian Defence Force or Approved Deposit Fund |
| ADI | Authorised deposit-taking institution |
| CDEP | Community Development Employment Project |
| CFC | Controlled foreign companies |
| CGT | Capital gains tax |
| CRAFT | Commonwealth Rebate for Apprentice Full-time Training |
| DEP | Dairy Exit Program |
| DGR | Deductible gift recipient |
| DTA | Double taxation agreement |
| DWT | Dividend withholding tax |
| ETM | Economic transaction method |
| ETP | Eligible termination payment |
| FBT | Fringe benefits tax |
| FIF | Foreign investment fund |
| FBTAA86 | Fringe Benefits Tax Assessment Act 1986 |
| FTB | Family Tax Benefit |
| FTCS | Foreign tax credit system |
| GDP | Gross domestic product |
| GST | Goods and services tax |
| IED | Income equalisation deposits |

...continued

Acronyms continued

| | |
|-----------|--|
| ITAA36 | Income Tax Assessment Act 1936 |
| ITAA97 | Income Tax Assessment Act 1997 |
| IT(TP)A97 | Income Tax (Transitional Provisions) Act 1997 |
| ITLAA00 | Indirect Tax Legislation Amendment Act 2000 |
| IWT | Interest withholding tax |
| LICs | Listed investment companies |
| LPG | Liquefied petroleum gas |
| MYEFO | Mid-Year Economic and Fiscal Outlook |
| na | Not available |
| nec | not elsewhere classified |
| OECD | Organisation for Economic Co-operation and Development |
| PBI | Public benevolent institution |
| PDF | Pooled Development Fund |
| PNG | Papua New Guinea |
| RBL | Reasonable Benefit Limit |
| RHQ | Regional headquarters |
| R&D | Research and development |
| SATO | Senior Australians' Tax Offset |
| SHS | Schanz-Haig-Simons |
| STS | Simplified Tax System |
| TES | Tax Expenditures Statement |
| TLM | Tax liability method |
| UCA | Uniform Capital Allowance |

...continued

Acronyms continued

| | |
|------|---------------------------|
| ULSD | Ultra low sulphur diesel |
| UPP | Undeducted purchase price |
| WET | Wine equalisation tax |
| Y2K | Year 2000 (compliance) |

