























































































































































































































































**D2 Exemption for safety award benefits up to \$200 per year per employee**

Public order and safety (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D13	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58R of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

An award related to occupational health or an occupational safety achievement that is granted to an employee is exempt from fringe benefits tax if its value does not exceed \$200 per year.

**D3 Reduction in taxable value for reimbursements of car expenses incurred for occupational health and counselling services and some training courses**

Public order and safety (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Reduction in taxable value				<i>2009 TES code:</i>	D24	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 61F of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

The taxable value of a fringe benefit may be reduced where an employee travels in their own car for the purpose of attending a work related medical examination, screening, preventative health care or counselling session, or for migrant language training and is reimbursed on a cents per kilometre basis for the car expenses incurred.

**Tax expenditures for general public services****D4 Exemption for benefits provided by certain international organisations**

General public services — Foreign affairs and economic aid (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D1	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 55 of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

An exemption from fringe benefits tax applies to benefits provided by certain international organisations that are exempt from income tax and other taxes by virtue of the *International Organisations (Privileges and Immunities) Act 1963* and by organisations established under international agreements to which Australia is a party and which oblige Australia to grant the organisation a general tax exemption.

*Tax Expenditures Statement*

**Tax expenditures for defence**

**D5 Exemption for benefits received by Australian Government employees in receipt of military compensation payments**

Defence (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
35	40	55	35	35	35	35	35
<i>Tax expenditure type:</i>		Exemption			<i>2009 TES code:</i>		D2
<i>Estimate Reliability:</i>		Low					
<i>Commencement date:</i>		1995			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 6AA and 6AB of the <i>Fringe Benefits Tax (Application to the Commonwealth) Act 1986</i>					

Benefits provided to Australian Government employees in receipt of military compensation payments are exempt from fringe benefits tax.

**D6 Exemption for health care benefits provided to members of the Defence Force**

Defence (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
505	515	495	545	550	600	640	685
<i>Tax expenditure type:</i>		Exemption			<i>2009 TES code:</i>		D3
<i>Estimate Reliability:</i>		Medium — Low					
<i>Commencement date:</i>		1995			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 6AC of the <i>Fringe Benefits Tax (Application to the Commonwealth) Act 1986</i>					

All health care benefits provided by the Australian Government to members of the Australian Defence Force (because of their membership) are exempt from fringe benefits tax.

**D7 Exemption for war service loans provided under the Defence Service Homes Act 1918**

Defence (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
4	3	2	2	1	1	1	1
<i>Tax expenditure type:</i>		Exemption			<i>2009 TES code:</i>		D4
<i>Estimate Reliability:</i>		Medium — High					
<i>Commencement date:</i>		1986			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 6 of the <i>Fringe Benefits Tax (Application to the Commonwealth) Act 1986</i>					

The loan concessions authorised under the *Defence Service Homes Act 1918* and made by virtue of an employee's war service are exempt from fringe benefits tax.



## Tax expenditures for education

### D8 Reduction in taxable value for education costs of children of employees posted overseas

Education (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Reduction in taxable value				<i>2009 TES code:</i>	D5	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 65A of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

The taxable value of fringe benefits including a car, expense payment, property or residual benefit in respect of full-time education of children of employees posted overseas for 28 days or more may be reduced. The extent of the amount of the reduction relates to the period of the employee's service overseas.

## Tax expenditures for health

### D9 Exemption for travel costs of employees and their families associated with overseas medical treatment

Health (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D7	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58L of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Benefits that meet the costs of travel away from a work place located in a foreign country in order to obtain medical treatment are exempt from fringe benefits tax. Accommodation and meals are also exempt if provided en route.

*Tax Expenditures Statement*

**D10 Philanthropy — Exemption for charities promoting the prevention or control of disease in human beings**

Health (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
65	60	70	80	80	85	90	95
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>		D30
<i>Estimate Reliability:</i>	Medium — Low						
<i>Commencement date:</i>	2001				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 5B and subsection 57A(5) of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Charitable institutions whose principal activity is to promote the prevention or control of diseases in human beings are provided with an exemption from fringe benefits tax on up to \$30,000 of the grossed-up taxable value of fringe benefits per employee.

Excluded from the cap are meal entertainment (such as a doctor's expenses on a restaurant meal at a social occasion), entertainment facility leasing expenses and car parking. The fringe benefits tax exemption on these items remains unlimited.

**D11 Philanthropy — Exemption for public and not-for-profit hospitals and public ambulance services**

Health (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
980	780	810	880	920	1,000	1,100	1,150
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>		D6
<i>Estimate Reliability:</i>	Medium — Low						
<i>Commencement date:</i>	2000				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 57A(3) and 57A(4) of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Public and not-for-profit hospitals and public ambulance services are provided with an exemption from fringe benefits tax which is capped up to \$17,000 of the grossed-up taxable value of fringe benefits per employee.

Excluded from the \$17,000 cap are meal entertainment (such as a doctor's expenses on a restaurant meal at a social occasion), entertainment facility leasing expenses and car parking. The fringe benefits tax exemption on these items remains unlimited.

## Tax expenditures for social security and welfare

### D12 Exemption for emergency assistance

Social security and welfare (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D9	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58N of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Benefits provided by way of emergency assistance are exempt from fringe benefits tax. Emergency assistance includes certain first aid or other emergency health care; emergency meals, food supplies, clothing, accommodation, transport, or use of household goods; temporary repairs; and any other similar benefit.

### D13 Philanthropy — Exemption for accommodation, fuel and meals for live-in employees caring for the elderly or disadvantaged

Social security and welfare (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D8	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 58 and 58U of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Certain benefits that are provided to people employed in caring for elderly or disadvantaged persons and who reside with them in their own homes are exempt from fringe benefits tax. The benefits that are exempt are accommodation, residential fuel, meals and other food and drink provided in the home to the employee.

### D14 Philanthropy — Exemption for public benevolent institutions (excluding public and not-for-profit hospitals)

Social security and welfare (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
780	720	820	890	920	990	1,050	1,110
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D11	
<i>Estimate Reliability:</i>	Medium				<i>Expiry date:</i>		
<i>Commencement date:</i>	2001				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subsection 57A(1) of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Public benevolent institutions (excluding hospital activities) are provided with an exemption from fringe benefits tax which is capped up to \$30,000 of the grossed-up taxable value of fringe benefits per employee.

## Tax Expenditures Statement

Excluded from the \$30,000 cap are meal entertainment (such as expenses on a restaurant meal at a social occasion), entertainment facility leasing expenses and car parking. The fringe benefits tax exemption on these items remains unlimited.

### Tax expenditures for housing and community amenities

#### D15 Exemption for remote area housing and reduction in taxable value for remote area housing assistance

Housing and community amenities (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
65	50	50	50	55	60	65	55
<i>Tax expenditure type:</i>	Exemption, Reduction in taxable value				<i>2009 TES code:</i>	D14	
<i>Estimate Reliability:</i>	Low						
<i>Commencement date:</i>	2000				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 58ZC, 59, 60, and 65CC of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Housing benefits arise where an employer grants an employee the right to occupy or use a unit of accommodation as a usual place of residence. Such benefits provided to employees in remote areas are exempt from fringe benefits tax.

The taxable value of housing assistance provided to employees in remote areas is generally reduced by 50 per cent. Housing assistance includes benefits such as housing loans, provision of residential fuel, provision of a discounted house and land, provision of a residential housing ownership scheme, and the payment or reimbursement of rent, the interest accrued on a housing loan and the cost of acquiring a house and land.

### Tax expenditures for recreation and culture

#### D16 Philanthropy — Exemption for certain fringe benefits provided to live-in employees providing domestic services to religious institutions and practitioners

Recreation and culture (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D31	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	2+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58T of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Accommodation, household heating fuel, meals and other food and drink provided to live-in employees who provide domestic services and are employed by religious institutions or religious practitioners are exempt from fringe benefits tax.

**D17 Philanthropy — Exemption for fringe benefits provided to certain employees of religious institutions**

Recreation and culture (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
95	80	80	85	90	95	105	115
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D32	
<i>Estimate Reliability:</i>	Low						
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 57 of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Benefits provided to an employee, or to a spouse or child of the employee, of a religious institution are exempt from fringe benefits tax if the employee is a religious practitioner and only if the benefit is provided principally in respect of pastoral duties or any other duties or activities that are directly related to the practice, study, teaching or propagation of religious beliefs.

**Tax expenditures for other economic affairs****D18 Application of statutory formula to value car benefits**

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
860	970	990	1,140	1,110	1,220	1,290	1,340
<i>Tax expenditure type:</i>	Discounted valuation				<i>2009 TES code:</i>	D26	
<i>Estimate Reliability:</i>	Medium — Low						
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 9 of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Under the fringe benefits tax benchmark, the value of a car fringe benefit is the cost of providing the vehicle (for instance, where the vehicle is provided under a lease, the value of the lease payments) plus the associated vehicle running costs. The statutory formula method for valuing car fringe benefits values the benefit as a proportion of the acquisition cost of the vehicle, which declines as distance travelled by the vehicle each year increases.

This approach may result in the undervaluation of the benefit when calculating fringe benefits tax with the result that less tax is paid on car fringe benefits than would be if the cost of the benefit were paid by the employee out of after tax cash remuneration.

*Tax Expenditures Statement*

**D19 Discounted valuation for board meals**

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
5	5	5	5	5	6	6	7
<i>Tax expenditure type:</i>	Discounted valuation				<i>2009 TES code:</i>	D34	
<i>Estimate Reliability:</i>	Low						
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 36 of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Where an employee is entitled under an industrial award or employment arrangement to accommodation and to at least two meals a day, eligible meals (known as 'board meals') are valued at concessional rates for the purposes of fringe benefits tax.

The taxable value of a board meal is \$2 per meal per person, or \$1 per meal per person if the person is under the age of 12. Any amount paid for the meal is deducted.

**D20 Discounted valuation for car parking fringe benefits**

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
17	13	13	14	15	17	18	20
<i>Tax expenditure type:</i>	Discounted valuation				<i>2009 TES code:</i>	D35	
<i>Estimate Reliability:</i>	Low						
<i>Commencement date:</i>	1993				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 39A of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

A car parking fringe benefit arises if within a one kilometre radius of the premises on which the car is parked there is a commercial parking station that charges a fee for all day parking that is more than a specified car parking threshold calculated by reference to movements in the consumer price index. The threshold for the fringe benefits tax year commencing 1 April 2010 is \$7.46. For fees under the threshold no parking fringe benefit arises.

The fringe benefit only applies to cars (any motor-powered road vehicle designed to carry a load of less than one tonne and fewer than nine passengers). Motorcycles are exempt from fringe benefits tax for the purposes of this concession.

The tax expenditure also arises due to the availability of five different methods by which employers can calculate their fringe benefits tax liability for the car parking benefit. The use of these methods may result in the undervaluation of the benefit when calculating fringe benefits tax with the result that less tax is paid on car parking fringe benefits than would be if the cost of the benefit were paid by the employee out of after tax cash remuneration.

### D21 Discounted valuation of arm's length transaction price for in-house property and residual fringe benefits

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Discounted valuation				<i>2009 TES code:</i>	D36	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	2+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 42, 48 and 49 of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

The taxable value of in-house property fringe benefits and in-house residual fringe benefits is 75 per cent of the lowest retail price charged to the public in the ordinary course of business.

### D22 Discounted valuation of holidays for employees and their families when posted overseas

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Discounted valuation				<i>2009 TES code:</i>	D33	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 61A and 143C of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

For fringe benefits tax purposes, the value of an overseas holiday that is provided in accordance with an industry custom or under an industrial award to an employee and their family members when posted overseas is reduced by 50 per cent. Included are overseas transport, meals and accommodation.

The benefit is limited to 50 per cent of a benchmark amount, which is based on the cost of a return airfare to the employee's home location, and an employee must provide documentary evidence to the employer to substantiate the value of the holiday.

### D23 Discounted valuation of stand-by travel for airline employees and travel agents

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
16	6	3	5	5	5	6	6
<i>Tax expenditure type:</i>	Discounted valuation				<i>2009 TES code:</i>	D18	
<i>Estimate Reliability:</i>	Medium						
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 32 and 33 of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

The taxable value of an airline transport fringe benefit for airline employees and travel agents is the stand-by value less the employee contribution. For domestic travel, the

## Tax Expenditures Statement

stand-by value is 37.5 per cent of the lowest publicly advertised, economy airfare charged by the provider, at or about the time of travel, over that route. For international travel, the stand by value is 37.5 per cent of the lowest fare published in Australia as charged by the carrier for travel over that route in the 12 months preceding the end of the year of tax.

### D24 Discounted value for remote area holiday benefits

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Discounted valuation				<i>2009 TES code:</i>	D49	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 60A and 61 of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

The value of holiday related transport benefits (including the cost of appropriate meals and accommodation en route) provided to employees working in a remote area (and any family members living with them in the remote area) are generally reduced by 50 per cent.

### D25 Exemption for benefits in relation to compassionate travel

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D38	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58LA of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

The cost of transport, meals and accommodation an employer may provide to an employee, or a close relative of an employee that is for compassionate purposes (for example, serious illness or funerals) is exempt from fringe benefits tax.

### D26 Exemption for certain loan benefits

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D27	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 17 of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Certain in-house loan benefits and certain loans to employees to meet employment-related expenses are exempt from fringe benefits tax.



**D27 Exemption for certain long service awards**

Other economic affairs — Total labour and employment affairs (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>	D19	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	1+	
<i>Commencement date:</i>	1986					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58Q of the <i>Fringe Benefits Tax Assessment Act 1986</i>							

Long service awards granted in recognition of 15 years or more service, up to a specified maximum amount, are exempt from fringe benefits tax.

From 1 April 2005, the specified maximum amount increased from \$500 to \$1,000 where the period of service being recognised by the award is 15 years. Also from 1 April 2005, the maximum additional amount increased from \$50 to \$100 for each additional year served where an award recognises a period of service greater than 15 years.

**D28 Exemption for certain payments to approved worker entitlement funds**

Other economic affairs — Total labour and employment affairs (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	210	155	155	160	165	175	185	200
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>	D39	
<i>Estimate Reliability:</i>	Low							
<i>Commencement date:</i>	2003					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 58PA and 58PB of the <i>Fringe Benefits Tax Assessment Act 1986</i>							

Payments to approved worker entitlement funds for the purposes of providing for entitlements such as redundancy and long service leave of employees are exempt from fringe benefits tax. The funds must be either prescribed by regulation or be a long service leave fund established under a Commonwealth, State or Territory law.

**D29 Exemption for certain relocation and recruitment expenses**

Other economic affairs — Total labour and employment affairs (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>	D20	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	2+	
<i>Commencement date:</i>	1986					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 58A to 58D and 58F of the <i>Fringe Benefits Tax Assessment Act 1986</i>							

Certain benefits associated with relocation and recruitment expenses are exempt from fringe benefits tax. The exemption applies to benefits associated with the cost of travelling to attend an interview or selection test, the cost of removal and storage of

*Tax Expenditures Statement*

household effects, costs associated with the sale and/or purchase of a dwelling, costs associated with connecting or reconnecting certain utilities and the costs of providing relocation transport and any meals and accommodation en route.

**D30 Exemption for eligible work-related items**

Other economic affairs — Total labour and employment affairs (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	125	70	25	35	35	40	45	45
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>	D40	
<i>Estimate Reliability:</i>	Low							
<i>Commencement date:</i>	1995					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58X of the <i>Fringe Benefits Tax Assessment Act 1986</i>							

Eligible work-related items (such as mobile phones, laptop computers, protective clothing and tools of trade) provided by an employer to an employee are exempt from fringe benefits tax.

From 13 May 2008, this exemption only applies where these items are used primarily for work purposes. In addition, the exemption will generally be limited to one item of each type per employee per year.

**D31 Exemption for employee taxi travel to or from their place of work**

Other economic affairs — Total labour and employment affairs (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>	D15	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	2+	
<i>Commencement date:</i>	1997					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58Z of the <i>Fringe Benefits Tax Assessment Act 1986</i>							

Any benefit arising from taxi travel by an employee is exempt from fringe benefits tax if the travel is a single trip beginning or ending at the employee's place of work.

**D32 Exemption for employer contributions to secure childcare places in certain centres**

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D10	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subsection 47(8) of the <i>Fringe Benefits Tax Assessment Act 1986</i> Section 195 of the <i>A New Tax System (Family Assistance) (Administration) Act 1999</i>						

Payments made by employers to obtain priority of access to certain childcare facilities for children of employees are exempt from fringe benefits tax. To be exempt, payments must be made to child care facilities that are eligible to receive Child Care Benefit payments from the Australian Government.

Child care facilities will be eligible for such payments if they are approved by the Secretary of the Department of Education, Employment and Workplace Relations.

**D33 Exemption for employer-provided motor vehicle parking**

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D41	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	2+	
<i>Commencement date:</i>	1986, 1993				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58G of the <i>Fringe Benefits Tax Assessment Act 1986</i> Regulation 13A of the <i>Fringe Benefits Tax Regulations 1992</i>						

Parking for disabled employees, and parking for employees of scientific, religious, charitable or other public educational institutions, is exempt from fringe benefits tax.

**D34 Exemption for engagement of a relocation consultant**

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D42	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	2006				<i>Expiry date:</i>		
<i>Legislative reference:</i>	58AA of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Costs associated with the engagement of a relocation consultant where an employee moves residence as part of their employment are exempt from fringe benefits tax if certain criteria are met. A relocation consultant is a person who assists an employee, or his or her family members, to move and settle into a new location.

*Tax Expenditures Statement*

The criteria to be met are that the benefit is at arm's length, and documentary evidence of the expenditure is provided to the employer.

**D35 Exemption for free or discounted commuter travel for employees of public transport providers**

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
33	26	28	30	32	35	39	39
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D16	
<i>Estimate Reliability:</i>	Very Low						
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subsection 47(1) of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Where an employer operates a business of providing transport to the public, the provision of free or discounted travel (other than in an aircraft) to employees of that business for the purpose of their travelling to and from work is exempt from fringe benefits tax. Where an employee's place of work is in a metropolitan area, free or discounted travel on a scheduled service within that area is also exempt from fringe benefits tax.

**D36 Exemption for free or discounted travel to and from duty by police officers on public transport**

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D17	
<i>Estimate Reliability:</i>	Very Low				<i>* Category</i>	1+	
<i>Commencement date:</i>	2000				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subsection 47(1A) of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

The provision of travel on public transport to police officers for the purpose of travel between the officer's place of residence and their primary place of employment is exempt from fringe benefits tax.

**D37 Exemption for minor benefits**

Other economic affairs — Total labour and employment affairs (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>	D43	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	2+	
<i>Commencement date:</i>	1986					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58P of the <i>Fringe Benefits Tax Assessment Act 1986</i>							

Minor benefits may be exempt from fringe benefits tax. Minor benefits are currently benefits that are less than \$300 in value, infrequently provided and/or are difficult to record and value. It must also be unreasonable to treat the minor benefit as a fringe benefit.

**D38 Exemption for minor private use of company motor vehicle**

Other economic affairs — Total labour and employment affairs (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>	D44	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	1+	
<i>Commencement date:</i>	1986					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subsection 47(6) of the <i>Fringe Benefits Tax Assessment Act 1986</i>							

Where an employee is provided with the use of a motor vehicle that is not a car, such use is exempt from fringe benefits tax if any private use is restricted to travel to and from work, use which is incidental to travel in the course of duties of employment, and non-work-related use that is minor, infrequent and irregular.

**D39 Exemption for private use of business property**

Other economic affairs — Total labour and employment affairs (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>	D45	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	3+	
<i>Commencement date:</i>	1986					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 41 and 47(3) of the <i>Fringe Benefits Tax Assessment Act 1986</i>							

The personal use of property (other than a motor vehicle) by an employee that is ordinarily located on the employer's business premises and is principally used directly in connection with business operations is exempt from fringe benefits tax.

From 13 May 2008, this exemption excludes meals provided under a salary sacrifice arrangement. These rules, however, do not affect subsidised canteens that are provided to all staff and that are not part of a salary sacrifice arrangement.

*Tax Expenditures Statement*

**D40 Exemption for recreational or childcare facilities on an employer's business premises**

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D12	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	2+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subsection 47(2) of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Recreational or childcare facilities are exempt from fringe benefits tax if the facilities are provided on an employer's business premises for the benefit of employees.

**D41 Exemption for small business employee car parking**

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
11	8	9	9	10	10	11	12
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D28	
<i>Estimate Reliability:</i>	Low						
<i>Commencement date:</i>	1997				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58GA of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Car parking benefits provided to employees of small business employers are exempt from fringe benefits tax if the parking is not provided in a commercial car park. The employer must not be a government body, listed public company or subsidiary of a listed public company, and the employer's total income must be less than \$10 million.

**D42 Exemption for the provision of food and drink in certain circumstances**

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D46	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 54 and 58V of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Where employees receive meals that are board fringe benefits, any additional food and drink supplied to them, such as morning and afternoon teas, is exempt from fringe benefits tax. Food and drink provided to domestic employees who do not 'live-in' may be exempt from fringe benefits tax if consumed by the employee at the place of employment and the employer is a religious institution or individual.

**D43 Exemption for transport for oil rig and remote area employees in certain circumstances**

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D47	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subsection 47(7) of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Transport provided to employees in remote areas or who work on oil rigs or other installations at sea may be exempt from fringe benefits tax. The exemption applies where the employees are provided with accommodation at or near the work site on working days and it would be unreasonable to expect the employees to travel to and from work on a daily basis.

**D44 Exemptions for certain employees training under the Australian Traineeship System**

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D23	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58S of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Food, drink and accommodation provided to people training under the Australian Traineeship System may be exempt from fringe benefits tax. To be exempt, the benefits must be provided in accordance with an award or an industry custom and must not be provided at a party, reception or other social function.

**D45 Exemptions for employees living away from home**

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D48	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	2+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 21, 31, 47(5), 58E, 58ZD and 63 of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Accommodation, household goods, worktime meals and payments for extra expenses provided to employees living away from their usual place of residence (in order to perform their duties of employment) are exempt from fringe benefits tax.

*Tax Expenditures Statement*

**D46 Philanthropy — Exemption for donations to deductible gift recipients**

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
-	-	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	D22	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	2+	
<i>Commencement date:</i>	1 July 2008				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subsection 148(2) of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Donations to deductible gift recipients (DGRs) made under salary sacrifice arrangements are exempt from fringe benefits tax.

**D47 Reduction in taxable value of certain relocation and recruitment expenses**

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Reduction in taxable value				<i>2009 TES code:</i>	D25	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	2+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 61B to 61E of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Reductions in taxable value are provided for fringe benefits associated with certain relocation and recruitment expenses. This includes benefits associated with cents per kilometre reimbursements for transport in an employee's car for relocation travel or travel to attend an interview or selection test, the provision of temporary accommodation, and meals provided to an employee (or family member) while staying in a hotel, motel, hostel or guesthouse which is used for temporary accommodation while relocating.

Some related expenses may be exempt — see the tax expenditure *Exemption for certain relocation and recruitment expenses* (D29).

**D48 Reduction in the aggregate taxable value of certain fringe benefits**

Other economic affairs — Total labour and employment affairs (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption, Reduction in taxable value				<i>2009 TES code:</i>	D37	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	2+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 62 of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

In working out a particular employee's fringe benefit tax liability, the combined value of in-house fringe benefits and airline transport fringe benefits is reduced by \$1,000.



This means that where an employer provides \$1,000 or less of in-house and airline transport fringe benefits to an individual employee, the employee will not incur a fringe benefit tax liability in relation to those benefits. Where the value exceeds \$1,000, the grossed-up value of the employee's fringe benefit will be reduced by \$1,000.

#### **D49 Ability to elect a 50/50 method for working out meal entertainment fringe benefits**

Other economic affairs — Other economic affairs, nec (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Record keeping exemption					<i>2009 TES code:</i>	New	
<i>Estimate Reliability:</i>	Low					<i>* Category</i>	2+	
<i>Commencement date:</i>	1995					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 37B and 37BA of the <i>Fringe Benefits Tax Assessment Act 1986</i>							

An employer may elect that the taxable value of meal entertainment fringe benefits provided to the employer's employees and associates is half the value of the expenses incurred in an FBT year by the employer in providing meal entertainment benefits generally.

The ability to elect a 50/50 split creates a tax expenditure whenever the value of the fringe benefits provided to employees, but for the ability to elect the 50/50 method, would have been more than half the cost to the employer of providing the meal entertainment benefits.

#### **D50 Philanthropy — Rebate for certain not-for-profit, non-government bodies**

Other economic affairs — Other economic affairs, nec (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	30	30	25	20	20	25	30	30
<i>Tax expenditure type:</i>	Rebate					<i>2009 TES code:</i>	D50	
<i>Estimate Reliability:</i>	Medium — Low							
<i>Commencement date:</i>	1994					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 65J of the <i>Fringe Benefits Tax Assessment Act 1986</i>							

Certain not-for-profit, non-government bodies are eligible for a 48 per cent rebate of the fringe benefits tax that would otherwise be payable on up to \$30,000 of the grossed-up taxable value of fringe benefits per employee.

In general, the rebate applies to religious institutions, not-for-profit scientific or educational institutions, charitable institutions, schools, trade unions and associations of employers or employees. The rebate also applies to a range of not-for-profit societies, associations or clubs that are entitled to be exempt from income tax.

*Tax Expenditures Statement*

**D51 Record keeping exemption**

Other economic affairs — Other economic affairs, nec (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	..	..	..	..	..	..	..	..
<i>Tax expenditure type:</i>	Record keeping exemption				2009 TES code:		D29	
<i>Estimate Reliability:</i>	Low							
<i>Commencement date:</i>	1998				<i>Expiry date:</i>			
<i>Legislative reference:</i>	Part XIA of the <i>Fringe Benefits Tax Assessment Act 1986</i>							

Broadly, if an employer has kept and lodged required fringe benefits tax records, and provides aggregate fringe benefits below a threshold (\$7,190 in the year ending 31 March 2011) then an employer need not keep or retain full fringe benefits tax records. Those employers' liability to pay fringe benefits tax is based on their liability in their most recent base year instead of the current year.

A base year is a year after 1 April 1996 in which the employer met the conditions given above.

## CAPITAL GAINS TAX

The capital gains tax benchmark comprises:

- taxation of gains on a realisation basis (that is, at the time an asset is disposed of) rather than on accrual;
- a tax base of nominal gains or losses from the realisation of property where the realisation is not an aspect of the carrying on of a business; and
- the limitation of Australian taxation of the capital gains of foreign residents to gains on the direct or indirect disposal of interests in Australian land (and similar assets such as mining rights) and branch office assets.

### Tax expenditures for defence

#### E1 Capital gains tax exemption for valour or brave conduct decorations

Defence (\$m)								
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	
..	..	..	..	..	..	..	..	
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>		E1	
<i>Estimate Reliability:</i>	Low							
<i>Commencement date:</i>	1985				<i>Expiry date:</i>			
<i>Legislative reference:</i>	Paragraph 118-5(b) of the <i>Income Tax Assessment Act 1997</i>							

Capital gains or losses arising from the disposal of a decoration awarded for valour or brave conduct are exempt from capital gains tax. This exemption is available unless the owner of the decoration had paid money or given any other property for it.

### Tax expenditures for health

#### E2 Capital gains tax roll-over for membership interests in medical defence organisations

Health (\$m)								
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	
-	*	*	*	*	*	*	*	
<i>Tax expenditure type:</i>	Deferral				<i>2009 TES code:</i>		E2	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>		1+	
<i>Commencement date:</i>	2007				<i>Expiry date:</i>			
<i>Legislative reference:</i>	Subdivision 124-P of the <i>Income Tax Assessment Act 1997</i>							

A capital gains tax roll-over is available for capital gains arising from the exchange of a membership interest in a medical defence organisation for a similar interest in another medical defence organisation where both organisations are companies limited by

## Tax Expenditures Statement

guarantee. The roll-over allows a member who exchanges their membership interest for the replacement interest to defer a capital gains tax liability arising from the exchange until the ultimate disposal of the replacement membership interest.

### Tax expenditures for housing and community amenities

#### E3 Capital gains tax concessions for conservation covenants

Housing and community amenities (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
..	..	..	..	..	..	..	..
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>		E3
<i>Estimate Reliability:</i>	Low						
<i>Commencement date:</i>	2000				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 104-47 of the <i>Income Tax Assessment Act 1997</i>						

For capital gains tax purposes, perpetual conservation covenants are treated as a part disposal of land, rather than the creation of a right. This treatment results in a reduced capital gain because a portion of the cost base of the land is taken into account. Previously the capital gain equalled the amount received for the covenant less incidental costs.

Landowners can also benefit from any capital gains tax concession or exemption that may apply to the capital gain. For example, a capital gain from a covenant granted in respect of land owned before 20 September 1985 is exempt. In addition, the capital gains tax discount may now apply if the land has been owned for at least 12 months.

#### E4 Capital gains tax main residence exemption

Housing and community amenities (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
17,500	18,000	13,000	17,500	17,500	19,000	19,000	19,000
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>		E4
<i>Estimate Reliability:</i>	Medium — Low						
<i>Commencement date:</i>	1985				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 118-B of the <i>Income Tax Assessment Act 1997</i>						

Capital gains or losses on the disposal of an individual's main residence and up to two hectares of adjacent land are exempt from capital gains tax, to the extent the dwelling is used as a home.

- A taxpayer is entitled to treat a dwelling as their main residence from the time they acquire it until the time when they first occupy it provided they occupy it as soon as practicable.
- A taxpayer is entitled to acquire a dwelling that is to become their main residence, whilst still owning an existing dwelling and treat both dwellings as their main

residence for up to six months or until their ownership of the existing dwelling ends, whichever occurs first.

- A taxpayer is entitled to treat a block of land as their main residence, if the land was acquired for the purposes of building a dwelling, the dwelling is completed within four years of acquiring the land, the taxpayer moves into the dwelling as soon as practicable and the dwelling continues to be their main residence for at least three months.

The CGT main residence exemption will also be available where the dwelling is owned by a trustee of a Special Disability Trust and used by the principal beneficiary of the trust as their main residence. This will apply from 1 July 2009 once legislation is enacted.

See tax expenditure E5 for the 50 per cent concession component of the main residence exemption. Appendix C also provides further discussion of various estimates of the main residence exemption.

### **E5 Capital gains tax main residence exemption — discount component**

Housing and community amenities (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	22,000	23,000	16,500	21,500	22,500	23,500	24,000	24,000
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>		E5
<i>Estimate Reliability:</i>	Medium — Low							
<i>Commencement date:</i>	1999					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 115 of the <i>Income Tax Assessment Act 1997</i>							

Capital gains or losses on the disposal of an individual's main residence and up to two hectares of adjacent land are exempt from capital gains tax, to the extent the dwelling is used as a home. Disposals of other assets by individuals or trusts receive a capital gains tax exemption applying to 50 per cent of any nominal gain where the asset has been owned for at least 12 months.

The capital gains tax treatment of the main residence effectively provides a 100 per cent exemption. Conceptually, this can be split into a component reflecting the discount provided to disposals of non-main residence assets and a 'top up' component that brings the concession up to 100 per cent.

The remainder of the value of the CGT main residence exemption, representing the value of the concession relative to the normal CGT rules, is reported in tax expenditure E4. Appendix C provides further discussion of various estimates of the main residence exemption. Tax expenditure E14 provides further detail on the 50 per cent concession applying to other assets.

*Tax Expenditures Statement*

**E6 Other extensions to the capital gains tax main residence exemption**

Housing and community amenities (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	E6	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	3+	
<i>Commencement date:</i>	1985 and 1996				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 118-145, 118-190 and 118-200 of the <i>Income Tax Assessment Act 1997</i>						

A taxpayer's dwelling may continue to be treated as their main residence even if it ceases to be their main residence for up to six years if the dwelling is used to produce assessable income (the six-year rule); or indefinitely, if the dwelling is not used to produce assessable income. This is provided that no other dwelling is treated as the taxpayer's main residence during the period of absence.

In addition, from 20 August 1996, a taxpayer who receives a dwelling as beneficiary of a deceased estate, or who owns the dwelling as the trustee of a deceased estate, may be able to disregard a capital gain or capital loss if certain conditions are met.

**Tax expenditures for recreation and culture**

**E7 Philanthropy — Capital gains tax exemption for the disposal of assets under the Cultural Gifts Program**

Recreation and culture (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	E7	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	1999				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subsection 118-60(2) of the <i>Income Tax Assessment Act 1997</i>						

Capital gains or capital losses arising from gifts made under the Cultural Gifts program are exempt from capital gains tax. The Cultural Gifts program, which does not apply to testamentary gifts, encourages donations of significant cultural items from private collections to public art galleries, museums and libraries by offering tax benefits to the donor.

## Tax expenditures for other economic affairs

### E8 Capital gains tax roll-over for worker entitlement funds

Other economic affairs — Total labour and employment affairs (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Deferral					<i>2009 TES code:</i>	E8	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	2+	
<i>Commencement date:</i>	2003					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 126-C of the <i>Income Tax Assessment Act 1997</i>							

A capital gains tax roll-over is available for a fund that amends or replaces its trust deed in order to become an approved worker entitlement fund for fringe benefits tax purposes.

### E9 Capital gains tax — demutualisation of mutual entities

Other economic affairs — Other economic affairs, nec (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	-	-	-	2	1	1	2	2
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>	E9	
<i>Estimate Reliability:</i>	Low							
<i>Commencement date:</i>	1995					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 9AA and Schedule 2H of the <i>Income Tax Assessment Act 1936</i> Division 315 of the <i>Income Tax Assessment Act 1997</i>							

Capital gains and capital losses arising under the demutualisation of a mutual entity, including a life insurer, general insurer or health insurer are disregarded for members and/or policyholders that receive shares in the demutualised entity.

In addition:

- members and policyholders of a demutualising life insurer receive a cost base for their shares based on the embedded value of the life insurer;
- members and policyholders of a demutualising general insurer receive a cost base for their shares based on the net tangible assets value of the general insurer;
- policyholders of a demutualising private health insurer receive a cost base for their shares based on the market value of the private health insurer; and
- policy holders and members of a demutualising friendly society that is a life insurer and/or a private health insurer receive a cost base for their shares that is based on the market value of the private health insurance business (if any) and the embedded value of any other businesses of the friendly society.

*Tax Expenditures Statement*

**E10 Capital gains tax — indexation of cost base**

Other economic affairs — Other economic affairs, nec (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Reduction in taxable value					<i>2009 TES code:</i>	E10	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	2+	
<i>Commencement date:</i>	1985					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 114 of the <i>Income Tax Assessment Act 1997</i> Section 110-36 of the <i>Income Tax Assessment Act 1997</i>							

For assets acquired at or before 11:45 am EST on 21 September 1999, taxpayers may choose to calculate the capital gain on the asset by reference to its indexed cost base. Taxpayers that choose to use the indexed cost base cannot access the capital gains tax discount. The indexed cost base for these assets was frozen as at 30 September 1999.

**E11 Capital gains tax — limited roll-over for fixed trusts**

Other economic affairs — Other economic affairs, nec (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	-	-	-	*	*	*	*	*
<i>Tax expenditure type:</i>	Deferral					<i>2009 TES code:</i>	E11	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	1+	
<i>Commencement date:</i>	2008					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 126-G of the <i>Income Tax Assessment Act 1997</i>							

A capital gains tax roll-over is 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.

**E12 Capital gains tax — optional roll-over of capital losses for complying superannuation funds**

Other economic affairs — Other economic affairs, nec (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	-	-	-	*	*	*	*	*
<i>Tax expenditure type:</i>	Deferral					<i>2009 TES code:</i>	E12	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	2+	
<i>Commencement date:</i>	2008					<i>Expiry date:</i>	30 June 2011	
<i>Legislative reference:</i>	Division 310 of the <i>Income Tax Assessment Act 1997</i>							

A roll-over is 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.



**E13 Capital gains tax deferral of liability when taxpayer dies**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Deferral				<i>2009 TES code:</i>	E13	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	3+	
<i>Commencement date:</i>	1985				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 128 of the <i>Income Tax Assessment Act 1997</i>						

Generally, there is no capital gains tax taxing point when a taxpayer dies. Recognition of the gains or losses accruing during the life of the deceased is deferred for post-CGT assets until the person inheriting the asset later disposes of it. An exception applies if the capital gains tax asset passes to an exempt entity, the trustee of a complying superannuation entity, or a non-resident of Australia.

**E14 Capital gains tax discount for individuals and trusts**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
6,150	9,740	9,090	4,140	5,490	6,700	8,190	9,980
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	E14	
<i>Estimate Reliability:</i>	Medium				<i>Expiry date:</i>		
<i>Commencement date:</i>	1999				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 115 of the <i>Income Tax Assessment Act 1997</i>						

A capital gains tax exemption applies to 50 per cent of any nominal capital gain made by an individual or trust where the asset has been owned for at least one year. For assets acquired before 21 September 1999 and held for at least one year, an individual or trust may instead choose to be taxed on the difference between the disposal price and the indexed cost base frozen as at 30 September 1999.

This item includes the CGT discount component of the value of all capital gains tax expenditures except the CGT discount associated with the main residence exemption, which is reported separately at E5.

**E15 Capital gains tax discount for investors in listed investment companies**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
25	40	35	40	40	40	50	60
<i>Tax expenditure type:</i>	Deduction				<i>2009 TES code:</i>	E15	
<i>Estimate Reliability:</i>	Low				<i>Expiry date:</i>		
<i>Commencement date:</i>	2001				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 115-D of the <i>Income Tax Assessment Act 1997</i>						

The shareholders of a listed investment company (LIC) who receive dividends that represent a distribution of capital gains made by that company are entitled to a

## Tax Expenditures Statement

deduction in respect of those dividends equivalent to the capital gains tax discount they would have received if they had realised the capital gains themselves. This concession applies in respect of gains realised by a LIC on or after 1 July 2001, provided the assets have been held by the LIC for at least 12 months.

### E16 Capital gains tax exemption for assets acquired before 20 September 1985

Other economic affairs — Other economic affairs, nec (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>	E16	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	2+	
<i>Commencement date:</i>	1985					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 104 of the <i>Income Tax Assessment Act 1997</i>							

Capital gains or losses on assets acquired before 20 September 1985 (the commencement date of the capital gains tax regime) are generally exempt from capital gains tax.

### E17 Capital gains tax exemption of non-portfolio interests in foreign companies with active businesses

Other economic affairs — Other economic affairs, nec (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>	E17	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	3+	
<i>Commencement date:</i>	1 April 2004					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 768-G of the <i>Income Tax Assessment Act 1997</i>							

Capital gains and losses by Australian companies and controlled foreign companies arising from certain capital gains tax events related to non-portfolio interests in foreign companies with active business assets are reduced.

### E18 Capital gains tax roll-over and exemption and related taxation relief for demergers

Other economic affairs — Other economic affairs, nec (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption, Deferral					<i>2009 TES code:</i>	E18	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	3+	
<i>Commencement date:</i>	2002					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 125 of the <i>Income Tax Assessment Act 1997</i> Subsection 44(4) of the <i>Income Tax Assessment Act 1936</i>							

Capital gains tax (CGT) concessions are available to defer or exempt the CGT payable in respect of the restructuring of a corporate or trust group, where the group is split

into two or more entities or groups (that is, by demerging). There are three elements to demerger relief:

- CGT roll-over at the shareholder or trust membership interest level for interests such as shares that are exchanged during the demerger process;
- a CGT exemption for certain capital gains and losses at the entity level; and
- an income tax exemption for certain 'demerger dividends'.

These concessions are available to demergers that occur on or after 1 July 2002.

From 11 May 2010, demerger relief also applies to groups where the head entity is a corporation sole or a complying superannuation entity, subject to enactment of the legislation.

### **E19 Capital gains tax roll-over for financial service providers on transition to the Financial Services Reform regime**

Other economic affairs — Other economic affairs, nec (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	-	-	-	-
<i>Tax expenditure type:</i>	Deferral					<i>2009 TES code:</i>	E19	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	1-	
<i>Commencement date:</i>	2002					<i>Expiry date:</i>	2004	
<i>Legislative reference:</i>	Subdivision 124-O of the <i>Income Tax Assessment Act 1997</i>							

An automatic capital gains tax (CGT) roll-over is available to eligible financial service providers on transition to the Financial Services Reform regime. Financial service providers were provided the roll-over when, during the Financial Services Reform transitional period:

- an existing statutory licence, registration or authority was replaced with an Australian financial services licence;
- a qualified Australian financial services licence was replaced with an Australian financial services licence; or
- an intangible CGT asset was replaced with another intangible CGT asset.

*Tax Expenditures Statement*

**E20 Capital gains tax roll-over for replacement small business active assets**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
170	210	350	200	210	210	220	230
<i>Tax expenditure type:</i>	Deferral				<i>2009 TES code:</i>		E20
<i>Estimate Reliability:</i>	Medium — High						
<i>Commencement date:</i>	1997				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 152-E of the <i>Income Tax Assessment Act 1997</i>						

A capital gains tax roll-over is available for capital gains arising from the disposal of active small business assets if the proceeds of the sale are used to purchase other active small business assets. Active assets include assets used in carrying on a business and intangible assets inherently connected with a business (for example, goodwill). An eligible small business is one where the net value of assets that the taxpayer and connected entities own is no more than \$6 million, or where the aggregated annual turnover is less than \$2 million.

**E21 Capital gains tax roll-over for statutory licenses and water entitlements**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
20	90	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Deferral				<i>2009 TES code:</i>		E21
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>		1+
<i>Commencement date:</i>	1985, 2005 and 2006				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivisions 124-C (statutory licences) and 124R (water entitlements) of the <i>Income Tax Assessment Act 1997</i>						

A capital gains tax roll-over is available where a statutory licence ends and is replaced with a new licence that authorises substantially similar activity to the original licence. In addition, a capital gains tax roll-over is available on an optional basis from the 2005-06 income year where a taxpayer's ownership of one or more water entitlements ends and the taxpayer receives one or more replacement water entitlements.

A partial capital gains tax roll-over is available for statutory licences (from the 2006-07 income year) and water entitlements (on an optional basis from the 2005-06 income year) where part of the capital proceeds received does not take the form of a replacement statutory licence or water entitlement, as applicable. The component of any capital gains or losses that is referable to the replacement licence or water entitlement will be rolled over. Any part of the capital gain or loss from proceeds that do not take the form of a replacement licence or water entitlement will not qualify for the roll-over.

## E22 Capital gains tax roll-over for transfer of assets on marriage or relationship breakdown

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Deferral				<i>2009 TES code:</i>	E23	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	2+	
<i>Commencement date:</i>	2006 (expanded 2009)				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 126-A of the <i>Income Tax Assessment Act 1997</i>						

An automatic roll-over is available where a capital gains tax asset is transferred to a spouse or former spouse because of a marriage or relationship breakdown.

The roll-over also applies to assets transferred under a binding financial agreement or an arbitral award entered into under the *Family Law Act 1975* or similar arrangements under state, territory or foreign legislation.

This also includes roll-over where there is a transfer of a capital gains tax asset from a small superannuation fund to another complying superannuation fund following marriage breakdown but only where such transfers meet specific conditions.

## E23 Capital gains tax roll-over for transfer of Public Sector Superannuation Fund assets to pooled superannuation trust

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
50	-15	-15	-15	-15	-	-	-
<i>Tax expenditure type:</i>	Deferral				<i>2009 TES code:</i>	E24	
<i>Estimate Reliability:</i>	Medium						
<i>Commencement date:</i>	2005				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Item 3 of Schedule 7 to the <i>Superannuation (Consequential Amendments) Act 2005</i>						

An automatic capital gains tax roll-over will occur for the transfer of capital gains tax assets from the Public Sector Superannuation Board to the trustee of a pooled superannuation trust to establish the Public Sector Superannuation Accumulation Plan.

*Tax Expenditures Statement*

**E24 Capital gains tax roll-over relief for assets compulsorily acquired, lost or destroyed**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Deferral				<i>2009 TES code:</i>	E25	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	2+	
<i>Commencement date:</i>	1985				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 124-B of the <i>Income Tax Assessment Act 1997</i>						

A capital gains tax roll-over is available for capital gains where an asset is compulsorily acquired, lost or destroyed and the taxpayer purchases a replacement asset. In recognition that the disposal was not initiated by the taxpayer, the capital gains liability is deferred from the time of the compulsory acquisition, loss or destruction until the ultimate disposal of the replacement asset.

This measure has been extended to establish the same treatment for a compulsory acquisition whether by a private or public acquirer and to provide greater flexibility for landowners whose land is compulsorily subject to a mining lease.

**E25 Capital gains tax roll-overs for superannuation entities**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	-	-
<i>Tax expenditure type:</i>	Deferral				<i>2009 TES code:</i>	E22	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	2+	
<i>Commencement date:</i>	1994 (ADFs); 2004 (merging funds)				<i>Expiry date:</i>	2006 (merging funds)	
<i>Legislative reference:</i>	Subdivision 126-C and 126-F of the <i>Income Tax Assessment Act 1997</i>						

Superannuation entities that merge to meet the requirements of the new superannuation safety requirements (commencing 1 July 2004) will not incur a capital gains tax liability as a result of the merger.

The roll-over will be available for the transfer of an asset of a superannuation entity to another superannuation entity that is made from 1 July 2004 to 30 June 2006.

A roll-over is also available where a complying superannuation fund or a complying Approved Deposit Fund amends or replaces its trust deed, with application from 1994.

**E26 Capital gains tax roll-overs not otherwise recognised**

Other economic affairs — Other economic affairs, nec (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Deferral					<i>2009 TES code:</i>	New	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	na	
<i>Commencement date:</i>	Various					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 122 and Division 124 of the <i>Income Tax Assessment Act 1997</i>							

A capital gains tax roll-over is available where a taxpayer transfers an asset (or assets) to a company the taxpayer wholly owns. A capital gains tax roll-over is also available where all the partners in a partnership dispose of their interests in partnership property to a company they wholly own.

Tax expenditures E2, E19, E21, E24 and E28 provide descriptions of several replacement asset capital gains tax roll-overs, which allow a taxpayer to defer any capital gains tax liability arising from a CGT event happening to an original asset they own where they receive another asset to replace the original asset. There are a number of other replacement asset roll-overs not specifically covered (for example the crown lease roll-over provided in Subdivision 124-J and the roll-over for the disposal of assets by a trust to a company provided in Subdivision 124-N).

**E27 Capital gains tax roll-overs to facilitate the consolidation of Commonwealth Superannuation Schemes**

Other economic affairs — Other economic affairs, nec (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	-	70	-15	-15	-15	5	-5	-5
<i>Tax expenditure type:</i>	Deferral					<i>2009 TES code:</i>	C19	
<i>Estimate Reliability:</i>	Medium — High							
<i>Commencement date:</i>	2006 (CSS); 2010 (ARIA)					<i>Expiry date:</i>	30 June 2011 (ARIA)	
<i>Legislative reference:</i>	Schedule 1, Part 3 of the <i>Superannuation Legislation Amendment (Trustee Board and Other Measures) Act 2006 (CSS)</i> ; ARIA not yet legislated.							

An automatic capital gains tax (CGT) roll-over is available for the transfer of CGT assets from the Commonwealth Superannuation Scheme (CSS) to the Public Sector Superannuation Investments Trust as part of a restructure of the CSS.

A roll-over will also be available for the transfer by the proposed Commonwealth Superannuation Corporation of assets from the Military Superannuation Benefits Scheme to the Australian Reward Investment Alliance.

*Tax Expenditures Statement*

**E28 Capital gains tax scrip-for-scrip roll-over**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
60	125	1,105	-130	*	*	*	*
<i>Tax expenditure type:</i>	Deferral				<i>2009 TES code:</i>	E26	
<i>Estimate Reliability:</i>	Medium — Low				<i>* Category</i>	3+	
<i>Commencement date:</i>	1999				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 124-M of the <i>Income Tax Assessment Act 1997</i>						

A capital gains tax roll-over is available for capital gains arising from an exchange of interests in companies or fixed trusts. The roll-over ensures that an equity holder who exchanges original shares or other equity for new equity in a takeover or merger can defer a capital gains tax liability arising from the exchange until the ultimate disposal of the replacement asset. The roll-over ensures that capital gains tax does not impede takeovers and similar arrangements. This tax expenditure is likely to vary considerably depending upon actual takeover and merger activity. Estimates of the magnitude of this item for the projection years are based on the average activity in preceding periods.

**E29 Exemption from the market value substitution rule in relation to the cancellation or surrender of interests in widely held entities**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	E27	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	2006				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 116-30 of the <i>Income Tax Assessment Act 1997</i>						

The capital gains tax market value substitution rule deems assets that are disposed of for less than their market value to have been disposed of for a consideration equal to their market value. This measure exempts membership interests in widely-held entities that are disposed of by way of a redemption, cancellation or surrender (capital gains tax event C2) of the interest from the market value substitution rule, with effect from the 2006-07 income year.



### E30 Philanthropy — Capital gains tax exemption for testamentary gifts to deductible gift recipients

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	E29	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	1999 (expanded 2005)				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subsections 118-60(1) and (1A) of the <i>Income Tax Assessment Act 1997</i>						

Testamentary gifts (that is, gifts made under a will) of certain property to deductible gift recipients are exempt from capital gains tax. From 2005 the requirement that a gift be valued at greater than \$5,000 to access the exemption was removed.

### E31 Quarantining of capital losses

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Denial of deduction				<i>2009 TES code:</i>	E28	
<i>Estimate Reliability:</i>	Low				<i>* Category</i>	4-	
<i>Commencement date:</i>	1985				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 100-50 of the <i>Income Tax Assessment Act 1997</i>						

Capital losses may only be offset against capital gains, which means they are quarantined from ordinary income.

### E32 Removal of taxation of certain financial instruments at point of conversion or exchange

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Deferral				<i>2009 TES code:</i>	E30	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	2+	
<i>Commencement date:</i>	2002				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 26BB and 70B of the <i>Income Tax Assessment Act 1936</i>						

Gains or losses from conversion or exchange of convertible or exchangeable interests issued after 14 May 2002 are not subject to taxation at the point of conversion or exchange, but, instead, taxation is deferred until the ultimate disposal of the shares.

Convertible interests are financial instruments that may convert into shares in the company that issued the convertible interest. Exchangeable interests are instruments that may convert into shares in a company other than the issuer.

*Tax Expenditures Statement*

**E33 Small business capital gains tax 50 per cent reduction**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
560	790	1,010	590	620	630	660	680
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	E31	
<i>Estimate Reliability:</i>	Medium — High						
<i>Commencement date:</i>	1999				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 152-C of the <i>Income Tax Assessment Act 1997</i>						

Fifty per cent of the capital gains arising from the sale of active assets in an eligible small business are exempt from capital gains tax. This applies in addition to any capital gains tax discount entitlement of the taxpayer. Active assets include assets used in carrying on a business and intangible assets inherently connected with a business (for example, goodwill). An eligible small business is one where the net value of assets that the taxpayer and connected entities own is no more than \$6 million, or where the aggregated annual turnover is less than \$2 million.

**E34 Tax exemption for certain foreign investment in venture capital**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
..	..	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	E32	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	2+	
<i>Commencement date:</i>	1999				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 51-54 and 51-55 and Subdivisions 118-F and 118-G of the of the <i>Income Tax Assessment Act 1997</i>						

Certain non-resident investors are exempt from tax on profits and gains in respect of their eligible venture capital investments.

The concession introduced in 1999 provides an exemption from tax on the disposal of investments in new equity in eligible venture capital investments to non-resident pension funds that are tax exempt in their home jurisdiction (being either Canada, France, Germany, Japan, the United Kingdom, the United States or other approved jurisdictions).

The concession introduced in 2002 provides an exemption from tax on the profits and gains in equity investments made by a venture capital limited partnership to certain non-resident partners in the partnership. The exemption is available to a partner who is a tax exempt resident of Canada, France, Germany, Japan, the United Kingdom, the United States or other approved jurisdictions, a venture capital fund of funds established and maintained in those countries, or a taxable resident of Canada, Finland, France, Germany, Italy, Japan, the Netherlands (excluding the Netherlands Antilles), New Zealand, Norway, Sweden, Taiwan, the United Kingdom, the United States or other approved jurisdictions, that holds less than 10 per cent of the committed capital of a venture capital limited partnership.

As foreshadowed in the 2006-07 Budget, the venture capital limited partnerships regime has been enhanced by:

- removing a range of restrictions including allowing investment in unit trusts and convertible notes as well as shares;
- relaxing the requirement that 50 per cent of assets and employees must be in Australia for 12 months after making the investment; and
- removing restrictions on the country of residence of investors.

### **3.7 Consumption tax benchmark**

The Australian Government imposes taxes on consumption of particular goods, services or activities. The tax base for the consumption tax benchmark is made up of four components.

- The commodity and other indirect taxes benchmark relates to the consumption of fuel (or energy), tobacco, types of alcoholic beverages, motor vehicles and other indirect taxes.
- The customs duty benchmark relates to the importation of goods into Australia.
- The natural resource tax benchmark relates to the extraction and production of Australia's natural resources.
- The goods and services tax benchmark relates to the final consumption of goods and services by households.

## COMMODITY AND OTHER INDIRECT TAXES

Commodity taxes include volumetric taxes on the consumption of tobacco, fuel, beer, spirits (and equivalent imports), and *ad valorem* taxes on the consumption of wine and luxury cars. These taxes are imposed at either the retail, manufacture or importation stage. Other indirect taxes covered by this benchmark include the Passenger Movement Charge and agricultural levies.

For these taxes, the benchmark comprises:

- either the value or quantity of the commodity sold as the tax base;
- the rate of tax that applies to the price or quantity of the commodity sold as the tax rate; and
- the entity that has the legal obligation to pay the tax as the tax unit.

Commodity taxes also include customs duties on goods imported into Australia. The benchmark for customs duties comprises goods imported into Australia are free from customs duty, except to the extent that the customs duty imposed is equivalent to taxes imposed on domestically produced goods, such as excise equivalent customs duties.

## Tax expenditures for agriculture, forestry and fishing

### F1 Primary industry levies — exemptions for small and large producers

Agriculture, forestry and fishing (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>	New	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	1+	
<i>Commencement date:</i>	Introduced before 1985					<i>Expiry date:</i>		
<i>Legislative reference:</i>	<i>Primary Industries (Customs) Charges Act 1999</i> <i>Primary Industries (Excise) Levies Act 1999</i>							

Certain producers are exempt from primary industry levies. While the specific exemptions differ on a commodity by commodity basis, they are all in some way related to the quantity or value of the particular commodity produced in a given year.

## Tax expenditures for transport and communications

### F2 Exemptions under the Passenger Movement Charge

Transport and communication (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
30	30	40	40	40	40	50	50
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	New	
<i>Estimate Reliability:</i>	Medium — High						
<i>Commencement date:</i>	1978				<i>Expiry date:</i>		
<i>Legislative reference:</i>	<i>Passenger Movement Charge Act 1978</i>						

Certain passengers are exempt from the Passenger Movement Charge.

## Fuel

### F3 Concessional rate of excise levied on aviation gasoline and aviation turbine fuel

Fuel and energy (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
860	950	970	980	1,000	1,050	1,100	1,150
<i>Tax expenditure type:</i>	Concessional rate				<i>2009 TES code:</i>	F3	
<i>Estimate Reliability:</i>	Low						
<i>Commencement date:</i>	15 March 1956				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Item 10 of the Schedule to the <i>Excise Tariff Act 1921</i>						

Aviation gasoline and aviation turbine fuel are subject to a lower rate of excise than the benchmark rate. Aviation gasoline and aviation turbine fuel are currently excised at 3.556 cents per litre. Excise on aviation fuel has been used to fund the provision of air services by the Australian Government. Excise on aviation fuel is currently directed to the funding of the Civil Aviation Safety Authority.

### F4 Excise levied on fuel oil, heating oil and kerosene

Fuel and energy (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
-415	-435	-440	-455	-490	-530	-560	-585
<i>Tax expenditure type:</i>	Increased rate				<i>2009 TES code:</i>	F4	
<i>Estimate Reliability:</i>	Medium						
<i>Commencement date:</i>	1983				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Item 10 of the Schedule to the <i>Excise Tariff Act 1921</i>						

The benchmark excise for fuels consumed for a purpose other than in an internal combustion engine is zero.

Since 1 July 2006, fuel oil, heating oil, and kerosene have been subject to an excise of 38.143 cents per litre. Users of these products are eligible for a fuel tax credit

*Tax Expenditures Statement*

of 38.143 cents per litre that effectively removes the incidence of excise. The tax expenditure estimates do not include the impact of fuel tax credits which are reported as an expenditure program for budget purposes.

**F5 Excise levied on fuel products used for purposes other than as fuel**

Fuel and energy (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
-60	-65	-55	-55	-55	-55	-55	-55
<i>Tax expenditure type:</i>		Increased rate			<i>2009 TES code:</i>		F5
<i>Estimate Reliability:</i>		Medium — Low					
<i>Commencement date:</i>		1 July 2006			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Item 10 of the Schedule to the <i>Excise Tariff Act 1921</i>					

Since 1 July 2006, fuels consumed for a purpose other than in an internal combustion engine (such as toluene used as a solvent) are subject to excise of 38.143 cents per litre. Business users of these products are eligible for a fuel tax credit of 38.143 cents per litre that effectively removes the incidence of excise. The tax expenditure estimates do not include the impact of fuel tax credits which are reported as an expenditure program for budget purposes.

**F6 Exemption from excise for 'alternative fuels'**

Fuel and energy (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
660	590	580	530	550	320	350	370
<i>Tax expenditure type:</i>		Exemption, Increased rate			<i>2009 TES code:</i>		F6
<i>Estimate Reliability:</i>		Low					
<i>Commencement date:</i>		1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		<i>Excise Tariff Act 1921</i>					

The benchmark rates for alternative fuels vary depending on energy content but currently the bio-fuels (ethanol and biodiesel) fuel tax rate is based upon the fossil fuel rate. This gives rise to a negative tax expenditure for ethanol which is taxed at a higher rate than its benchmark. The gaseous fuels (liquefied petroleum gas, liquefied natural gas and compressed natural gas) are exempt from fuel tax.

The estimates do not include the impact of the Energy Grants Cleaner Fuels Scheme (EGCFS) and the Ethanol Production Grants which are reported as expenditure programs for budget purposes.

## Tobacco

### F7 Higher rate of excise levied on cigarettes not exceeding 0.8 grams of tobacco

Health (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
-1,315	-1,375	-1,380	-1,385	-1,530	-1,570	-1,610	-1,680
<i>Tax expenditure type:</i>		Increased rate			<i>2009 TES code:</i>		F7
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1999		<i>Expiry date:</i>			
<i>Legislative reference:</i>		Item 5 of the Schedule to the <i>Excise Tariff Act 1921</i>					

Cigarettes and cigars with less than 0.8 grams of tobacco are subject to excise at a higher rate than the benchmark. The benchmark excise treatment for the consumption of tobacco products is applied per kilogram of tobacco and applies to loose tobacco and to cigarettes and cigars with more than 0.8 grams of tobacco. Cigarettes and cigars with less than 0.8 grams of tobacco are subject to excise on a per stick basis. The effect of per stick excise is to tax the tobacco in these cigarettes and cigars more heavily than the benchmark.

## Alcohol

### F8 Concessional rate of excise levied on brandy

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
4	5	5	4	5	5	5	5
<i>Tax expenditure type:</i>		Increased rate			<i>2009 TES code:</i>		F9
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		9 November 1979		<i>Expiry date:</i>			
<i>Legislative reference:</i>		Item 3 of the Schedule to the <i>Excise Tariff Act 1921</i>					

Brandy is subject to a lower rate of excise than other spirits (\$66.92 per litre of pure alcohol, compared to \$71.67 at 2 August 2010). The excise rate on brandy is indexed to the consumer price index biannually.

*Tax Expenditures Statement*

**F9 Concessional rate of excise levied on brew-on-premise beer**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
3	4	5	5	6	7	8	9
<i>Tax expenditure type:</i>	Concessional rate				<i>2009 TES code:</i>		F10
<i>Estimate Reliability:</i>	Medium						
<i>Commencement date:</i>	1993				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Item 1 of the Schedule to the <i>Excise Tariff Act 1921</i>						

Brew-on-premise beer (that is, beer produced for non-commercial purposes using commercial facilities or equipment) is subject to a lower rate of excise than the benchmark rate of full strength packaged beer packaged in individual containers not exceeding 48 litres.

**F10 Concessional rate of excise levied on draught beer**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
160	160	160	160	160	165	165	175
<i>Tax expenditure type:</i>	Concessional rate				<i>2009 TES code:</i>		F11
<i>Estimate Reliability:</i>	Medium						
<i>Commencement date:</i>	2001				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Item 1 of the Schedule to the <i>Excise Tariff Act 1921</i>						

Draught beer (that is, beer packaged in individual containers exceeding 48 litres) is subject to a lower rate of excise than the benchmark rate of full strength beer packaged in individual containers not exceeding 48 litres.

**F11 Concessional rate of excise on low-strength packaged beer**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
13	12	11	10	10	10	10	10
<i>Tax expenditure type:</i>	Concessional rate				<i>2009 TES code:</i>		F12
<i>Estimate Reliability:</i>	Medium						
<i>Commencement date:</i>	21 August 1984				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Item 1 of the Schedule to the <i>Excise Tariff Act 1921</i>						

Low-strength beer with an alcohol content of no more than 3 per cent packaged in containers not exceeding 48 litres is subject to a lower rate of excise than the benchmark rate of similarly packaged full strength beer.



**F12 Consumption tax exemptions for privately produced beer**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
40	40	45	45	45	45	50	50
<i>Tax expenditure type:</i>		Exemption			<i>2009 TES code:</i>		F13
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		18 April 1973			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Schedule to the <i>Excise Tariff Act 1921</i>					

Beer made for personal use by private individuals is exempt from the payment of excise.

**F13 Consumption tax exemptions for privately produced wine**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
8	8	9	10	10	10	11	12
<i>Tax expenditure type:</i>		Exemption			<i>2009 TES code:</i>		F14
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		19 August 1970			<i>Expiry date:</i>		
<i>Legislative reference:</i>		<i>A New Tax System (Wine Equalisation Tax) Act 1999</i>					

Wine made for personal use by private individuals is exempt from the wine equalisation tax.

**F14 Excise concession for microbreweries**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
..	..	..	..	..	..	..	..
<i>Tax expenditure type:</i>		Concessional rate			<i>2009 TES code:</i>		F15
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Paragraph 50(1)(zzd) of the <i>Excise Regulations 1925</i>					

Microbreweries producing not more than 30,000 litres of product per annum receive excise concessions in the form of a refund of excise paid. The refund paid in any financial year cannot exceed the lesser of \$10,000 or 60 per cent of the excise payable.

*Tax Expenditures Statement*

**F15 No excise-free threshold for excisable alcoholic beverages (other than beer) not exceeding 10 per cent alcohol**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
-160	-210	-490	-490	-580	-640	-700	-780
<i>Tax expenditure type:</i>	Increased rate				<i>2009 TES code:</i>		F16
<i>Estimate Reliability:</i>	Medium						
<i>Commencement date:</i>	2000			<i>Expiry date:</i>			
<i>Legislative reference:</i>	Item 1 of the Schedule to the <i>Excise Tariff Act 1921</i>						

Alcoholic beverages (other than beer) with an alcohol content not exceeding 10 per cent are subject to a lower rate of excise than the benchmark rate of full strength beer packaged in individual containers not exceeding 48 litres.

From 27 April 2008 the excise on these other excisable beverages increased to the same level as applies to spirits (\$71.67 per litre of alcohol as at 2 August 2010).

**F16 Wine equalisation tax producer rebate**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
200	220	220	230	240	250	270	280
<i>Tax expenditure type:</i>	Rebate				<i>2009 TES code:</i>		F17
<i>Estimate Reliability:</i>	Medium						
<i>Commencement date:</i>	1 October 2004			<i>Expiry date:</i>			
<i>Legislative reference:</i>	<i>A New Tax System (Wine Equalisation Tax) Act 1999</i>						

Wine producers receive a rebate up to \$500,000 of wine equalisation tax (WET) paid per annum. The producer rebate was introduced on 1 October 2004. The rebate also extends to cider, mead, perry and sake.

**Motor vehicles**

**F17 Luxury car tax**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
-360	-450	-390	-500	-540	-580	-610	-650
<i>Tax expenditure type:</i>	Increased rate				<i>2009 TES code:</i>		F18
<i>Estimate Reliability:</i>	Medium						
<i>Commencement date:</i>	1 July 2000			<i>Expiry date:</i>			
<i>Legislative reference:</i>	<i>A New Tax System (Luxury Car Tax) Act 2000</i>						

The luxury car tax currently applies to cars that have a GST inclusive price over \$57,466 (for the 2010-11 financial year). However, the tax applies only on the GST exclusive value of the car that exceeds \$57,466. As motor vehicle purchases are not taxed under the benchmark, the luxury car tax is a negative tax expenditure.

On 1 July 2008 the luxury car tax rate increased from 25 per cent to 33 per cent and from 1 July 2008 a tax refund of up to \$3,000 of the amount of luxury car tax paid has been available for 'primary producers' or certain tourism businesses that acquire a 'refund-eligible car'.

From 3 October 2008 a higher threshold has applied to fuel efficient cars. Eligible fuel efficient cars are subject to a threshold of \$75,375 for luxury car tax purposes (for the 2010-11 financial year).

## General consumption tax expenditures

### F18 Certain exemptions for diplomatic missions and foreign diplomats

General public services — Foreign affairs and economic aid (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	1	1	1	1	1	1	1	1
<i>Tax expenditure type:</i>	Concessional rate					<i>2009 TES code:</i>	F19	
<i>Estimate Reliability:</i>	Medium — High							
<i>Commencement date:</i>	21 August 1940					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Regulation 50 of the <i>Excise Regulations 1925</i> Section 10 of the <i>Diplomatic Privileges and Immunities Act 1967</i> Section 10 of the <i>Consular Privileges and Immunities Act 1972</i> Section 11 of the <i>International Organisations (Privileges and Immunities) Act 1963</i> Section 12 of the <i>Overseas Missions (Privileges and Immunities) Act 1995</i>							

Note: estimates represent excise duty only.

Excise, luxury car tax and wine equalisation tax are not payable (or an equivalent amount of that paid is claimable) for alcohol, fuel, motor vehicles and tobacco used for official purposes by diplomatic missions or for personal use by persons identified in the *Diplomatic Privileges and Immunities Act 1967*.

### F19 Certain exemptions for Australian military sea vessels

Defence (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Concessional rate					<i>2009 TES code:</i>	F20	
<i>Estimate Reliability:</i>	Low							
<i>Commencement date:</i>	2 August 1934					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Schedule 1 to the <i>Excise Regulations 1925</i>							

Note: estimates represent excise duty only.

Excise on tobacco and certain alcoholic products is not payable by Australian military seagoing vessels in full commission when the products are consumed on board.

*Tax Expenditures Statement*

**F20 Customs duty**

Mining, manufacturing and construction (\$m)

2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
-3,450	-3,630	-3,510	-2,940	-2,740	-3,020	-3,310	-3,540
<i>Tax expenditure type:</i>	Increased rate				<i>2009 TES code:</i>	F21	
<i>Estimate Reliability:</i>	Medium — High						
<i>Commencement date:</i>	4 October 1901				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Customs Act 1901 Customs Tariff Act 1995						

Customs duty is collected on certain goods imported into Australia. Under the benchmark, goods imported into Australia are free from customs duty (except for excise-equivalent customs duty).

## NATURAL RESOURCE TAXES

The Australian Government taxes profits from the extraction and production of unprocessed petroleum (for example, crude oil, LPG and condensate) and, in certain cases, natural gas. Different taxation arrangements for unprocessed petroleum products applied to projects that commenced before the 1986-87 financial year.

The benchmark for petroleum projects that commenced on or after 1 July 1986 is based on the petroleum resource rent tax (PRRT).

- The tax base includes receipts from offshore petroleum production (excluding projects located in the North West Shelf) less eligible project expenditures.
  - Under the PRRT any eligible expenditure which is not offset against revenue in the current year can be compounded and offset against future PRRT income. The rate at which expenditure is compounded and carried forward depends on the category of expenditure and when it was incurred. The benchmark uplift rate for exploration expenditure is the long term bond rate plus 15 percentage points and for general project expenditure is the long term bond rate plus 5 percentage points.
- The benchmark tax rate is 40 per cent of the project's profits.
- The benchmark tax unit is the petroleum project.

The benchmark for petroleum projects that commenced before 1 July 1986 (for example, the North West Shelf) is the crude oil excise and is comprised of the following features:

- the barrel equivalent production of crude oil from fields of greater than 30 million barrels as the tax base;
- the rate of tax that applies to crude oil as the tax rate, with applicable rates determined by the date that the field was discovered (that is, new, intermediate or other); and
- the entity that has the legal obligation to pay the tax as the tax unit.

In July 2010, the Government announced that it would implement a minerals resource rent tax (MRRT) and an extended PRRT, with effect from 1 July 2012. As the Government is currently considering the recommendations of the Policy Transition Group in respect of the final design of these proposed tax reforms, this benchmark does not yet take into account the proposed MRRT or PRRT arrangements as there is not yet sufficient certainty around these reforms for a consistent benchmark to be specified.

*Tax Expenditures Statement*

**Tax expenditures for manufacturing and mining**

**G1 Gas transfer price regulations**

Fuel and energy (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Deduction				<i>2009 TES code:</i>	G1	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	2+	
<i>Commencement date:</i>	20 December 2005				<i>Expiry date:</i>		
<i>Legislative reference:</i>	<i>Petroleum Resource Rent Tax Assessment Regulations 2005</i>						

For petroleum resource rent tax purposes, the gas transfer price regulations stipulate rules for calculating the gas transfer price where there is no arm's length transaction. The regulations provide an allowance for capital expenditure which is based on the long term bond rate plus 7 percentage points rather than the benchmark rate (long term bond rate plus 5 percentage points).

**G2 Increased deduction for petroleum exploration expenditure in designated offshore frontier areas**

Fuel and energy (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Deduction				<i>2009 TES code:</i>	G2	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	29 March 2004				<i>Expiry date:</i>	2009	
<i>Legislative reference:</i>	<i>Section 36C of the Petroleum Resource Rent Tax Assessment Act 1987</i>						

For petroleum resource rent tax purposes, petroleum exploration companies receive a 150 per cent uplift on pre-appraisal exploration expenditure conducted in the first term of an exploration permit in a designated frontier area.

**G3 Transfer of exploration expenditure between petroleum resource rent tax projects**

Fuel and energy (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Deduction				<i>2009 TES code:</i>	G3	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	2+	
<i>Commencement date:</i>	1 July 1990				<i>Expiry date:</i>		
<i>Legislative reference:</i>	<i>Petroleum Resource Rent Tax Assessment Act 1987</i>						

Exploration expenditure can be transferred, under certain circumstances, between projects for petroleum resource rent tax (PRRT) purposes. Under the benchmark, the taxable entity is the project and undeducted expenditure is compounded and applied against future PRRT assessable receipts.

## Petroleum

### G4 Crude Oil Excise — Condensate

Fuel and energy (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
790	980	580	600	580	580	580	590
<i>Tax expenditure type:</i>		Exemption			<i>2009 TES code:</i>		G4
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1977			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Schedule to the <i>Excise Tariff Act 1921</i>					

Prior to midnight (Canberra time), 13 May 2008, condensate produced in a State or Territory, or inside the outer limits of the territorial sea of Australia, or marketed separately from a crude oil stream, or in the North West Shelf project area was exempt from the crude oil excise. Condensate is light oil extracted from 'wet' gas and primarily processed for use in motor vehicles (commonly known as petrol).

As announced in the 2008-09 Budget, the tax exemption for condensate was abolished with effect from midnight (Canberra time) 13 May 2008. From this date, condensate production from petroleum fields located in the North West Shelf project area and onshore Australia have been subject to the same excise rates as those applicable to petroleum fields discovered after 18 September 1975.

However, the benchmark for condensate produced from fields discovered prior to 18 September 1975 are the higher excise rates applied to production from fields discovered prior to 18 September 1975.

## GOODS AND SERVICES TAX BENCHMARK

The goods and services tax benchmark comprises:

- the value of the final supply of all goods and services privately consumed and investment in residential housing in Australia as the tax base;
- the entity making a supply (or receiving a supply in the case of reverse charges) as the tax unit;
- the existing GST rate as the tax rate; and
- the financial year as the taxation period.

### Tax expenditures for general public services

#### H1 GST — Financial Supplies; financial acquisitions threshold

General public services — Financial and fiscal affairs (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Concessional rate					<i>2009 TES code:</i>	H1	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	3+	
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	A New Tax System (Goods and Services Tax) Act 1999							

Generally, financial supplies are input taxed, meaning that an entity is not entitled to input tax credits for acquisitions relating to the financial supplies made by the entity. However, an entity can be entitled to input tax credits for its financial acquisitions if it does not exceed the financial acquisitions threshold. The entitlement to input tax credits for financial acquisitions in these circumstances is regarded as a positive tax expenditure.

An entity does not exceed the financial acquisitions threshold if the input tax credits it would have been entitled to, had the acquisitions been for a creditable purpose, do not exceed \$50,000 or 10 per cent of their total input tax credits for the year.

From 1 July 2012, the financial acquisitions threshold will be increased to \$150,000. The 10 per cent threshold will remain unchanged.



**H2 GST — Financial Supplies; input taxed treatment**

General public services — Financial and fiscal affairs (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	1,750	1,900	1,900	2,050	2,200	2,350	2,550	2,750
<i>Tax expenditure type:</i>	Exemption, Concessional rate					<i>2009 TES code:</i>		H2
<i>Estimate Reliability:</i>	Medium							
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	A New Tax System (Goods and Services Tax) Act 1999							

Financial supplies and acquisitions of financial supplies are input taxed. This means financial supplies are not subject to GST, but input tax credits cannot be claimed on inputs to either the supply or to the acquisition of the supply. When input-taxed supplies are made to consumers, a tax expenditure arises as less than 10 per cent of the total value added is remitted to the Australian Taxation Office. When input-taxed supplies are made to other registered businesses a negative tax expenditure arises as input tax credits cannot be claimed for this supply.

**H3 GST — Financial Supplies; reduced input tax credits**

General public services — Financial and fiscal affairs (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	800	860	860	920	990	1,070	1,150	1,240
<i>Tax expenditure type:</i>	Exemption, Concessional rate					<i>2009 TES code:</i>		H3
<i>Estimate Reliability:</i>	Low							
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	A New Tax System (Goods and Services Tax) Act 1999							

Financial supplies are generally input taxed. However, the acquisition of certain supplies (known as reduced credit acquisitions) allows financial service suppliers to claim a credit of 75 per cent of the standard input tax credit entitlement. The entitlement to the 75 per cent credit in these instances is a tax expenditure.

**H4 GST — Supplies by charitable institutions and non-profit bodies**

General public services — General services (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>		H4
<i>Estimate Reliability:</i>	Not Applicable							
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	A New Tax System (Goods and Services Tax) Act 1999							

Charities and other gift deductible bodies are entitled to a higher registration threshold of \$150,000. They are entitled to GST free treatment on non-commercial activities, certain retirement village services, bingo, and sale of second hand goods. Charities can elect to have fund raising treated as input taxed. This option is also available to gift

## Tax Expenditures Statement

deductible entities and government schools. Simplified accounting methods may be available and a range of other concessions apply.

Certain entities have the option of separately identifying some or all of their operations and treating each as a separate entity for GST purposes.

### H5 GST — Child Care Services

Housing and community amenities (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
380	440	500	530	550	580	620	650
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	H5	
<i>Estimate Reliability:</i>	Medium						
<i>Commencement date:</i>	1 July 2000				<i>Expiry date:</i>		
<i>Legislative reference:</i>	A New Tax System (Goods and Services Tax) Act 1999						

Generally, child care will be GST free if the provider is a registered carer or approved child care service as specified under the relevant Commonwealth legislation. In addition, child care supplied at facilities eligible to receive Commonwealth government funding under the guidelines made by the Child Care Minister is also GST free. All supplies that are directly related to child care are also GST free.

### H6 GST — Water, sewerage and drainage

Housing and community amenities (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
440	480	550	640	700	770	840	910
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	H6	
<i>Estimate Reliability:</i>	Medium						
<i>Commencement date:</i>	1 July 2000				<i>Expiry date:</i>		
<i>Legislative reference:</i>	A New Tax System (Goods and Services Tax) Act 1999						

A supply of water is GST free unless it is supplied in, or transferred into a container with a capacity of less than 100 litres. The draining of storm water, the emptying of a septic tank and sewerage and sewerage-like services are also GST free.

## International tax expenditures

### H7 GST — GST free status to diplomats, diplomatic missions and approved international organisations

General public services — Foreign affairs and economic aid (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	7	6	6	8	8	8	9	9
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>		H7
<i>Estimate Reliability:</i>	High							
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	A New Tax System (Goods and Services Tax) Act 1999							

Diplomatic missions, consulates and certain international organisations may be reimbursed the GST included in their purchases of certain goods and services, where the purchase is for the official use of the organisation. The GST included in purchases by diplomatic and consular staff, or certain staff of the international organisation for the private use of the person may also be refundable. The refund must be within the scope of the *Diplomatic Privileges and Immunities Act 1967*, the *Consular Privileges and Immunities Act 1972*, or the *International Organisations (Privileges and Immunities) Act 1963*.

### H8 GST — Global roaming by visitors to Australia

Transport and communication (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>		New
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>		1+
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	A New Tax System (Goods and Services Tax) Act 1999							

Telecommunication supplies for global roaming by visitors to Australia are GST- free, consistent with Australia's treaty obligations under the International Telecommunication Regulations (the Melbourne Agreement). Under the benchmark these supplies are connected with Australia and would therefore be taxable.

*Tax Expenditures Statement*

**H9 GST — Tourism; tourist refund scheme**

Other economic affairs — Tourism and area promotion (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>	H8	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	2+	
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	A New Tax System (Goods and Services Tax) Act 1999							

International travellers visiting Australia and Australians travelling overseas may be able to claim a refund of GST paid on certain goods bought in Australia if the total value of the goods is \$300 or more, they are purchased within 60 days of departure, and the goods are taken with the traveller when they depart Australia.

In addition, residents of Australia's External Territories (such as Norfolk, Cocos (Keeling) and Christmas Islands) can claim refunds of goods and services tax (GST) under the tourist refund scheme. Claims can be made if Australian External Territory residents leaving Australia can show proof that the goods have been exported to their External Territory within the required period after the goods were acquired.

**H10 GST — Importation Threshold**

Other economic affairs — Other economic affairs, nec (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	330	360	330	410	460	500	550	610
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>	H9	
<i>Estimate Reliability:</i>	Low							
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	A New Tax System (Goods and Services Tax) Act 1999							

With the exception of consignments containing tobacco, tobacco products or alcoholic beverages, a GST exemption applies to imports of goods with a customs value of no more than \$1000.

**H11 GST — Imported services**

Other economic affairs — Other economic affairs, nec (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	750	900	950	900	1,000	1,100	1,200	1,300
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>	H10	
<i>Estimate Reliability:</i>	Low							
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	A New Tax System (Goods and Services Tax) Act 1999							

Imported services (those that are not done in Australia as specified in section 9-25 of *A New Tax System (Goods and Services Tax) Act 1999*) which are not subject to a reverse charge are not subject to GST.

**H12 GST — Sale of boats for export within 12 months of supply**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
-	-	-	-	-	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	New	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	1+	
<i>Commencement date:</i>	1 July 2011				<i>Expiry date:</i>		
<i>Legislative reference:</i>	A New Tax System (Goods and Services Tax) Act 1999						

Eligible supplies of boats used for recreational purposes are GST-free if the boats are exported from Australia within 12 months of delivery, with effect from 1 July 2011. Under the benchmark goods must be exported from Australia within 60 days in order to be GST-free.

**H13 GST — Tourism; Domestic air or sea travel**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	New	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	2+	
<i>Commencement date:</i>	1 July 2000				<i>Expiry date:</i>		
<i>Legislative reference:</i>	A New Tax System (Goods and Services Tax) Act 1999						

Domestic air or sea travel within Australia by residents or non-residents as part of a wider international arrangement is not subject to GST. Domestic air travel within Australia by non-residents is also GST free if the ticket is purchased outside Australia. Transport insurance for the above supplies is also GST free.

**H14 GST — Tourism; inwards duty free**

Other economic affairs — Other economic affairs, nec (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption				<i>2009 TES code:</i>	New	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category</i>	3+	
<i>Commencement date:</i>	1 July 2000				<i>Expiry date:</i>		
<i>Legislative reference:</i>	A New Tax System (Goods and Services Tax) Act 1999						

Supplies made through an inwards duty free shop to inbound international travellers are not subject to GST.

*Tax Expenditures Statement*

**H15 GST — Tourism; travel agents**

Other economic affairs — Other economic affairs, nec (\$m)

2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
69	70	78	86	91	98	104	112
<i>Tax expenditure type:</i>		Exemption			<i>2009 TES code:</i>		New
<i>Estimate Reliability:</i>		Low					
<i>Commencement date:</i>		1 July 2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		A New Tax System (Goods and Services Tax) Act 1999					

Travel agents in Australia arranging overseas supplies (for example holidays) where the effective use or enjoyment of which is to take place outside Australia are not subject to GST on this supply.

**Tax expenditures for education**

**H16 GST — Education**

Education (\$m)

2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
1,950	2,100	2,300	2,400	2,600	2,800	3,000	3,250
<i>Tax expenditure type:</i>		Exemption			<i>2009 TES code:</i>		H11
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1 July 2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		A New Tax System (Goods and Services Tax) Act 1999					

Certain education supplies are GST free. These include education courses, administrative services, curriculum related goods, student accommodation for students attending a primary, secondary or special education course, excursions and field trips and supplies related to the recognition of prior learning. In addition, school tuckshops and canteens can elect to be input taxed.

**Tax expenditures for health**

**H17 GST — Health; drugs and medicinal preparations**

Health (\$m)

2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
310	340	370	400	430	470	520	560
<i>Tax expenditure type:</i>		Exemption			<i>2009 TES code:</i>		H12
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1 July 2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		A New Tax System (Goods and Services Tax) Act 1999					

Most medicines for human use are GST free. GST free medicines include: medicines that can only be supplied on prescription; medicines listed on the Pharmaceutical Benefits Scheme (PBS); medicines listed on the Repatriation Pharmaceutical Benefits Scheme (RPBS); non-prescription drugs that can only be supplied by a doctor, dentist,

pharmacist or other prescribed person as described by relevant state or territory law; medicines supplied under the Special Access Scheme; and medicines covered by a written determination by the Federal Health Minister.

### H18 GST — Health; medical aids and appliances

Health (\$m)								
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	
30	35	40	40	45	50	55	60	
<i>Tax expenditure type:</i>		Exemption			<i>2009 TES code:</i>		H13	
<i>Estimate Reliability:</i>		Medium						
<i>Commencement date:</i>		1 July 2000			<i>Expiry date:</i>			
<i>Legislative reference:</i>		A New Tax System (Goods and Services Tax) Act 1999						

A medical aid or appliance is GST free if the medical aid or appliance is listed in Schedule 3 to the *A New Tax System (Goods and Services Tax) Act 1999*, or specified in the regulations and specifically designed for people with an illness or disability and not widely used by others.

The supply of cars for use by disabled persons, spare parts for medical aids and appliances and the services related to the provision of the medical aid or appliance are GST free. Goods that are the subject of a written determination by the Federal Health Minister are also GST free.

### H19 GST — Health; medical and health services

Health (\$m)								
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	
2,100	2,300	2,500	2,700	2,950	3,200	3,500	3,800	
<i>Tax expenditure type:</i>		Exemption			<i>2009 TES code:</i>		H14	
<i>Estimate Reliability:</i>		Medium						
<i>Commencement date:</i>		1 July 2000			<i>Expiry date:</i>			
<i>Legislative reference:</i>		A New Tax System (Goods and Services Tax) Act 1999						

Medical services are GST free if: they are a service for which a Medicare benefit is payable under the *Health Insurance Act 1973*; they are supplied by, or on behalf of, a medical practitioner; and they constitute a service that is generally accepted in the medical profession as being necessary for the treatment of the patient.

Health services rendered by a recognised professional, as well as hospital treatment are also GST free. Goods supplied in the course of making GST free health care services are generally GST free.

*Tax Expenditures Statement*

**H20 GST — Health; Private Health Insurance**

Health (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
180	190	180	210	240	270	300	340
<i>Tax expenditure type:</i>		Exemption			<i>2009 TES code:</i>		H15
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1 July 2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		A New Tax System (Goods and Services Tax) Act 1999					

A supply of private health insurance by a private health insurer (within the meaning of the *Private Health Insurance Act 2007*) is GST free. In line with the GST treatment of general insurance, the tax expenditure for this item is based on the difference between the premium income of private health insurers and the value of benefits paid out.

**H21 GST — Health; residential care, community care and other care services**

Health (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
80	90	100	110	120	130	140	150
<i>Tax expenditure type:</i>		Concessional rate			<i>2009 TES code:</i>		H16
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1 July 2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		A New Tax System (Goods and Services Tax) Act 1999					

Some services provided by care and specialist disability providers are GST free. The quality of care principles found in the *Aged Care Act 1997* apply in determining the tax status of specific care services. In general, publicly funded aged or disability care services are GST free, as are privately funded aged care services which meet the quality of care principles found in the *Aged Care Act 1997* and are provided to those needing daily living activities assistance or nursing services.

**Tax concessions for certain taxpayers**

**H22 GST — Religious services**

Recreation and culture (\$m)							
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
20	20	25	25	25	25	30	30
<i>Tax expenditure type:</i>		Exemption			<i>2009 TES code:</i>		H17
<i>Estimate Reliability:</i>		Low					
<i>Commencement date:</i>		1 July 2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		A New Tax System (Goods and Services Tax) Act 1999					

Supplies of religious services are GST free if supplied by a religious institution and the supplied service is integral to the practise of that religion. Certain religious bodies can form a 'GST religious group' which will effectively be treated as a single entity. The



broad effect is that supplies made within the group are not subject to GST and acquisitions made within the group do not give rise to input tax credits.

### H23 GST — Supplies of farm land

Agriculture, forestry and fishing (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>	H18	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	2+	
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	A New Tax System (Goods and Services Tax) Act 1999							

Specific supplies of farm land are GST free. This includes: farm land supplied for farming on which a farming business has been carried on for at least five years and upon which a farming business is intended to continue to be carried on, on the land; and subdivided farm land that is potential residential land that is supplied to associates.

Under the GST benchmark, farm land supplied to an unregistered purchaser for farming; or farm land that is potential residential land supplied to an unregistered associate for nil or inadequate consideration; gives rise to a tax expenditure under this item.

No net GST would be collected under the benchmark from farm land supplied for farming to a registered business purchaser.

### H24 GST — Registration thresholds (Small Business concessions)

Other economic affairs — Other economic affairs, nec (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>	H19	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	3+	
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	A New Tax System (Goods and Services Tax) Act 1999							

Entities with a GST turnover less than \$75,000 (\$150,000 for non-profit entities), are not required to register for GST. Supplies made by non-registered entities are not subject to GST.

*Tax Expenditures Statement*

**H25 GST — Simplified Accounting Methods**

Other economic affairs — Other economic affairs, nec (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	9	11	11	10	10	10	9	9
<i>Tax expenditure type:</i>	Concessional rate					<i>2009 TES code:</i>	H20	
<i>Estimate Reliability:</i>	Low							
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	A New Tax System (Goods and Services Tax) Act 1999							

The Commissioner of Taxation can create simplified accounting methods (SAMs) that some small businesses can choose to apply with a view to reducing their GST compliance costs. SAMs allow taxpayers to apply simple ratios to calculate their GST liabilities (or components of them) rather than accounting for each supply to determine if it is taxable or non-taxable. Being ratios, SAMs will benefit some taxpayers by reducing their GST liabilities while increasing the GST liabilities of others, relative to the amounts calculated using a full GST calculation.

While SAMs are designed to reduce compliance costs rather than provide a tax concession, entities that expect to receive a tax benefit from applying SAMs are more likely to adopt this methodology than those that do not. This would be expected to result in a net tax concession.

**Tax expenditures for manufacturing and mining**

**H26 GST — Supply of precious metal**

Mining, manufacturing and construction (\$m)

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	*	*	*	*	*	*	*	*
<i>Tax expenditure type:</i>	Exemption					<i>2009 TES code:</i>	H21	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category</i>	2+	
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	A New Tax System (Goods and Services Tax) Act 1999							

The first supply of a precious metal by or on behalf of a refiner after the refining process to a precious metal dealer is GST free. Subsequent supplies of precious metals are input taxed. The importation of precious metals is a non taxable importation and as such GST will not be charged on the importation. The tax expenditure here is the loss of tax on the GST free and input taxed supplies and imports (where this would not be offset by input tax credits) reduced by any input tax credits denied for acquisitions related to the input taxed activities.



### **3.8 Externalities benchmark**

The externalities benchmark deals with taxes (or other revenue raising arrangements) that are imposed to ensure that the private costs of certain activities align with the social costs of those activities.

Tax expenditures reported under this benchmark have a different purpose to the taxation of income or consumption, although they may involve changes to income or consumption behaviours.

There are currently no tax expenditures reported under the externalities benchmark.