

This Appendix provides further information on the tax expenditures identified in Table 5.1, including legislative references and, in some cases, an expanded description and discussion of the estimates. Tax expenditure reference codes from the *2001 Tax Expenditures Statement* are also reported to facilitate comparison.

## **A Personal income tax benchmark**

### **A1 Exemption of official salaries and ex-Australian income of the Governor-General and Governor of any State**

Introduced before 1985. Legislative reference: Section 51-15 ITAA97. 2001 TES reference code: A1.

The official salaries and ex-Australian income of the Governor-General and State Governors are no longer exempt from income tax taking effect from appointments after 28 June 2001.

### **A2 Deduction for Federal, State and Territory government candidates' election expenses**

Introduced before 1985. Legislative reference: Section 25-60 ITAA97. 2001 TES reference code: A2.

### **A3 Deduction of up to \$1000 for local government candidates' election expenses**

Introduced in 1985. Legislative reference: Section 74A ITAA36. 2001 TES reference code: A3.

### **A4 Exemption of official salary and emoluments of officials of prescribed international organisations**

Introduced before 1985. Legislative reference: *International Organisations (Privileges and Immunities) Act 1963*. 2001 TES reference code: A4.

### **A5 Exemption of income of visitors who are representatives of a foreign press organisation**

Introduced before 1985. Legislative reference: Section 23(c)(v) ITAA36. 2001 TES reference code: A5.

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**A6 Total or partial exemptions of income earned by Australians working overseas**

Introduced before 1985. Legislative reference: Sections 23AF and 23AG ITAA36. 2001 TES reference code: A6.

Income earned by Australians working overseas on approved projects is exempt from income tax in Australia if the individual has been engaged in a continuous period of overseas service for 91 days or more.

**A7 Exemption from income tax for non-residents providing advice to government or as a member of a Royal Commission**

Introduced before 1985. Legislative reference: Section 23(b) ITAA36. 2001 TES reference code: A7.

This applies to remuneration paid by the government of the Commonwealth or of a State.

**A8 Exemption of Australian-sourced income earned by Government representatives visiting Australia or by their official staff**

Introduced before 1985. Legislative reference: Section 23(c)(iii) ITAA36. 2001 TES reference code: A8.

**A9 Exemption of income of residents of Norfolk Island**

Introduced before 1985. Legislative reference: Section 24G ITAA36. 2001 TES reference code: A9.

The exemption of income of Norfolk Island residents reflects the fact that the island is basically self-supporting. The only contributions by the Commonwealth are of a one-off nature, eg a dollar for dollar grant for a water and sewerage scheme.

**A10 Exemption of pay and allowances for part-time members of Australian Defence Force Reserves**

Introduced before 1985. Legislative reference: Section 51-5 ITAA97. 2001 TES reference code: A10.

**A11 Exemption of certain allowances and bounties payable to Australian Defence Force personnel**

Introduced before 1985. Legislative reference: Section 51-5 ITAA97. 2001 TES reference code: A11.

These allowances and bounties include living-out allowances, child-education allowances, separation allowances, living-away-from-home allowances, retention-of-lodging allowances and re-engagement bounty.

In the case of living-away-from-home allowances and living allowances paid to Australian Defence Force (ADF) personnel, the benchmark is defined to be compensation for the actual additional cost faced by employees in living away from their homes. Accordingly, the tax expenditure relates solely to any excess over this component.

**A12 Exemption of the value of rations and quarters supplied without charge to Australian Defence Force personnel**

Introduced before 1985. Legislative reference: Section 23(t)(iv) ITAA36. 2001 TES reference code: A12.

The value of rations and quarters supplied without charge to defence force personnel is exempt from income tax. However, since 1986-87 certain allowances have been subject to FBT.

**A13 Exemption of pay and allowances earned in Australia by foreign forces**

Introduced before 1985. Legislative reference: Section 23(u) ITAA36. 2001 TES reference code: A13.

This does not apply if the remuneration is paid by the Australian Government.

**A14 Exemption of compensation for loss of pay and allowances paid to Australian Defence Force Reserve personnel**

Announced in 2001. Legislative reference: Section 51-33 ITAA97 2001 TES reference code: A14.

Payments received by ADF Reserve personnel to compensate for the loss of pay and allowances where the Reserve Force member is forced to resign from the Reserve Forces due to injuries sustained whilst serving are to be exempt from income tax. This exemption is to apply to assessments for the 1996-97 and later years of income.

**A15 Exemption of compensation for loss of deployment allowance paid to Australian Defence Force members**

Announced in 2001. Legislative reference: Section 51-32 ITAA97 2001 TES reference code: A15.

Payments received by ADF personnel to compensate for the loss of a deployment allowance where the deployment allowance ceases to be paid due to injuries sustained in a warlike situation are to be exempt from income tax. This exemption is to apply to assessments for the 1996-97 and later years of income.

**A16 Exemption of pay and allowances earned by members of the Australian Defence Force in an area prescribed by regulation**

Introduced before 1985. Legislative reference: Sections 23AC and 23AD ITAA36. 2001 TES reference code: A16.

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The increase in the estimate in 1999-00 is associated with the deployment of ADF members to East Timor. Estimates from 2000-01 reflect ongoing deployment of ADF members to East Timor.

### **A17 Exemption of some payments to civilian personnel in service with an armed force of the United Nations**

Introduced before 1985. Legislative reference: Sections 23AB(5); 23AB(10) and 23AB(6) ITAA36. 2001 TES reference code: A17.

These include: compensation for incapacity, impairment or death (Section 23AB(5)); relief from unpaid tax by such personnel in the event of death (Section 23AB(10)); and partial exemption of living allowances (Section 23AB(6)).

### **A18 Tax offsets for Australian Defence Force personnel serving overseas**

Introduced before 1985. Legislative reference: Section 79B ITAA36. 2001 TES reference code: A18.

### **A19 Exemption from the Medicare levy for Australian Defence Force members**

Introduced before 1985. Legislative reference: Section 251U ITAA36. 2001 TES reference code: A19.

### **A20 Exemption of income earned by visitors assisting in the defence of Australia**

Introduced before 1985. Legislative reference: Section 23(v) ITAA36. 2001 TES reference code: A20.

### **A21 Exemption of Disturbance Allowance for Australian Defence Force members**

Introduced before 1985. Legislative reference: Section 51-5 ITAA97. 2001 TES reference code: A21.

### **A22 Exemption of Scholarship Allowance payable to Australian Defence Force members**

Introduced before 1985. Legislative reference: Section 51-5 ITAA97. 2001 TES reference code: A22.

The Scholarship Allowance is payable to an ADF member whose child forfeits a scholarship or bursary because of the member's posting to another locality.

### **A23 Exemption of income from certain Commonwealth educational scholarships or forms of assistance**

Introduced before 1985. Legislative reference: Sections 23(ya) and 23(zaa) ITAA36. 2001 TES reference code: A23.

Income derived by way of scholarships, allowances, bursaries or other education allowances provided by the Commonwealth to an overseas student (Section 23(ya)) or as part of a Commonwealth scheme to assist secondary education or the education of isolated children (Section 23(zaa)) is exempt from income tax.

**A24 Exemption of income from other scholarships or forms of assistance in limited circumstances**

Introduced before 1985. Legislative reference: Section 23(z) ITAA36. 2001 TES reference code: A24.

This exemption does not apply where: payments are received from a person or authority upon condition that they will become, or continue to be, an employee of that person or authority or enter into or continue to be a party to a contract for labour; or an amount received under a scholarship where the scholarship is not provided principally for educational purposes; or a Commonwealth education or training payment or an education entry payment provided under the *Social Security Act 1991*.

**A25 Exemption of Australian income of visiting representatives of educational, scientific, religious or philanthropic societies and associations**

Introduced before 1985. Legislative reference: Section 23(c)(iv) ITAA36. 2001 TES reference code: A25.

This exemption relates to income derived from individuals visiting Australia for the purpose of attending international or Commonwealth conferences in Australia or carrying on research.

**A26 Exemption for grants from the Australian-American Educational Foundation**

Introduced before 1985. Legislative reference: Section 51-10 ITAA97. 2001 TES reference code: A26.

Grants from the Foundation are exempt if they are from funds made available to the Foundation under the agreement establishing it.

**A27 Medical expenses tax offset**

Introduced before 1985. Legislative reference: Section 159P ITAA36. 2001 TES reference code: A27.

Qualifying medical expenses over a threshold, paid by a taxpayer in a year of income in respect of themselves and any dependants, less any amount paid to them or entitled to be paid in respect of those expenses by government or a society, association or fund, is allowable as a tax offset to the extent of 20 per cent of the excess above that threshold.

From the 2002-03 income year, the threshold above which the medical expenses offset becomes payable will be increased from \$1,250 to \$1,500.

**A28 Exemption from the Medicare levy for residents with a taxable income below a threshold**

Introduced before 1985. Legislative reference: Section 7 *Medicare Levy Act 1986*. 2001 TES reference code: A28.

**A29 Medicare levy exemption for non-residents, repatriation beneficiaries, foreign government representatives and certain residents**

Introduced in 1985. Legislative reference: Section 251U ITAA36. 2001 TES reference code: A29.

The latter category comprises residents of Norfolk Island, the Territory of Cocos (Keeling) Islands and the Territory of Christmas Island.

**A30 Income-tested tax offset for private health insurance**

Introduced in 1997. Legislative reference: Subdivision 61G, Sections 61-300 to 61-320 ITAA97. 2001 TES reference code: A30.

This measure had effect from 1 July 1997 to 31 December 1998 and has now been replaced by the Private Health Insurance 30 per cent tax offset.

**A31 30 per cent tax offset for expenditure on private health insurance; Exemption of private health insurance tax offset/benefit, including expense equivalent**

Introduced in 1998. Legislative reference: Subdivision 61G, Sections 61-330 to 61-345 ITAA97. 2001 TES reference code: A31.

The 30 per cent private health insurance tax offset can be claimed as either a direct payment (to the insurer or claimed from the Health Insurance Commission) or through the tax system as a tax offset. From 2001-02 all claims are recorded in Budget documentation as an expense. Prior to 2001-02 the component that is claimed as a tax offset is recorded in the TES as a tax expenditure.

A further tax expenditure arises for the value of the income tax exemption for both the expense and expense equivalent (tax offset).

The value of these two separate components are both listed in Table 5.1.

**A32 Medicare levy surcharge**

Introduced in 1997. Legislative reference: Sections 8B-8C *Medicare Levy Act 1986*. 2001 TES reference code: A32.

A Medicare levy surcharge of one percentage point has applied since 1 July 1997 to single individuals with taxable incomes in excess of \$50,000 and couples and families with combined taxable incomes in excess of \$100,000 who do not have adequate private health insurance. The surcharge is treated as a negative tax expenditure.

**A33 Tax offset for sole parents**

Introduced before 1985. Legislative reference: Section 159K ITAA36. 2001 TES reference code: A33.

Tax offset for a sole parent who has the sole care of a dependent child under 16 or a student.

Sole parent tax offset was replaced with Family Tax Benefit, Part B on 1 July 2000.

**A34 Tax offset for taxpayers supporting a dependent relative, parent-in-law, or invalid relative**

Introduced before 1985. Legislative reference: Section 159J ITAA36. 2001 TES reference code: A34.

**A35 Tax offset for recipients of taxable repatriation or social security pensions; or unemployment, sickness or special benefits**

Introduced before 1985. Legislative reference: Sections 160AAA(1) and 160AAA(2) ITAA36. 2001 TES reference code: A35.

The Beneficiary Tax offset ensures that recipients with no taxable income during the year other than their benefit do not have a tax liability.

From 2000-01, the pensioner tax offset for pensioners over age pension age is included in the Senior Australian's Tax Offset (A42). The pensioner tax offset for pensioners below age pension age was increased to \$1,710 for individuals and \$1,245 for each member of a couple with effect from the 2001-02 income year.

**A36 Tax offset for housekeeper who cares for a prescribed dependant of the taxpayer**

Introduced before 1985. Legislative reference: Section 159L ITAA36. 2001 TES reference code: A36.

The Housekeeper Tax offset is available to a taxpayer in limited circumstances where a housekeeper is engaged in keeping house for the taxpayer and caring for a dependant. This tax expenditure previously included the Dependent Spouse Tax offset (with child) which was replaced by Family Tax Benefit, Part B on 1 July 2000.

**A37 Tax offset for dependent spouse**

Introduced in 1976. Legislative reference: Section 159J ITAA36. 2001 TES reference code: A37.

This applies where there are no dependant children.

**A38 Tax offset for child-housekeeper**

Introduced before 1985. Legislative reference: Section 159J(1B) ITAA36. 2001 TES reference code: A38.

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**A39 Tax offset for low income earners**

Introduced in 1993. Legislative reference: Section 159N ITAA 1936. 2001 TES reference code: A39.

**A40 Exemption of certain social security and repatriation payments**

Introduced before 1985. Legislative reference: Sections 52-5 to 52-40 ITAA97. 2001 TES reference code: A40.

Certain social security pensions, benefits and allowances, and certain repatriation pensions paid under the *Social Security Act 1991*, and the *National Health Act 1953*, are exempt from income tax.

This tax expenditure previously included Family Allowance, which was replaced with Family Tax Benefit, Part A on 1 July 2000.

**A41 Exemption of rent subsidy payments under the Commonwealth/State mortgage and rent relief schemes**

Introduced before 1985. Legislative reference: Section 23(ke) ITAA36. 2001 TES reference code: A41.

**A42 Senior Australians' Tax Offset**

Introduced in 1996. Legislative reference: Section 160AAAA and Section 160AAAB ITAA36. 2001 TES reference code: A42.

The Senior Australians' Tax Offset (SATO) (formerly the low income aged persons tax offset) was increased to \$2,230 for individuals and \$1,602 for each member of a couple with effect from the 2000-01 income year. The SATO also includes pensioners over age pension age who previously received the pensioner tax offset (formerly included in A35).

**A43 Family Tax Assistance, Parts A and B**

Introduced in 1996. Legislative reference: Part II, Division 5, Section 20A-20V of *Income Tax Rates Act 1986*. 2001 TES reference code: A43.

The Family Tax Assistance, Parts A and B were replaced with Family Tax Benefit, Parts A and B on 1 July 2000.

**A44 Tax offset for community development employment project (CDEP) participants**

Introduced in 1998. Legislative reference: Section 160AAA ITAA36. 2001 TES reference code: A44.



**A45 Family Tax Benefit, Parts A and B (tax offset); Exemption of Family Tax Benefit, Parts A and B, including expense equivalent**

Introduced in 2000. Eligibility and rate provisions for Family Tax Benefit, Parts A and B are contained under the *A New Tax System (Family Assistance) Act 1999*. Legislative reference: Section 52-150 ITAA97. 2001 TES reference code: A45.

The Family Tax Benefit, Part A replaced two Family Allowance payments, Family Tax Payment, Part A and Family Tax Assistance, Part A on 1 July 2000.

The Family Tax Benefit, Part B replaced Basic Parenting Payment, Guardian Allowance, Family Tax Payment, Part B, Dependant Spouse Tax Offset (with children), Sole Parent Tax Offset and Family Tax Assistance, Part B on 1 July 2000.

The Family Tax Benefit can be claimed as either a direct payment or through the tax system as a tax offset. From 2001-02 all claims are recorded in Budget documentation as an expense. Prior to 2001-02 the component that is claimed as a tax offset is recorded in the TES as a tax expenditure.

A further tax expenditure arises for the value of the income tax exemption for both the expense and expense equivalent (tax offset).

The value of these two separate components are both listed in Table 5.1.

**A46 Exemption of Child Care Benefit**

Introduced in 2000. Legislative reference: Section 52-150 ITAA97. 2001 TES reference code: A46.

Child Care Benefit is exempt from income tax. Child Care Benefit replaced Childcare Tax Offset and Childcare Assistance on 1 July 2000.

**A47 Exemption of one-off savings bonus payments to senior Australians**

Introduced in 2000. Legislative reference: Section 52-130 ITAA97. 2001 TES reference code: A47.

The Aged Persons Savings Bonus and the Self-Funded Retirees Supplementary Bonus made to senior Australians under the *A New Tax System (Bonuses for Older Australians) Act 1999* are both exempt from income tax.

As these payments are one-off in nature, this tax expenditure will not be ongoing.

**A48 Exemption of certain war-related payments and pensions**

Introduced before 1985. Legislative reference: Section 52-60 to 52-110 ITAA97. 2001 TES reference code: A48.

Repatriation pensions, or pensions, allowances and payments of a similar nature, and certain war-related payments and pensions are exempt from income tax.

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**A49 Exemption of compensation paid by Federal Republic of Germany for Nazi persecution**

Introduced before 1985. Legislative reference: Section 23(kc) ITAA36. 2001 TES reference code: A49.

**A50 Exemption of pensions, annuities or allowances paid by certain foreign governments for persecution**

Introduced before 1985. Legislative reference: Section 23(kca) ITAA36. 2001 TES reference code: A50.

**A51 Income tax exemption for certain pensions received by Papua New Guinea (PNG) residents**

Introduced in 1985. Legislative reference: Section 23(kd) ITAA36. 2001 TES reference code: A51.

Pensions received from Australia by PNG residents are exempt providing PNG gives a reciprocal exemption.

**A52 Exemption of one-off payment to older Australians**

Introduced in 2001. Legislative reference: Section 52-10 ITAA97. 2001 TES reference code: A52.

The \$300 one-off payment provided to people of age pension age who receive income support or are outside the taxation and social security system is exempt from income tax.

As these payments are one-off in nature, this tax expenditure will not be ongoing.

**A53 Exemption of the baby bonus**

Introduced in 2002. Legislative reference: Section 61-350 ITAA97. 2001 TES reference code: na.

The baby bonus is payable as a refundable tax offset to eligible taxpayers in recognition of the loss of income that generally follows the arrival of a family's first child.

The tax expenditure from the baby bonus arises from the value of the income tax exemption.

**A54 Zone tax offsets**

Introduced before 1985. Legislative reference: Section 79A ITAA36. 2001 TES reference code: A53.

An individual taxpayer resident in Zone A or Zone B or the special areas of either zone is entitled to a tax offset.

**A55 Concessional rates of tax for abnormal receipts**

Introduced before 1985. Legislative reference: Division 405 ITAA97. 2001 TES reference code: A54.

Concessional rates of tax are available for abnormal receipts derived by authors, composers, dramatists, artists, sportspersons and inventors to lessen the impact of fluctuations on the marginal tax rates of these taxpayers.

**A56 Deductibility of union dues and subscriptions to business associations**

Introduced before 1985. Legislative reference: Section 25-55 ITAA97. 2001 TES reference code: A55.

**A57 Deferral of tax on share discounts and exemption of share discounts received by an employee under an approved employee share acquisition scheme**

Introduced before 1995. Legislative reference: Division 13A ITAA36. 2001 TES reference code: A56.

The deferral is for up to 10 years.

**A58 Tax deferral advantage of subtracting undeducted purchase price component of pension or annuity from assessable income**

Introduced before 1985. Legislative reference: Section 23AA ITAA36. 2001 TES reference code: A57.

Assessable income of a pension or annuity stream is determined after subtracting the undeducted purchase price (UPP) component of that income stream. The UPP of a superannuation pension or annuity is apportioned evenly over the term of the income stream payments, providing a tax deferral advantage.

**A59 Concession for venture capital managers**

Announced in 2002. 2001 TES reference code: na.

The 'carried interest' (a performance based share of partnership profits paid to venture capital fund managers by investors) will be taxed in the same way as capital gains in the hands of individual venture capital fund managers. This will provide individual managers with the benefit of a 50 per cent discount on their carried interest.

***Concessions under the substantiation provisions for employment-related expenses [A60-A63]:***

**A60 *A reasonable overtime meal allowance***

Introduced in 1986. Legislative reference: Sections 82KT-82KZB ITAA36. 2001 TES reference code: A58.

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- A61** *Expenses on accommodation, meals and incidental costs of travel in Australia*
- Introduced in 1986. Legislative reference: Sections 82KT-82KZB ITAA36. 2001 TES reference code: A59.
- A62** *Expenses which do not exceed the amount of certain award transport allowances*
- Introduced in 1986. Legislative reference: Sections 82KT-82KZB ITAA36. 2001 TES reference code: A60.
- A63** *Alternatives to the actual expenses method of substantiating car expenses*
- Introduced in 1986. Legislative reference: Sections 82KT-82KZB ITAA36. 2001 TES reference code: A61.
- A64** **Tax offset on certain payments of income received in arrears**
- Introduced in 1986. Legislative reference: Sections 159ZR-159ZRD ITAA36. 2001 TES reference code: A62.
- Tax offsets are available for certain payments of income received in arrears, including lump sum payments of workers or accident compensation, and social security and other benefits, received on or after 1 July 1986.
- A65** **Deduction for gifts other than trading stock to approved donees**
- Introduced before 1985. Legislative reference: Sections 30-15 to 30-105 ITAA97. 2001 TES reference code: A63.
- A66** **Deduction for gifts of trading stock to approved donees**
- Introduced before 1985. Legislative reference: Section 78(12) ITAA36. 2001 TES reference code: A64.
- This applies where the deduction is the value of stock included in the taxpayer's assessable income.
- A67** **Concession for post-judgement interest awards in personal injury compensation cases**
- Introduced in 1999. Legislative reference: Section 51-55 ITAA97. 2001 TES reference code: A65.
- A68** **Tax offset of interest on certain government securities**
- Introduced before 1985. Legislative reference: Section 160AB ITAA36. 2001 TES reference code: A66.

A tax offset is provided in relation to interest on certain government or semi-government securities issued before 1 November 1968.

**A69 Exemption from income tax of one-off payments to former civilian internees and detainees of the Japanese**

Introduced in 2001. Legislative reference: Section 11 of the *Compensation (Japanese Internment) Act 2001*. 2001 TES reference code: A67.

The one-off ex gratia payment of \$25,000 made to former civilian internees and detainees of the Japanese in compensation for their pain and suffering in World War II is exempt from income tax.

**A70 Exemption for structured settlement annuities**

Announced in 2001. 2001 TES reference code: A68.

This measure provides a tax exemption for income from qualifying annuities that are purchased for the benefit of seriously injured people as compensation for their injuries.

**A71 Immediate deduction for low-value depreciating assets not used in business**

Introduced in 2001. Legislative reference: Subsection 40-80(2) ITAA97. 2001 TES reference code: na.

Depreciating assets costing less than \$300 that are used predominantly for the purpose of producing assessable income that is not income from carrying on a business are immediately deductible. This measure was legislated in 2001 and took effect from 1 July 2000 to continue the treatment available before this date.

**A72 Deduction for payment of Incurred-But-Not-Reported levy**

Announced in 2002. 2001 TES reference code: na.

The Government will provide a specific deduction from income tax for all medical practitioners (including retirees) who are required to pay the Incurred-But-Not-Reported levy.