

TAX BENCHMARKS AND
VARIATIONS STATEMENT

2021

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CHAPTER 1: INTRODUCTION

The Tax Benchmarks and Variations Statement, referred to hereafter as ‘the Statement’, supplements other Government publications by providing information on Australian Government tax benchmark variations. The Statement provides annual information on Australian Government tax benchmarks and variations, as required by Section 16 of the *Charter of Budget Honesty Act 1998*.

Revenue estimates published in budget papers and the taxation statistics made available by the Australian Taxation Office focus on incomes that are subject to tax and the revenue the Government collects.

The Statement complements this information by primarily focusing on revenue the Government *doesn't* collect: it lists provisions in the tax system that apply an alternative treatment for particular taxpayers or forms of economic activity and, where possible, estimates the difference in revenue that occurs as a result. It is intended to facilitate scrutiny of tax benchmark variations by Parliament and parliamentary committees, the media and the general public. Transparent reporting of variations to the tax benchmarks also helps inform debate on the efficiency and equity of the tax system.

The 2021 Statement reflects Australian Government policy up to and including the *2021-22 Mid-Year Economic and Fiscal Outlook*.

1.1 What is a tax benchmark?

A tax benchmark is a standard taxation treatment that applies to similar taxpayers or types of activity. Certain tax exemptions, deductions or offsets may apply a different taxation treatment to the tax benchmark and can give rise to a positive or negative variation from the benchmark.

The benchmarks in the Statement have been chosen in a way that attempts to apply a consistent tax treatment to similar taxpayers and similar activities. The choice of tax benchmark unavoidably involves judgment and therefore may be contentious in some cases. These judgments are informed by long-standing features of the tax system, practice in tax expenditure publications in other jurisdictions and consultation with stakeholders. The tax benchmark should not be interpreted as an indication of the way activities or taxpayers ought to be taxed.

Detailed information on the tax benchmarks used in the Statement is in section A.4 of Appendix A: Technical notes.

1.2 What is a tax benchmark variation?

A tax benchmark variation arises when there is a difference in revenue between the actual and benchmark treatments.

1.3 How are variations to the tax benchmark estimated?

The majority of estimates included in the Statement are provided on a 'revenue forgone' basis. This is consistent with the approach taken by most OECD countries in their equivalent publications. Revenue forgone tax benchmark variation estimates can be found in Chapter 3: Tax benchmark variations.

Revenue forgone estimates reflect the existing utilisation of a benchmark variation and do not incorporate any behavioural response which might result from a reduction or removal of the variation to the tax benchmark. They measure the difference in revenue between the existing and benchmark tax treatments, assuming taxpayer behaviour is the same. A positive variation to the tax benchmark reduces tax payable relative to the benchmark. A negative variation to the tax benchmark increases tax payable relative to the benchmark. Please note the following regarding revenue forgone estimates:

- revenue forgone estimates are not estimates of the revenue increase if a variation to the tax benchmark were to be removed;
- estimates should not be added together as reducing one concession would often affect the utilisation of others;
- estimates of the same tax benchmark variation may not be directly comparable to previous publications because they can be affected by changes in policy, benchmarks, modelling methodology, data or assumptions;
- readers should exercise care when comparing tax benchmark variation estimates with direct expenditure estimates;
- the reliability of the estimates varies – many estimates are only broadly indicative of the magnitude of the concession;
- some estimates are unquantifiable due to insufficient data to produce a reliable estimate for a tax benchmark variation;
- estimates are in nominal dollars – for example, 2021-22 estimates are in 2021-22 dollars and 2022-23 estimates are in 2022-23 dollars; and
- tax benchmark variation estimates are prepared on an accrual basis.

An alternative approach involves estimating the impact of abolishing a benchmark variation, taking account of the potential changes in taxpayer behaviour. This is known as the 'revenue gain' approach. Revenue gain tax benchmark variation estimates, provided for 10 large tax benchmark variations, can be found in Chapter 4: Revenue gain estimates of tax benchmark variations.

These estimates take into account behavioural responses and are usually lower than revenue forgone estimates.

Introducing a variation to the benchmark may create incentives for taxpayers to change their behaviour to utilise or avoid the new tax provision. Removing the variation (so that the benchmark tax treatment prevailed) would remove this incentive and may cause a corresponding change in taxpayer behaviour. Taxpayers may make greater use of other benchmark variations if a particular variation were to be abolished.

For example, a revenue gain estimate for the concessional treatment of employer superannuation contributions would take account of the potential for voluntary employer contributions to be redirected to other tax-preferred investments.

Revenue gain tax benchmark variation estimates take into account behavioural responses and are usually lower than revenue forgone estimates. Please note the following regarding revenue gain estimates:

- revenue gain estimates do not take into account any potential changes in direct expenditure flowing from the removal of a tax benchmark variation;
- the revenue gain can be difficult to estimate given highly limited information on how taxpayers might react to the removal of a tax benchmark variation;
- revenue gain estimates assume that a tax benchmark variation is abolished completely and with immediate effect – transitional arrangements or reduction of the tax benchmark variation may be more plausible; and
- judgments also need to be made about likely policy settings – for example, whether it is realistic to assess the abolition of a single tax benchmark variation (for example, a particular GST exemption) while keeping other tax benchmark variations unchanged (for example, other GST exemptions).

1.4 What else is in the Tax Benchmarks and Variations Statement?

This year's publication includes a feature chapter on the benchmark variations for alcohol taxation in Australia (Chapter 2). The purpose of this article is to illustrate the subjective nature of the benchmark tax treatment and the methods used to derive benchmark variation estimates. The chapter examines existing features of Australia's alcohol excise system and explores alternate benchmarks to which alcohol variations could be applied.

Appendix A: Technical notes provides further technical information regarding the reliability of estimates, how unquantifiable tax benchmark variations are reported, detailed information about the benchmark tax treatment used in the Statement and an overview of the various modelling techniques used to quantify tax benchmark variation estimates. The descriptions of the tax benchmark variations in Chapter 3 are brief, but more detailed information on the benchmark tax treatments is available in the appendix.

CHAPTER 2: ALCOHOL TAX BENCHMARK VARIATIONS

The benchmarks for indirect taxes used in the Tax Benchmarks and Variations Statement are generally chosen based on the principle of similar goods being taxed in a similar manner, while also reflecting the standard features of each tax. This inevitably involves judgment.

The current tax benchmarks for alcohol reflect the longstanding feature of the tax system whereby beer, spirits and wine are each taxed differently. However, instead of having separate benchmarks for each of these beverage types, this paper explores what the variation would be if all alcoholic beverages were benchmarked against a single rate.

To provide context around how alternative benchmarks could be used, this chapter first examines the interaction between the various alcohol taxes and the rebate and remissions schemes and demonstrates the significant impact of these schemes through the effective tax rates for various sizes and types of producers. Estimates are then provided for the variation against three alternative benchmarks applied uniformly across all alcoholic products.

The discussion around the choice of benchmark in this chapter should not be interpreted as an indication of the way alcohol ought to be taxed. Instead, it highlights the differences in the size of the variations depending on the benchmark chosen, and the subjective nature of the benchmark tax treatment.

2.1 Current alcohol excise regime

RATES OF ALCOHOL

The taxation of alcohol in Australia has evolved over time through a series of policy changes applying to different types of alcohol. These policy changes reflect a range of objectives, such as the healthy consumption of alcohol, that were intended at the time changes were made.

The Australian Government imposes excise as a volumetric tax, meaning the tax is charged as a fixed proportion of the quantity of product sold. While all rates are based on the alcohol quantity, excise rates differ depending on the type of beverage¹:

- Lower alcohol content beverages such as beer generally have lower rates, with differing rates depending on whether the beer is draught or packaged; and

¹ <https://www.ato.gov.au/business/excise-on-alcohol/>

Tax Benchmarks and Variations Statement

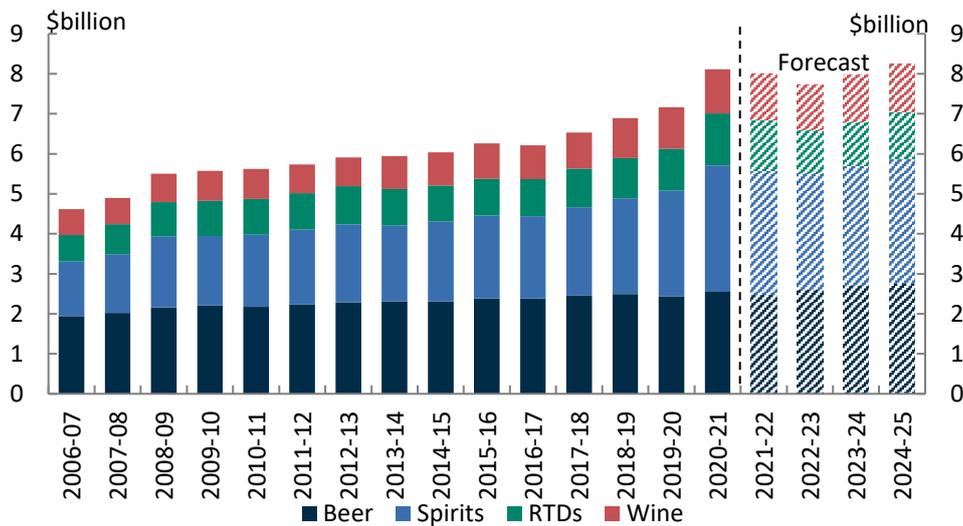
- Higher alcohol content beverages with greater than 10 per cent alcohol content generally have higher rates. These include brandy and other spirits, as well as pre-mixed or Ready to Drink beverages (RTDs).

Separately, an ad valorem tax, the Wine Equalisation Tax (WET), is imposed on the wholesale value of wine and traditional cider². This means wine and cider tax is charged as a fixed proportion of the total value of the commodity sold, regardless of alcohol quantity.

All types of alcohol products also attract the 10 per cent Goods and Services Tax (GST), which is calculated on the excise and WET-inclusive price.

The excise and WET revenue collected from alcoholic beverages over time is outlined in chart 2.1 below, with forecasts over the forward estimates as at the 2021-22 MYEFO.

Chart 2.1: Alcohol revenue over time (including WET)



Under the current excise system, beer, spirits and RTD beverages are taxed at nine volumetric rates across twelve categories, ranging from \$3.17 to \$88.91 per litre of pure alcohol (see table 2.1). Excise rates are indexed twice a year (in February and August) in line with the consumer price index (CPI).

Using beer as an example, excise duty is calculated on the alcoholic content above 1.15 per cent. 375mL of beer with 5 per cent alcohol content sold in a bottle or can would attract excise of:

$$0.375 * (5\% - 1.15\%) * \$52.49 = 76 \text{ cents}$$

² <https://www.ato.gov.au/business/wine-equalisation-tax/>

In contrast, an equivalent strength draught beer of the same size would attract 53 cents in excise³.

Under the WET system, wine and traditional ciders are taxed at 29 per cent of the last wholesale value so that lower value products attract less tax. There is no indexation under the WET, but revenue collections rise as product prices increase over time.

Table 2.1: Excise rates by beverage category

Tariff Subitem	Beverage description	Rate as at 2 Aug 2021 (per litre of alcohol)	Alcohol Volume
1.1	Low-strength packaged beer	\$45.07	Not exceeding 3%
1.2	Low-strength draught beer	\$9.01	
1.5	Mid-strength packaged beer	\$52.49	Between 3% and 3.5%
1.6	Mid-strength draught beer	\$28.23	
1.10	Full-strength packaged beer	\$52.49	Over 3.5%
1.11	Full-strength draught beer	\$36.98	
1.15	Non-commercial beer	\$3.17	Not exceeding 3%
1.16	Non-commercial beer	\$3.65	Over 3%
2.0	Spirits and other beverages (including RTDs)	\$88.91	Not exceeding 10%
3.1	Brandy	\$83.04	N/A
3.2	Spirits and other beverages	\$88.91	Over 10%
3.10	Spirits not elsewhere included	\$88.91	N/A

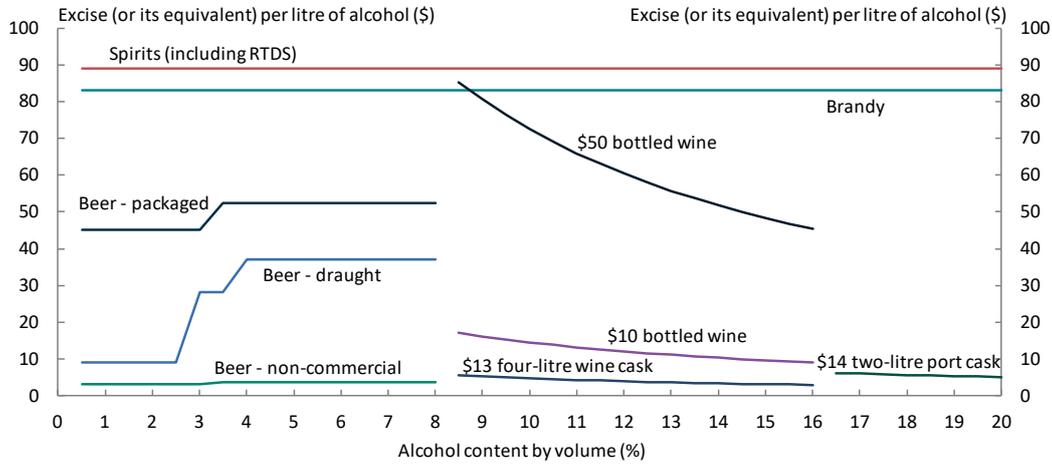
Source:

<https://www.ato.gov.au/business/excise-on-alcohol/lodging,-paying-and-rates---excisable-alcohol/excise-duty-rates-for-alcohol/>

Chart 2.2 demonstrates the excise rates per litre of alcohol, which vary significantly across different beverage types and alcohol content by volume for beer and wine.

³ Calculation: $0.375 * (5\% - 1.15\%) * \$36.98 = \$0.53$

Chart 2.2: Excise per litre of alcohol by beverage category in 2021-22



Note: WET calculated using half-retail method⁴

Case Study: How the range of excise rates affect Hard Seltzer production

Hard Seltzer is an alcoholic beverage containing sparkling water and flavouring. Seltzer is increasing in popularity in Australia as a beverage of choice. Whilst Seltzer in other markets around the world typically contains a spirit base such as vodka, Australian producers of the beverage have been exploring alternate methods of production primarily in response to the local alcohol excise system.

For example, producing Hard Seltzer using spirits is a relatively straightforward process but is subject to a higher excise rate as an RTD. Several Australian producers have instead produced the beverage in a way that meets the requirements for it to be taxed as beer or even as wine, despite marketing the product with the same Seltzer name as traditional spirits-based drinks. These alternate manufacturing methods allow producers to enjoy a lower rate of excise or instead attract WET.

This highlights the potential behavioural responses of Australian producers to the different tax regimes for alcohol.

⁴ <https://www.ato.gov.au/business/wine-equalisation-tax/how-much-to-pay/retail-sales-and-own-use/#Halfretailpricemethod>

REBATES AND REMISSIONS SCHEMES

When examining excise rates per litre of alcohol, it is important to also consider the existing rebate and remission schemes available to producers to better understand the effective tax rates paid.

Under the WET producer rebate, eligible wine producers are provided with a full rebate of the WET paid on wine up to \$350,000 per financial year. This rebate also extends to producers of other fruit and vegetable wines, traditional cider, perry, mead and sake. Wine producers are required to own at least 85 per cent of the grapes used to make the wine throughout the winemaking process, and for wine to be branded and packaged in a container not exceeding five litres (51 litres for cider and perry).

Similarly, under the new Excise remission scheme for manufacturers of alcoholic beverages (the excise remission scheme), eligible alcohol manufacturers are provided with an automatic remission of excise duty up to a maximum of \$350,000 per financial year⁵. This only applies to alcoholic beverages that are manufactured and entered into the Australian domestic market for home consumption. To be eligible for the excise remission scheme, entities must hold a license to manufacture alcoholic beverages, have manufactured an alcoholic beverage, have fermented or distilled at least 70 per cent of the alcohol content by volume of alcoholic beverage and be legally and economically independent of any other entity that has received a remission under the scheme (or, in certain circumstances, a refund).

MODELLED EFFECTIVE TAX RATES OF BEVERAGES

After taking the rebate and remission schemes into account, the effective excise rate per litre of alcohol varies significantly to the headline tax rate according to beverage type, as well as the size and type of producer or importer. Determining the effective tax rates paid within the alcohol system can assist in making subjective judgements about how benchmark variations might be determined.

Table 2.2 below shows the effective tax rate under different cameos to highlight the interaction between the excise system and the available refunds and rebates for different producers. Whilst the \$350,000 automatic remission of excise has only been in effect since 1 July 2021, the settings have been applied to the latest available data to demonstrate its interaction with the excise regime.

⁵ The \$350,000 automatic remission has applied since 1 July 2021. Previously, eligible producers could claim 60% of excise duty paid as a refund up to a value of \$100,000 per financial year.

Table 2.2: Modelled effective tax rates by selected group in 2020-21, based on current remission scheme

Product	Average effective excise rate (\$/La)	Product definition/assumptions
Wine produced by a small vineyard	\$0.00	Wine from any of Australia's smallest wineries by volume (less than 21,000 litres of alcohol). This group includes 90.6% of wine producers, but only 11.2% of wine produced in Australia (by volume).
Wine produced by a large business	\$12.13	Wine from any of Australia's largest wineries by volume (greater than 39,000 litres of alcohol). This group includes 5% of wine producers, but accounts for 83.8% of wine produced in Australia (by volume).
Imported wine	\$360.54	WET paid directly on imported wine (i.e. at the time of importation) from individual and business importers.
Craft beer	\$0.60	Beer from the smallest producers by volume (less than 8,500 litres of alcohol). This group includes 86% of beer producers, but only 1.8% of beer produced in Australia (by volume).
Mass produced beer	\$42.49	Beer from the top producers by volume (greater than 28,000 litres of alcohol). This group includes 5% of beer producers, but accounts for 96.2% of beer produced in Australia (by volume).
Imported beer	\$49.88	Imported beer from all individual and business importers.
Craft spirits	\$2.20	Spirits from the smallest producers by volume (less than 4,000 litres of alcohol). This group includes 86% of spirits producers, but only 1.6% of spirits produced in Australia (by volume).
Mass produced spirits	\$81.84	Spirits from the top producers by volume (greater than 34,000 litres of alcohol). This group includes 5% of spirits producers, but accounts for 96.1% of spirits produced in Australia (by volume).
Imported spirits	\$87.07	Imported spirits from all individual and business importers.

Note: Current excise remission parameters are applied to data from 2020-21. Definitions of small producers are based on the level of output at which alcohol excise is fully offset by the WET rebate or alcohol rebate which is calculated as 350,000/average gross excise rate. The modelling assumes all small producers meet rebate eligibility criteria, however a proportion may not have access to the remission scheme which may increase overall effective tax rates.

After rebates and remissions are taken into account, smaller producers pay minimal excise across beer, spirits and wine. The rebate and remission schemes are not available to importers of alcoholic products, resulting in an effective tax rate closer to those of major producers who also receive a proportionately small benefit from these schemes. A key exception is imported wine, on which WET is applied to the value of goods at the time of importation. Imported wine is typically significantly higher in value compared to wine produced domestically, translating to a significantly higher tax rate per litre of alcohol.

2.2 Alcohol benchmark variations

Tax benchmark variations are defined as the difference between the gross revenue collected by the existing tax system and the gross revenue that would be collected under a hypothetical benchmark tax system.

The indirect tax benchmark includes product-specific taxes on alcohol, fuel and tobacco. Total tax collected from sales of these products is much higher than on other goods, which generally only have the 10 per cent GST applied to them. Benchmark variations for alcohol are not relative to the tax on other goods but instead exist within the alcohol tax regime in recognition of the different tax arrangements that apply to beer, wine and spirits.

The existing benchmark excise rates for beer and spirits are their full-strength packaged rates respectively, whilst the benchmark rate for wine and alcoholic cider is equal to the WET, or 29 per cent of its last wholesale value. Instead of having separate benchmarks for each of these beverage types, this section explores what the benchmark variation would be if all alcoholic beverages were taxed at a single rate. Three different rates are presented: a nil excise rate; the highest excise rate (spirits); and a revenue neutral rate.

For the purposes of this analysis, an equivalent volumetric excise rate for wine and cider to the current ad valorem WET charge (that is, one that is estimated to collect the same level of revenue) is estimated at approximately \$18 per litre of alcohol⁶.

Alternative Benchmark 1: using a nil excise rate

Under this scenario, benchmark variations were determined for all alcoholic beverages against a nil excise and WET rate (that is, a setting in which excise is not applied). This scenario benchmarks the current alcohol taxation system against one where alcohol is only subject to the GST. The current tax settings for alcohol generate higher revenues than this theoretical benchmark of no product-specific alcohol taxation, which produces a large total variation of approximately -\$8.6 billion in 2020-21. This is equivalent to the inverse of total revenue shown in chart 2.1. The total variation is attributable to:

- a benchmark variation for spirits of approximately -\$4.5 billion;
- a benchmark variation for beer of approximately -\$2.5 billion; and

⁶ As benchmark variations are determined on a revenue forgone basis, this assumes no change in the pattern of consumption. This rate is calculated by dividing known gross WET collections by a derived volume of litres of alcohol, based on assumptions including that a 750mL bottle of wine on average has an alcohol content of 12.3 per cent. The value per litre of alcohol is assumed to be \$7.03 (see *Australian Wine: Production, Sales and Inventory 2020-21, Wine Australia*).

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- a benchmark variation for wine of approximately -\$1.6 billion⁷.

Alternative Benchmark 2: using the highest spirits excise rate

Under this scenario, benchmark variations were determined for all alcoholic beverages against the highest spirits excise rate. This would result in a total benchmark variation of approximately \$8.1 billion, which is attributable to:

- a benchmark variation for spirits of less than \$0.1 billion, as a result of brandy moving up to the full spirits rate⁸;
- a benchmark variation for beer of approximately \$2.0 billion; and
- a benchmark variation for wine of approximately \$6.1 billion.

Alternative Benchmark 3: a single tax rate that maintains current revenue

Under this scenario, a single flat rate of excise is applied to all alcoholic beverages, including WET being converted to a volumetric rate. The excise rate targets the same amount of revenue collection as the current system, assuming no change to consumption patterns. In 2020-21, alcoholic beverages would be taxed at a rate of around \$45 per litre of alcohol under this scenario, resulting in:

- a benchmark variation for spirits of approximately -\$2.2 billion; and
- a benchmark variation for beer of approximately -\$0.2 billion; fully offset by
- a benchmark variation for wine of approximately \$2.4 billion.

⁷ The wine variation against a nil rate benchmark differs to the WET revenue published in the 2020-21 Final Budget Outcome (FBO) as the variation represents gross WET paid, whereas the FBO represents WET on a net basis, after the rebate is taken into account.

⁸ This is consistent with the existing benchmark for variation F11.

SUMMARY OF ALTERNATE BENCHMARKS

Table 2.3 below summarises the benchmark variations for each type of beverage against the current and three alternate benchmarks.

Table 2.3: Summary of alternative benchmarks

Industry	Alternate Benchmark 1: Nil excise rate \$m	Alternate Benchmark 2: Highest excise rate \$m	Alternate Benchmark 3: Revenue neutral rate \$m
Beer	-2,500	2,000	-200
Spirits (including RTDs)	-4,500	..	-2,200
Wine	-1,600	6,100	2,400
All	-8,600	8,100	0

A negative benchmark variation occurs when more revenue is collected from the actual system than would be collected under the benchmark treatment.

.. Figures rounded to the nearest \$100m

It is important to note that moving to a single rate should not necessarily be considered the optimal rate for excise, as it does not consider other policy objectives, particularly health considerations that inform the settings of excise arrangements. Care should also be taken to consider the benchmarks in isolation, as they are calculated on a revenue forgone basis. This analysis does not take into account any behavioural changes associated with moving to a single rate, even though this would be expected to occur.

Each of the three benchmarks presented here could arguably be a valid choice, even though the magnitude of the benchmark variations estimate differs substantially. This starkly illustrates the sensitivity of benchmark variation estimates to subjective judgements made regarding the choice of benchmark.

CHAPTER 3: TAX BENCHMARK VARIATIONS

This chapter provides a summary of the largest measured tax benchmark variations for 2021-22, an outline of the changes to the list of tax benchmark variations since the 2020 Statement and a guide to the tax benchmark variation descriptions. Information on all Australian Government tax benchmark variations is then provided, with estimates, where possible, on a revenue forgone basis.

3.1 Large tax benchmark variations

Table 3.1 lists the largest measured tax benchmark variations for 2021-22. The table includes revenue gain estimates for several of the largest tax benchmark variations. These estimates illustrate that:

- significant differences can occur between revenue forgone and revenue gain estimates, as the latter attempt to account for expected behavioural change by taxpayers; and
- conversely, in some cases, revenue gain and revenue forgone estimates are identical or very similar where taxpayer behaviour is assumed to be relatively insensitive to a tax benchmark variation.

Unquantified tax benchmark variations have been assigned an order of magnitude rather than an estimate of their value. The largest such tax benchmark variations include:

- Exemption for foreign branch profits from income tax (B9);
- Off-market share buy-backs (B26);
- Income tax exemption for prescribed entities (B54);
- Philanthropy – refund of franking credits for certain income tax exempt philanthropic entities (B60);
- Statutory effective life caps (B76); and
- Quarantining of capital losses (E22).

When considering the estimates in Table 3.1 please note:

- revenue forgone estimates are not estimates of the revenue increase if a tax benchmark variation were to be removed;
- readers should exercise care when comparing tax benchmark variation estimates with direct expenditure estimates;
- the reliability of the estimates varies and many estimates are only an indication of the magnitude of the tax benchmark variation;
- some estimates are unquantifiable due to insufficient data to produce a reliable estimate for a tax benchmark variation;
- estimates should not be added together as reducing one tax benchmark variation would often affect the utilisation of others;
- estimates of a tax benchmark variation may not be directly comparable to estimates in previous publications because they can be affected by changes in policy, benchmarks, modelling methodology, data or assumptions;
- estimates are in nominal dollars – for example, 2021-22 estimates are in 2021-22 dollars and 2022-23 estimates are in 2022-23 dollars;
- tax benchmark variation estimates are prepared on an accrual basis;
- revenue gain estimates should be treated with particular caution;
- revenue gain estimates assume that a tax benchmark variation is abolished completely and with immediate effect – transitional arrangements or reduction of the tax benchmark variation may be more plausible;
- the revenue gain can be difficult to estimate given limited information on how taxpayers might react to the removal of a tax benchmark variation;
- revenue gain estimates do not take into account any potential changes in direct expenditure flowing from the removal of a tax benchmark variation; and
- judgments also need to be made about the likelihood of certain policy settings – for example, whether it is realistic to assess the abolition of a single tax benchmark variation (for example, a particular GST exemption) while keeping other tax benchmark variations unchanged (for example, other GST exemptions).

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Table 3.1: Large measured benchmark variations in 2021-22

Benchmark variations	Estimate \$m	
	Revenue forgone	Revenue gain
Large positive benchmark variations		
E8 Main residence exemption – discount component	34,500	n/a
E7 Main residence exemption	29,500	n/a
C4 Concessional taxation of superannuation entity earnings	22,600	22,450
C2 Concessional taxation of employer superannuation contributions	20,500	19,600
E15 Discount for individuals and trusts	11,780	n/a
B67 Accelerated depreciation for business entities	9,300	n/a
H26 Food	8,400	8,000
B83 Simplified depreciation rules	8,200	n/a
H14 Education	5,200	4,700
H17 Health – medical and health services	4,950	4,850
A25 Exemption for National Disability Insurance Scheme amounts	4,300	n/a
H2 Financial supplies – input taxed treatment	3,400	3,400
B23 Tax exemption for assistance provided through the 'boosting cash flow for employers' measure	3,030	n/a
B57 Lower company tax rate	2,900	n/a
B24 Temporary loss carry-back for certain incorporated entities	2,810	n/a
C1 Concessional taxation of capital gains for superannuation funds	2,600	n/a
B12 Exemption from interest withholding tax on certain securities	2,410	1,750
A26 Exemption of Child Care Assistance payments	2,350	n/a
A23 Concessional taxation of non-superannuation termination benefits	2,250	2,250
D15 Exemption for public benevolent institutions (excluding hospitals)	2,100	n/a
A19 Medicare levy exemption for residents with taxable income below the low-income thresholds	2,050	n/a
D11 Exemption for public and not-for-profit hospitals and public ambulance services	1,850	n/a
A55 Philanthropy – deduction for gifts to deductible gift recipients	1,835	n/a
C6 Deductibility of life and total and permanent disability insurance premiums provided inside of superannuation	1,740	n/a
A38 Exemption of Family Tax Benefit payments	1,740	1,740
H5 Child care services	1,680	n/a
B2 Local government bodies income tax exemption	1,680	n/a
A17 Exemption of the Private Health Insurance Rebate	1,500	n/a
H18 Health – residential care, community care and other care services	1,430	n/a
C3 Concessional taxation of personal superannuation contributions	1,400	n/a
B78 Capital works expenditure deduction	1,210	n/a
A37 Exemption of certain income support benefits, pensions or allowances	1,130	n/a
H6 Water, sewerage and drainage	1,120	n/a
B6 Reduced withholding tax under international tax treaties	1,020	n/a
Large negative benchmark variations		
F21 Customs duty	-1,860	-1,860
F10 Higher rate of excise levied on cigarettes not exceeding 0.8 grams of tobacco	-1,455	n/a

3.2 Changes to tax benchmark variations in 2021 statement

This section provides an outline of the changes to the list of tax benchmark variations since the 2020 Statement. Since the 2020 Statement, 5 new tax benchmark variations have been added, 25 tax benchmark variations have been modified and 2 tax benchmark variations have been deleted.

For further detail on the benchmark please see Appendix A: Technical notes.

3.2.1 NEW TAX BENCHMARK VARIATIONS

Table 3.2 reports new tax benchmark variation items arising from measures that have been announced since the 2020 Statement up to the date of the *2021-22 Mid-Year Economic and Fiscal Outlook* (MYEFO) as well as new tax benchmark variations that have been identified.

Table 3.2: New benchmark variations

Code	Benchmark variation title	Reason for new benchmark variation
A5	Exemption for New Zealand sporting teams and support staff	The 2021-22 Budget measure 'COVID-19 Response Package – ensuring New Zealand maintains its primary taxing right over members of its sporting teams and support staff due to COVID-19' introduced an exemption for members of New Zealand sporting teams and support staff that may have been required to spend more than 183 days in Australia in a 12-month period due to the COVID-19 pandemic.
B28	Exemption for COVID-19 business grants	The 2021-22 MYEFO measure 'COVID-19 Response Package – making COVID-19 business grants non-assessable non-exempt' extended the measure which enables payments from certain state and territory COVID-19 business support programs to be made non-assessable non-exempt (NANE) for income tax purposes from 20 June 2021 until 30 June 2022.
B46	Digital Games Tax Offset	In the 2021-22 Budget, the Government introduced a Digital Games Tax Offset to provide a 30 per cent refundable tax offset for qualifying Australian digital games expenditure from 1 July 2022 as part of the Digital Economy Strategy.
B86	Patent box concession for Australian medical and biotechnology innovations	The 2021-22 MYEFO measure 'Digital Games Tax Offset – expansion' will expand the Digital Games Tax Offset from 1 July 2022 to include qualifying expenditure on eligible games following their public release. The 2021-22 Budget measure 'Patent Box – tax concession for Australian medical and biotechnology innovations' introduces a patent box for eligible corporate income associated with new patents in the medical and biotechnology sectors.
G7	Decommissioning levy for Laminaria-Corallina oil fields	The 2021-22 Budget measure 'Decommissioning Costs – Laminaria-Corallina oil fields and associated infrastructure' imposes a temporary levy on offshore petroleum production to recover costs of decommissioning the Laminaria-Corallina oil fields and associated infrastructure.

3.2.2 MODIFIED TAX BENCHMARK VARIATIONS

Table 3.3 reports tax benchmark variations that have been modified since the 2020 Statement. Tax benchmark variations can be modified by, for example, a change to a benchmark or a revenue measure announced since the 2020 Statement.

Table 3.3: Modified tax benchmark variations

Code	Benchmark variation title	Reason for modification
A8	Australian Defence Force personnel – exemption of pay and allowances earned while on eligible overseas duty	The 2021-22 Budget measures, 'Personal Income Tax – exemption for pay and allowance for Operation Paladin' and 'Australian Defence Force operations in Afghanistan and the Middle East – extension', provide a full income tax exemption for the pay and allowances of Australian Defence Force (ADF) personnel deployed to Operation Paladin and other operations in Afghanistan and the Middle East.
A16	Threshold for the deductibility of self-education expenses	The 2021-22 Budget measure 'Reducing compliance costs for individuals claiming self-education expense deductions' will remove the exclusion of the first \$250 of deductions for prescribed courses of education.
A18	Medicare levy exemption for blind pensioners, persons not entitled to Medicare benefits and foreign government representatives	The 2017-18 Budget measure 'Working Age Payments Reforms' abolished the sickness allowance and from 20 March 2020. Sickness allowance recipients transitioned to the JobSeeker Payment.
A19	Medicare levy exemption for residents with taxable income below the low-income thresholds	The 2021-22 Budget measure 'Personal Income Tax – increasing the Medicare levy low-income thresholds' increased the Medicare levy low-income thresholds for singles, families and seniors and pensioners. The changes apply from 1 July 2020.
A20	Medicare levy surcharge	The 2021-22 Budget measure 'Private Health Insurance – building the sustainability of the sector and improving affordability for patients' continues the current policy settings for the income thresholds for the Medicare Levy Surcharge (MLS) for a further 2 years, from 1 July 2021.
A27	Exemption of disaster relief payments	The 2021 MYEFO measure 'COVID-19 Response Package – National COVID-19 Disaster Payment' makes the COVID-19 Disaster Payment exempt from income tax.
A28	Beneficiary Tax Offset	The 2021-22 Budget measure 'Increased support for unemployed Australians' has increased support for people eligible for working age payments.
A48	Tax concessions for employee share schemes income	The 2021-22 Budget measure 'Employee Share Schemes – removing cessation of employment as a taxing point and reducing red tape' removed the cessation of employment taxing point for tax-deferred Employee Share Schemes (ESS) that are available for all companies for existing ESS interests that have not yet reached a taxing point.
B8	Concessional tax treatment of offshore banking units	The 2021-22 Budget measure 'International Tax – removing the preferential tax treatment for Offshore Banking Units' will remove the concessional 10 per cent tax rate applied to income from offshore banking activities. The regime closed to new entrants from 26 October 2018, and the rate will cease to apply from the end of taxpayers' 2022-23 income year.

Table 3.3: Modified tax benchmark variations (continued)

Code	Benchmark variation title	Reason for modification
B24	Temporary loss carry-back for certain incorporated entities	The 2021-22 Budget measure 'Temporary loss carry-back extension' extended the 2020-21 Budget measure 'JobMaker Plan – temporary loss carry-back to support cash flow' allows eligible companies to carry back tax losses from the 2022-23 income year to offset previously taxed profits as far back as the 2018-19 income year.
B27	Tax assistance for recipients of disaster relief and recovery payments	The 2021-22 Budget measure '2021 Storms and Floods – tax treatment of qualifying grants' provided an income tax exemption for qualifying grants made to primary producers and small businesses affected by the storms and floods in Australia. The 2021-22 MYEFO measure 'Cyclone Seroja – tax treatment of qualifying grants' will provide an income tax exemption for qualifying grants made to primary producers and small businesses affected by Tropical Cyclone Seroja.
B30	Film industry concessions	The 2021-22 Budget measure 'COVID-19 Response Package – additional arts sector support' reversed the Producer Tax Offset rate reduction to 30 per cent and retained the Producer Tax Offset rate at 40 per cent for feature films with a theatrical release.
B54	Income tax exemption for prescribed entities	The 2021-22 MYEFO measure 'FIFA 2023 Women's World Cup – income tax exemptions for FIFA and host entity' provides income tax exemptions to Fédération Internationale de Football Association (FIFA) and an Australian subsidiary for the FIFA 2023 Women's World Cup to be held in Australia and New Zealand in 2023.
B67	Accelerated depreciation for business entities	The 2021-22 Budget measure 'Temporary full expensing extension' extended the 2020-21 Budget measure 'JobMaker Plan – temporary full expensing to support investment and jobs' for 12 months until 30 June 2023.
C2	Concessional taxation of employer superannuation contributions	The 2021-22 Budget measure 'First Home Super Saver Scheme – increasing the maximum releasable amount to \$50,000' will increase incentives for people to make salary sacrifice contributions. The 2021-22 Budget measure 'Flexible Super – repealing the work test for voluntary superannuation contributions' will improve the ease by which people can make salary sacrifice contributions. The 2021-22 Budget measure 'Removing the \$450 per month threshold for superannuation guarantee eligibility' will increase employer superannuation guarantee contributions. The 2021-22 MYEFO measure 'Superannuation – remove excess concessional contributions charge' will remove a charge on concessional superannuation contributions.

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Table 3.3: Modified tax benchmark variations (continued)

Code	Benchmark variation title	Reason for modification
C3	Concessional taxation of personal superannuation contributions	The 2021-22 Budget measure 'First Home Super Saver Scheme – increasing the maximum releasable amount to \$50,000' will increase incentives for people to make concessional contributions.
C4	Concessional taxation of superannuation entity earnings	<p>The 2021-22 MYEFO measure 'Superannuation – remove excess concessional contributions charge' will remove a charge on concessional superannuation contributions.</p> <p>The 2021-22 Budget measure 'First Home Super Saver Scheme – increasing the maximum releasable amount to \$50,000' will increase incentives for people to make concessional contributions that will flow through to earnings derived on those invested contributions.</p> <p>The 2021-22 Budget measure 'Flexible Super – repealing the work test for voluntary superannuation contributions' will improve the ease by which people can make salary sacrifice and non-concessional contributions that will flow through to earnings derived on those invested contributions.</p> <p>The 2021-22 Budget measure 'Removing the \$450 per month threshold for superannuation guarantee eligibility' will increase employer contributions that will flow through to earnings derived on those invested contributions.</p> <p>The 2021-22 MYEFO measure 'Superannuation – re-contribution of COVID-19 early release superannuation amounts' will allow an increase in superannuation contributions that will flow through to concessional taxed earnings.</p>
C5	Concessional taxation of unfunded superannuation	The 2021-22 MYEFO measure 'Superannuation – protecting veterans' interests' will amend the tax treatment of superannuation benefits that commenced on or after 20 September 2007 and were affected by the Full Federal Court decision in <i>Commissioner of Taxation v Douglas</i> so that they are taxed as superannuation income stream benefits, rather than as lump sums. Recipients of certain military invalidity pensions who would have received preferable tax treatment as a result of the court decision will receive a new non-refundable tax offset to ensure that they retain the income tax benefit from the decision.
C11	Tax on funded superannuation lump sums	The 2021-22 Budget measure 'First Home Super Saver Scheme – increasing the maximum releasable amount to \$50,000' is expected to increase incentives for people to make concessional contributions which will likely increase the amounts of superannuation under the first home super saver scheme which will be taxed on withdrawal as lump sums.
D39	Philanthropy – exemption for donations to deductible gift recipients	The Government will establish a deductible gift recipient (DGR) general category to enable funds that support pastoral care and analogous wellbeing services delivered to students in Australian primary and secondary schools to access DGR status.
F15	Excise concession for alcohol producers	The Government has increased the support available to brewers and distillers by aligning the excise refund scheme for alcohol manufacturers with the wine equalisation tax producer rebate.

Table 3.3: Modified tax benchmark variations (continued)

Code	Benchmark variation title	Reason for modification
F19	Certain exemptions for diplomats, diplomatic missions and approved international organisations	The 2021-22 MYEFO measure 'Indirect Tax Concession Scheme – diplomatic and consular concessions' has granted or extended access to refunds of indirect tax (including GST, fuel and alcohol taxes) under the Indirect Tax Concession Scheme (ITCS). New access to refunds has been granted to the diplomatic and consular representations of Albania and Lithuania. The Government has also extended ITCS access for a number of countries including Sri Lanka and Bosnia and Herzegovina to include construction and renovation relating to their current and future diplomatic missions and consular posts.
F21	Customs duty	The Government has extended the automotive research and development tariff concession for a further four years until 30 June 2025.
G1	Junior Minerals Exploration Incentive	The 2021-22 Budget measure 'Junior Minerals Exploration Incentive – extension' extended the program for four years from 1 July 2021 to 30 June 2025.
H7	Diplomats, diplomatic missions and approved international organisations	The 2021-22 MYEFO measure 'Indirect Tax Concession Scheme – diplomatic and consular concessions' has granted or extended access to refunds of indirect tax (including GST, fuel and alcohol taxes) under the Indirect Tax Concession Scheme (ITCS). New access to refunds has been granted to the diplomatic and consular representations of Albania and Lithuania. The Government has also extended ITCS access for a number of countries including Sri Lanka and Bosnia and Herzegovina to include construction and renovation relating to their current and future diplomatic missions and consular posts.

3.2.3 DELETED TAX BENCHMARK VARIATIONS

Table 3.4 reports tax benchmark variations that have been deleted since the 2020 Statement. Tax benchmark variations were deleted where the current taxation treatment is now in line with the benchmark tax treatment, or legislation to abolish the tax benchmark variation commenced before the *2021-22 Mid-Year Economic and Fiscal Outlook* unless, for example, the tax benchmark variation continued to generate significant revenue forgone estimates in future years.

Table 3.4: Deleted benchmark variations

2020 Code	Benchmark variation title	Reason for deletion
A21	Net medical expenses tax offset	The offset was abolished from 1 July 2019, and as of the 2021-22 budget year it no longer has a material budget impact.
B26	Infrastructure – enhanced loss utilisation for designated projects	This concession was discontinued from 1 July 2017, and as of the 2021-22 budget year it no longer has a material budget impact.

3.2.4 PARAMETER AND OTHER VARIATIONS TO ESTIMATES

In addition to changes in policy, the estimates of variations from tax benchmarks in this document have been updated to reflect changes in economic conditions and other

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parameters. As a result, estimates of a tax benchmark variation may not be directly comparable to previous publications.

Some large tax benchmarks are very sensitive to changes in the underlying parameters – for instance, the two tax benchmark variations related to the main residence exemption have changed materially since the 2020 Statement due to higher than anticipated growth in dwelling prices, resulting in higher capital gains.

Following review, revisions have also been made to several items. For instance, growth rate assumptions for the capital gains discount for individuals and trusts were revised to more closely align with MYEFO forecasts of capital gains.

3.3 Guide to benchmark variation descriptions

Information is provided on all Australian Government tax benchmark variations in the following format.

Reference code							
↓							
A1 Title of the tax benchmark variation							
Health (\$m)		Functional category			Tax benchmark variation		
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1	2	3	4	5	6	7	8
Variation type:				Reference information		2020 code:	
Estimate reliability:						* Category:	
Commencement date:						Expiry date:	
Legislative reference:							

Reference codes use the following system:

- A Personal income
- B Business income
- C Retirement savings
- D Fringe benefits tax
- E Capital gains tax
- F Commodity and other indirect taxes
- G Natural resources taxes
- H Goods and services tax

Positive estimates indicate a positive tax benchmark variation – that is, where a tax provision reduces tax payable relative to the benchmark. Negative estimates indicate a negative tax benchmark variation – that is, a tax provision that increases tax payable relative to the benchmark.

The following codes apply where tax benchmark variation estimates are not quantified:

- nil
- .. not zero, but rounded to zero
- * estimate is not available
- nfp not for publication

3.4 Revenue forgone tax benchmark variations

PERSONAL INCOME

A1 Deduction for expenses incurred by election candidates

General public services – Legislative and executive affairs (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	5	5	5	5	5	5	5	5
<i>Variation type:</i>	Deduction					<i>2020 code:</i>	A1	
<i>Estimate Reliability:</i>	Medium							
<i>Commencement date:</i>	Introduced before 1985					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 25-60, 25-65 and 25-70 of the <i>Income Tax Assessment Act 1997</i>							

Under the benchmark, expenses are only deductible if they are connected to income earning activity. However, certain expenses incurred by candidates contesting federal, state and territory government elections are tax deductible, irrespective of whether they are successful or not. For local government elections, candidates can deduct expenses of up to \$1,000 per election. Candidates cannot usually deduct expenditure in respect of providing entertainment.

A2 Exemption of certain income earned by Australians working overseas

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	50	50	45	30	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	A2	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i> 2+		
<i>Commencement date:</i>	Introduced before 1985					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 23AF and 23AG of the <i>Income Tax Assessment Act 1936</i>							

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, income earned by Australians working overseas for a continuous period of 91 days or more may be exempt from income tax if they are employed to work on certain approved overseas projects or if their foreign employment is directly attributable to:

- G the activities of the individual's employer in operating a developing country relief fund or a public disaster relief fund;
- the activities of the individual's employer being a prescribed institution that is exempt from Australian income tax;
- the individual's deployment outside Australia by an Australian government (or an authority thereof) as a member of a disciplined force; or
- an activity of a kind specified in the regulations.

This exemption may not apply where the foreign earnings are exempt from income tax in the foreign country.

A3 Exemption of income of certain visitors to Australia

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	A3	
<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>	Sections 842-105 and 768-100 of the <i>Income Tax Assessment Act 1997</i>							

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, certain Australian-sourced income of some visitors to Australia (for example, visiting foreign government representatives and their entourages) is exempt from income tax. In addition, the official salary and foreign-sourced income of, for example, foreign government representatives visiting Australia when the Vienna Conventions on Consular or Diplomatic Relations do not apply, are exempt from income tax where their home countries provide a reciprocal exemption.

A4 Exemption of official remuneration of officials of prescribed international organisations

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	A4	
<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>International Organisations (Privileges and Immunities) Act 1963</i>							

The benchmark tax treatment is that personal services income derived by individuals is included in their assessable income and taxed at the applicable rate. However, the official remuneration of officials of prescribed international organisations (such as the Organisation for Economic Cooperation and Development) may be exempt from income tax as part of the privileges and immunities required under the terms of certain international agreements.

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A5 Exemption for New Zealand sporting teams and support staff

Recreation and culture (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-	-	-	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		New
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		1+
<i>Commencement date:</i>		1 July 2020			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Legislation is yet to be passed					

The benchmark tax treatment under the Australia-New Zealand Double Tax Convention are that income tax and any associated fringe benefits tax liabilities is paid where New Zealand sportspersons and support staff spend more than 183 days in Australia in a 12-month period. However, employment income and associated fringe benefits for the 2020-21 and 2021-22 income and fringe benefits tax years for sportspersons and support staff of New Zealand sporting teams are exempt from tax in Australia where they have been required to spend an extended time in Australia to compete in league competitions due to COVID-19.

A6 Australian Defence Force personnel – exemption of certain allowances

Defence (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
45	40	40	35	35	35	35	35
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		A5
<i>Estimate Reliability:</i>		Medium			<i>Expiry date:</i>		
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 51-5 of the <i>Income Tax Assessment Act 1997</i> Regulation 51-5.01 of the <i>Income Tax Assessment Regulations 1997</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, certain allowances payable to Australian Defence Force personnel are exempt from income tax. These include separation allowance, disturbance allowance, transfer allowance, deployment allowance and prescribed parts of rent allowance.

A7 Australian Defence Force personnel – exemption of compensation for lost deployment allowance

Defence (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		A6
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		1+
<i>Commencement date:</i>		1996			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 51-5 and 51-32 of the <i>Income Tax Assessment Act 1997</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, Australian Defence Force personnel may receive compensation for the loss of deployment allowance where

the deployment allowance ceases to be paid upon repatriation to Australia due to injuries sustained in a warlike situation. Such compensation payments are exempt from income tax.

A8 Australian Defence Force personnel – exemption of pay and allowances earned while on eligible overseas duty

Defence (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
65	60	55	30	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	A7	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	2+	
<i>Commencement date:</i>	Introduced before 1985				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 23AD of the <i>Income Tax Assessment Act 1936</i>						

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, base pay and allowances made to Australian Defence Force personnel while on eligible overseas duty are exempt from income tax (provided they are not exempt from income tax under another provision of the income tax law).

A9 Australian Defence Force Reserve personnel – exemption of compensation for loss of pay and allowances

Defence (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
..
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	A8	
<i>Estimate Reliability:</i>	Medium						
<i>Commencement date:</i>	1996				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 51-5 and 51-33 of the <i>Income Tax Assessment Act 1997</i>						

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, Australian Defence Force Reserve personnel not engaged in continuous full-time service who are forced to resign due to injuries sustained while employed by the Reserves may receive compensation for the loss of pay and allowances. Such compensation payments are exempt from income tax.

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A10 Australian Defence Force Reserve personnel – exemption of pay and allowances for part-time personnel

Defence (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
75	85	95	90	95	95	95	95
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		A9
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 51-5 of the <i>Income Tax Assessment Act 1997</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, the pay and allowances made to part-time Australian Defence Force Reserve personnel are exempt from income tax.

A11 Exemption of some payments to Australian Federal Police and civilian personnel on service with an armed force of the United Nations

Defence (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
..
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		A10
<i>Estimate Reliability:</i>		Very Low					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 23AB of the <i>Income Tax Assessment Act 1936</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, Australian Federal Police and civilian personnel contributed by Australia to a United Nations armed force may receive compensation for death, impairment or incapacity resulting from their service. Such compensation payments are exempt from income tax. Associated payments, including to the estate of a deceased civilian, may also receive tax relief.

A12 Medicare levy exemption for current and veteran Australian Defence Force personnel and their relatives and associates

Defence (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
115	120	120	125	125	130	130	135
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		A11
<i>Estimate Reliability:</i>		Medium – High					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 251T and 251U of the <i>Income Tax Assessment Act 1936</i>					

The benchmark tax treatment is that the Medicare levy is paid on the taxable income of a resident for an income year. However, a Medicare levy exemption applies to income earned by current and veteran Australian Defence Force personnel and certain others, for example, relatives and associates of Australian Defence Force personnel who are entitled to free medical treatment.

A13 Tax offsets for Australian Defence Force personnel serving overseas and for Australian Federal Police and civilians serving with United Nations forces

Defence (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Included in A43							
<i>Variation type:</i>		Offset			<i>2020 code:</i>		A12
<i>Estimate Reliability:</i>		Not Applicable					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 79B and 23AB(7) of the <i>Income Tax Assessment Act 1936</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, Australian Defence Force personnel who serve overseas in a locality specified by the Minister (because of its isolation and uncongenial nature), as well as civilian and Australian Federal Police personnel contributed by Australia to an armed force of the United Nations, may be eligible for a tax offset. The offset includes additional entitlements for individuals who maintain dependants.

A14 Denial of deductibility for HECS-HELP expenses

Education (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Denial of deduction			<i>2020 code:</i>		A13
<i>Estimate Reliability:</i>		Not Applicable					
<i>Commencement date:</i>		1997			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 26-20 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, expenses are only deductible if they are connected to income earning activity. However, course fees and repayments for a Higher Education Contribution Scheme Higher Education Loan Program (HECS-HELP) place funded by the individual and some other loan schemes are not tax deductible, even for the proportion that relates to income earning activities.

A15 Exemption of income from certain educational scholarships, payments to apprentices or similar forms of assistance

Education (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		A14
<i>Estimate Reliability:</i>		Not Applicable					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 51-10, 51-35, 51-40, 51-42 and 842-105 of the <i>Income Tax Assessment Act 1997</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, scholarships and other education allowances paid to full-time students at a school, college or university

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may be exempt from income tax. Income derived as part of an Australian Government scheme to assist secondary education or the education of isolated children is exempt from income tax (excluding federal education, training or education entry payments provided under the *Social Security Act 1991*). A number of other exempt educational payments are listed in the *Income Tax Assessment Act 1997*.

A16 Threshold for the deductibility of self-education expenses

Education (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-3	-3	-3	-3	-3	-3
<i>Variation type:</i>		Denial of deduction			<i>2020 code:</i>		A15
<i>Estimate Reliability:</i>		Low					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 82A of the <i>Income Tax Assessment Act 1936</i>					

Under the benchmark, expenses are only deductible if they are connected to income earning activity. As such, self-education expenses for the purpose of maintaining or improving skills or knowledge which the taxpayer uses in their current income earning activities are deductible. However, in certain circumstances the \$250 non-deductible threshold for work-related self-education expenses requires taxpayers to reduce their self-education deduction claims by \$250. Taxpayers can reduce the \$250 non-deductible threshold using certain other self-education expenses that are non-deductible, such as child care costs.

As announced in the 2021-22 Budget, the \$250 non-deductible threshold for work-related self-education expenses will be removed after the date of Royal Assent of the enabling legislation.

A17 Exemption of the Private Health Insurance Rebate

Health (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1,620	1,610	1,550	1,540	1,500	1,560	1,640	1,690
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		A16
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1998			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivision 61-G of the <i>Income Tax Assessment Act 1997</i> Part 2-2 of the <i>Private Health Insurance Act 2007</i>					

Under the benchmark, government payments to individuals are included as part of taxable income; income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate. However, the Private Health Insurance Rebate, whether provided directly to individuals through a refundable tax offset or through premium reductions, is not subject to income tax.

A18 Medicare levy exemption for blind pensioners, persons not entitled to Medicare benefits and foreign government representatives

Health (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
270	290	320	335	360	380	405	430
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		A17
<i>Estimate Reliability:</i>		Medium – High					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 251T and 251U of the <i>Income Tax Assessment Act 1936</i>					

The benchmark tax treatment is that the Medicare levy is paid on the taxable income of a resident for an income year. However, the income of certain prescribed persons is exempt from the Medicare levy. The list of prescribed persons includes recipients of specified payments made under the *Social Security Act 1991*, certain permanent residents who qualify for an exemption because of their absence from Australia, temporary residents whose home country does not have a Reciprocal Health Care Agreement with Australia and foreign government representatives.

A19 Medicare levy exemption for residents with taxable income below the low-income thresholds

Health (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1,850	1,900	1,950	2,050	2,050	2,050	2,050	2,050
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		A18
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 7 of the <i>Medicare Levy Act 1986</i>					

The benchmark tax treatment is that the Medicare levy is paid on the taxable income of a resident for an income year. However, residents whose taxable income falls below prescribed thresholds are exempt from the Medicare levy, with the levy phased in once their income exceeds these thresholds. Different thresholds apply for individuals, families and seniors and pensioners.

A20 Medicare levy surcharge

Health (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-300	-380	-460	-520	-620	-660	-700	-730
<i>Variation type:</i>		Increased rate			<i>2020 code:</i>		A19
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1 July 1997			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 8B to 8D of the <i>Medicare Levy Act 1986</i> <i>A New Tax System (Medicare Levy Surcharge – Fringe Benefits) Act 1999</i>					

The benchmark tax treatment is that the Medicare levy is paid on the taxable income of a resident for an income year. Individuals and couples who do not have a specified level

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of private health insurance and whose income exceeds certain thresholds are subject to an increased Medicare levy, known as the Medicare levy surcharge.

A21 Medicare levy surcharge lump sum payment in arrears tax offset

Health (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
..
<i>Variation type:</i>		Offset			<i>2020 code:</i>		A20
<i>Estimate Reliability:</i>		High					
<i>Commencement date:</i>		1 July 2005			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivision 61L of the <i>Income Tax Assessment Act 1997</i>					

The benchmark tax treatment is that the Medicare levy is paid on the taxable income of a resident for an income year. However, eligible taxpayers who incur a Medicare levy surcharge liability, or an increased liability, as a result of certain lump sum payments in arrears, for example, a Commonwealth education payment, receive concessional treatment in respect of their surcharge liability.

A22 Concessional taxation of lump sum payments for unused recreation and long service leave

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
200	190	210	200	200	210	220	145
<i>Variation type:</i>		Concessional rate			<i>2020 code:</i>		A22
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1993			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivisions 83-A and 83-B of the <i>Income Tax Assessment Act 1997</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, a maximum tax rate of 30 per cent applies to lump sum payments in lieu of unused long service or annual leave which accrued before 18 August 1993, or which are made in circumstances of bona fide redundancy, invalidity or under an early retirement scheme.

A23 Concessional taxation of non-superannuation termination benefits

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
2,250	2,050	2,150	2,250	2,250	2,250	2,200	1,950
<i>Variation type:</i>		Concessional rate			<i>2020 code:</i>		A23
<i>Estimate Reliability:</i>		Low					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Division 82 of the <i>Income Tax (Transitional Provisions) Act 1997</i> Division 82 of the <i>Income Tax Assessment Act 1997</i> Subdivision 83-C of the <i>Income Tax Assessment Act 1997</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, non-superannuation termination payments, known as employment termination

payments (ETPs), receive concessional tax treatment dependent on the circumstances of the taxpayer.

From 1 July 2019, the age below which persons can receive genuine redundancy and early retirement scheme payments was increased from 65 years of age to align with the Age Pension qualifying age. Genuine redundancy and early retirement scheme payments are tax-free up to a limit, and amounts in excess of this limit are taxed as an ETP.

A24 Concessional taxation of unused long service leave accumulated prior to 16 August 1978

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
30	20	20	15	15	10	10	10
<i>Variation type:</i>		Concessional rate			<i>2020 code:</i>		A24
<i>Estimate Reliability:</i>		Medium – High					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivision 83-B of the <i>Income Tax Assessment Act 1997</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, a reduced tax rate applies to lump sum payments for unused long service leave which accrued prior to 16 August 1978. Five per cent of such payments is included in the taxpayer's assessable income and is subject to tax at marginal rates.

A25 Exemption for National Disability Insurance Scheme amounts

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
670	1,290	2,530	2,680	4,300	5,270	6,820	7,340
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		A25
<i>Estimate Reliability:</i>		Low					
<i>Commencement date:</i>		1 July 2013			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 26-97, 40-235, and 52-180 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, government payments to individuals are included as part of taxable income; income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate. However, payments and benefits provided under the National Disability Insurance Scheme (NDIS), whether directly or otherwise, to NDIS participants for approved reasonable and necessary supports are exempt from income tax.

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A26 Exemption of Child Care Assistance payments

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1,400	2,050	1,650	2,150	2,350	2,700	2,900	2,900
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		A26
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1 July 2007			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 52-150 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, government payments to individuals are included as part of taxable income; income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate. However, the Child Care Subsidy, introduced on 2 July 2018 to replace the child care fee assistance provided by Child Care Benefit and Child Care Rebate payments, is exempt from income tax. The Child Care Rebate and Child Care Benefit were also exempt from income tax.

A27 Exemption of disaster relief payments

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1	60	80	150	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		A27
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		3+
<i>Commencement date:</i>		8 July 1997			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 11-15, 51-30, 51-125, 52-40, 53-25, 59-60, 59-95 and 59-96 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, government payments to individuals are included as part of taxable income; income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate. However, certain payments such as Australian Government disaster recovery payments and COVID-19 Disaster Payments are exempt from income tax.

A28 Beneficiary tax offset

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
80	95	80	190	760	*	*	*
<i>Variation type:</i>		Offset			<i>2020 code:</i>		A28
<i>Estimate Reliability:</i>		Medium			<i>* Category:</i>		3+
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 160AAA of the <i>Income Tax Assessment Act 1936</i>					

Under the benchmark, government payments to individuals are included as part of taxable income; income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate. However, taxpayers who receive certain social security benefits and allowances may be eligible for the beneficiary tax offset, which ensures that people whose only income during the year is from the benefit or allowance will not pay any tax.

A29 Dependant (invalid and carer) tax offset

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
5	4	4	3	3	2	2	2
<i>Variation type:</i>		Offset			<i>2020 code:</i>		A29
<i>Estimate Reliability:</i>		Low					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivision 61-A of the <i>Income Tax Assessment Act 1997</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, the dependant (invalid and carer) tax offset reduces the amount of tax payable for taxpayers who maintain a dependant, or are unable to work due to carer obligations or disability.

A30 Release from particular tax liabilities in cases of serious hardship

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
44	43	30	36	*	*	*	*
<i>Variation type:</i>		Exemption, Concessional rate			<i>2020 code:</i>		A30
<i>Estimate Reliability:</i>		Not Applicable					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Division 340 in Schedule 1 to the <i>Tax Administration Act 1953</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, an individual taxpayer can be released from a tax liability where payment of the liability would cause serious hardship. This release from tax liability acts like a tax exemption.

A31 Seniors and pensioners tax offset

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1,050	890	920	750	640	850	900	900
<i>Variation type:</i>		Offset			<i>2020 code:</i>		A31
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1 July 1996			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 160AAAA and 160AAAB of the <i>Income Tax Assessment Act 1936</i>					

Under the benchmark, government payments to individuals are included as part of taxable income; income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate. However, the seniors and pensioners tax offset reduces the tax payable by taxpayers who receive certain taxable pensions and payments, for example, the Age Pension and the Defence Force Income Support Allowance. It also reduces the tax payable by taxpayers who are of Age Pension age but who do not receive the Age Pension because of the income or assets tests.

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A32 Seasonal Labour Mobility Program

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	20	35	40	20	*	*	*	*
<i>Variation type:</i>	Concessional rate					<i>2020 code:</i>	A32	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	2+	
<i>Commencement date:</i>	2012					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Income Tax (Seasonal Labour Mobility Program Withholding Tax) Act 2012							

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, workers employed under the Seasonal Labour Mobility Program are subject to a final withholding tax of 15 per cent on income that is salary, wages or allowances paid to them under the Program, and that they derive when they are non-resident.

A33 Working holiday makers

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	165	325	395	225	*	*	*	*
<i>Variation type:</i>	Concessional rate					<i>2020 code:</i>	A33	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	3+	
<i>Commencement date:</i>	1 January 2017					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Part III of Schedule 7 to the Income Tax Rates Act 1986							

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax depending on whether they are a resident of Australia for tax purposes or not. However, from 1 January 2017 to 30 June 2020, a 15 per cent income tax rate generally applies to the Australian sourced taxable income of most working holiday makers up to \$37,000, with ordinary tax rates applying to other taxable income. From 1 July 2020, a 15 per cent income tax rate generally applies to the Australian sourced taxable income of most working holiday makers up to \$45,000, with ordinary tax rates applying to all other taxable income.

Working holiday makers from jurisdictions with which Australia holds a double taxation agreement containing an enforceable non-discrimination article (Chile, Finland, Germany, Israel, Japan, Norway, Turkey and the United Kingdom) who are also residents of Australia for tax purposes are subject to the benchmark tax treatment, instead of the 15 per cent working holiday maker tax rate.

Whether a working holiday maker is a resident for tax purposes depends on their individual circumstances.

For non-resident working holiday makers the 15 per cent rate is concessional relative to the benchmark, under which they would be taxed at 32.5 per cent from their first dollar of income. This results in a positive tax benchmark variation.

In contrast, the legislated treatment constitutes a negative tax benchmark variation for resident working holiday makers. Under the benchmark, this group would have access to a tax-free threshold of \$18,200.

A34 Exemption of foreign termination payments

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
..
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	A34	
<i>Estimate Reliability:</i>	Low						
<i>Commencement date:</i>	2007				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 83-D of the <i>Income Tax Assessment Act 1997</i>						

Under the benchmark, income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate. However, termination payments from foreign employment are non-assessable and non-exempt income where the taxpayer is a foreign resident. Where the taxpayer is an Australian resident for some of the period to which the termination payment relates, the payment will be non-assessable and non-exempt if:

- it was received in consequence of the termination of a period of foreign employment or engagement for the purposes of section 23AF or section 23AG;
- the payment relates only to that period of employment or engagement; and
- the payment is not exempt from income tax under the law of the foreign country.

This does not apply if the payment is a superannuation benefit or a pension or annuity.

A35 Foreign income exemption for temporary residents

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
105	85	100	100	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	A35	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	2+	
<i>Commencement date:</i>	2006				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 768-R of the <i>Income Tax Assessment Act 1997</i>						

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, foreign source income of temporary residents is generally non-assessable and non-exempt, and capital gains and losses are also generally disregarded for income tax purposes. Interest paid to foreign lenders by temporary residents is exempt from withholding tax.

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A36 Income tax exemption for Australian staff of the Asian Development Bank

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
3	3	3	3	3	3	3	3
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		A36
<i>Estimate Reliability:</i>		Medium – Low					
<i>Commencement date:</i>		2005			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Regulation 6 of the <i>Asian Development Bank (Privileges and Immunities) Regulations 1967</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, the income of Australian resident officers of the Asian Development Bank (ADB) is exempt from tax. This exemption is part of the broader arrangement with the ADB that facilitates the day-to-day running of the Australian office which services the needs of the Pacific Island countries.

A37 Exemption of certain income support benefits, pensions or allowances

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1,120	1,100	1,830	1,820	1,130	1,200	1,250	1,200
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		A37
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivisions 52-A, 52-E and 52-F of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, government payments to individuals are included as part of taxable income; income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate. However, certain social security payments are partly or fully exempt from income tax. These include: certain pensions; benefits; allowances and repatriation pensions paid under the *Social Security Act 1991*, for example, Disability Support Pension and Carer Payment paid to individuals under Age Pension age; certain amounts of Commonwealth education or training payment; and certain parts of payments under the ABSTUDY scheme.

A38 Exemption of Family Tax Benefit payments

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1,940	1,800	1,910	1,790	1,740	1,840	1,880	1,770
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		A38
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 52-150 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, government payments to individuals are included as part of taxable income; income tax is paid on the taxable income of a taxpayer for an income

year at their applicable rate. However, Family Tax Benefit payments are exempt from income tax.

A39 Exemptions of certain veterans' pensions, allowances or benefits, compensation, and particular World War II-related payments for persecution

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
700	810	880	820	810	790	760	680
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		A39
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivisions 52-B, 52-C, 52-CA and 52-CB and Section 768-105 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, government payments to individuals are included as part of taxable income; income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate. However, repatriation pensions, certain payments under the *Veterans Entitlements Act 1986* and *Military Rehabilitation and Compensation Act 2004*, payments under the *Australian Participants in British Nuclear Tests and British Commonwealth Occupation Force (Treatment) Act 2006*, certain foreign source World War II payments and compensation provided for legal advice to beneficiaries under the *Military Rehabilitation and Compensation Act 2004* are wholly or partly exempt from income tax.

Australian participants in the British nuclear tests of the 1950s and Australian veterans of the British Commonwealth Occupation Force that receive medical treatment using the Department of Veterans' Affairs Gold Card are exempt from the Medicare levy and Medicare levy surcharge.

A40 Denial of deduction of travel expenses for residential rental property

Housing and community amenities (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
..	-100	-95	-100	*	*	*	*
<i>Variation type:</i>		Denial of deduction			<i>2020 code:</i>		A40
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		3-
<i>Commencement date:</i>		1 July 2017			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 26-31 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, expenses connected to income earning activity or a business are deductible. However, taxpayers are not able to claim a deduction for travel expenses related to inspecting, maintaining or collecting rent for a residential rental property. Expenses incurred in engaging third parties such as real estate agents for property management services remain deductible.

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A41 Denial of deductions for vacant land

Housing and community amenities (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-	-	-	-25	-25	-25	-25	-25
<i>Variation type:</i>		Denial of deduction			<i>2020 code:</i>		A41
<i>Estimate Reliability:</i>		Low					
<i>Commencement date:</i>		1 July 2019			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 26-102 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, expenses connected to income earning activity are deductible. From 1 July 2019, deductions are denied for some taxpayers for expenses associated with holding vacant land. Expenses for which deductions are denied that would ordinarily be a cost base element may be included in the cost base of the asset for capital gains tax purposes.

Deductions continue to be available in a range of circumstances, including where:

- there is a substantial building or structure on the land;
- the land is being used, or held available for use, by the taxpayer or a related entity in carrying on a business, including a business of primary production (such as farming); or
- the land is rented out by a taxpayer where they or a related entity are carrying on a business of primary production.

Furthermore, deductions continue to be available for land held by corporate tax entities, managed investment trusts, superannuation plans (other than self-managed superannuation funds), and public unit trusts.

A42 Exemption of payments made under the First Home Owner Grant scheme

Housing and community amenities (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
185	215	180	180	180	175	175	175
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		A42
<i>Estimate Reliability:</i>		Medium – Low					
<i>Commencement date:</i>		1 January 2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		<i>A New Tax System (Commonwealth State Financial Arrangements) Act 1999 Appendix A, Intergovernmental Agreement on Federal Financial Relations Appropriation (Economic Security Strategy) Act (No. 2) 2008-09 and relevant state legislation.</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, payments made under the First Home Owner Grant Scheme are exempt from income tax.

A43 Zone tax offsets

Housing and community amenities (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
135	140	135	140	140	145	150	155
<i>Variation type:</i>		Offset			<i>2020 code:</i>		A43
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 79A of the <i>Income Tax Assessment Act 1936</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, taxpayers who live in prescribed remote areas of Australia are eligible for a tax offset, reducing their tax payable. Eligibility and the amount of the tax offset varies depending on the taxpayer's location.

From 1 July 2015, 'fly-in fly-out' workers whose normal residence is not in a zone are excluded from the offset. If their normal residence is in a different zone to the one in which they work, they receive the offset applicable to the zone in which they normally reside.

A44 Income averaging for authors, inventors, performing artists, production associates and sportspersons

Recreation and culture (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
35	40	30	20	*	*	*	*
<i>Variation type:</i>		Concessional rate			<i>2020 code:</i>		A44
<i>Estimate Reliability:</i>		Not Applicable					
<i>Commencement date:</i>		1998			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Division 405 of the <i>Income Tax Assessment Act 1997</i>					

The benchmark tax treatment is that income tax is calculated on the taxable income of a taxpayer for an income year at their applicable rate of tax.

However, special professionals (such as authors, composers, artists, inventors, performing artists, production associates and sportspersons) whose income can fluctuate significantly between income years, may be eligible for an income averaging scheme that reduces their overall tax liability.

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A45 Income tax exemption of certain Prime Minister's prizes

Recreation and culture (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
..
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	A45	
<i>Estimate Reliability:</i>	Medium						
<i>Commencement date:</i>	1 July 2006				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 51-60 of the <i>Income Tax Assessment Act 1997</i>						

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, the Prime Minister's Prize for Australian History, the Prime Minister's Prize for Science and the Prime Minister's Literary Award are exempt from income tax.

A46 Non-commercial losses deductions allowed for certain taxpayers with an adjusted taxable income under \$250,000

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deduction				<i>2020 code:</i>	A46	
<i>Estimate Reliability:</i>	Not Applicable						
<i>Commencement date:</i>	1 July 2000				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 35 of the <i>Income Tax Assessment Act 1997</i>						

Under the benchmark, losses arising from non-commercial business activities generally cannot be claimed as a deduction against other assessable income.

However, under the non-commercial loss rules, individuals carrying on a business and who have an adjusted taxable income of less than \$250,000 may apply losses from a business activity against their other assessable income in that year if they satisfy one of four statutory tests, or if the Commissioner of Taxation exercises discretion.

This treatment results in some business activities that are non-commercial in nature being treated as commercial. Allowing losses from these activities to be offset against other assessable income gives rise to a tax benchmark variation.

A47 Non-commercial losses exception rules for primary producers and artists

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
10	5	5	5	5	5	5	5
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	A47	
<i>Estimate Reliability:</i>	Medium						
<i>Commencement date:</i>	1 July 2000				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subsection 35-10(4) of the <i>Income Tax Assessment Act 1997</i>						

Under the benchmark, losses arising from non-commercial business activities generally cannot be claimed as a deduction against other assessable income.

However, individuals that carry on a primary production or professional arts business, with assessable income from other sources of less than \$40,000 (except net capital gains), can generally apply these losses against their other income as they are exempt from the non-commercial loss rules.

This treatment results in some business activities that are non-commercial in nature being treated as commercial. Allowing losses from these activities to be offset against other assessable income gives rise to a tax benchmark variation.

A48 Tax concessions for employee share schemes income

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption, Deferral					<i>2020 code:</i>	A48	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	3+	
<i>Commencement date:</i>	1 January 1995					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 83A of the <i>Income Tax Assessment Act 1997</i>							

The benchmark tax treatment is that discounts on shares and rights acquired under an employee share scheme are included in a taxpayer's assessable income in the year the shares or rights are acquired. However, there are a range of concessions available. An upfront tax exemption of \$1,000 for eligible schemes is available to taxpayers earning less than \$180,000 and a deferral of tax is available where there is a real risk of forfeiture.

On 1 July 2015, additional tax concessions for employee share schemes took effect. The taxing point for rights now generally occurs when the rights are exercised (converted to shares). There is also a tax deferral (for rights) or exemption (for shares) on the discount component of employee share schemes provided at a small discount to employees of eligible start-up companies.

In the 2021-22 Budget, the Government announced that the cessation of employment taxing point for tax-deferred employee share schemes available to all companies will be removed from the first income year after Royal Assent of enabling legislation.

A49 Tax deferral advantage arising from personal after-tax contributions to a pension or annuity

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deferral					<i>2020 code:</i>	A49	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	2+	
<i>Commencement date:</i>	Introduced before 1985					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 27H of the <i>Income Tax Assessment Act 1936</i>							

Under the benchmark, earnings on savings held outside of the superannuation system are included as part of taxable income; income tax is then paid on the taxable income at marginal rates. However, the part of a pension or annuity associated with contributions

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made from after-tax income is not taxed again when it is returned as pension or annuity payments, and this part of the pension or annuity is apportioned evenly over the term of the income stream. This results in a tax benchmark variation because it provides a tax deferral advantage to the recipient.

A50 Union dues and subscriptions to business associations deduction

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deduction				<i>2020 code:</i>	A50	
<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>	Section 25-55 of the <i>Income Tax Assessment Act 1997</i>						

Under the benchmark, expenses are only deductible if they are connected to income earning activity. As such, union dues or professional association fees related to earning assessable income are deductible. However, joining fees, union dues or subscriptions to trade, business or professional associations that are not related to earning assessable income are specifically tax deductible up to a maximum amount of \$42.

A51 Denial of deductions for illegal activities

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Denial of deduction				<i>2020 code:</i>	A51	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	1-	
<i>Commencement date:</i>	1 July 1999 (bribery), 30 April 2005 (illegal activities)				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 26-52, 26-53 and 26-54 of the <i>Income Tax Assessment Act 1997</i>						

Under the benchmark expenses incurred in earning income are deductible at historical cost. Deductibility is denied for a loss or outgoing that is a bribe to a public official, including a foreign public official.

Deductions are also denied for expenditure to the extent it is incurred in the furtherance of, or directly in relation to, activities in respect of which the taxpayer has been convicted of an indictable offence. Indictable offences are those punishable by imprisonment for at least one year.

A52 Increased tax rates for certain minors

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-4	-3	-3	-3	-3	-3	-3	-3
<i>Variation type:</i>		Increased rate			<i>2020 code:</i>		A52
<i>Estimate Reliability:</i>		Medium – High					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Part III Division 6AA of the <i>Income Tax Assessment Act 1936</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, higher rates of taxation apply to the unearned income of certain minors (for example, those classed as not being in a full-time occupation). Unearned income includes dividend, interest, rent, royalties and other income from property. Further, minors are unable to use the low income tax offset or the low and middle income tax offset to reduce the tax payable on unearned income.

A53 Limit plant and equipment depreciation deductions to outlays actually incurred by investors

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-	-40	-105	-120	-130	-130	-135	-140
<i>Variation type:</i>		Denial of deduction			<i>2020 code:</i>		A53
<i>Estimate Reliability:</i>		Low					
<i>Commencement date:</i>		1 July 2017			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 40-27 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, expenses are only deductible if they are connected to an income earning activity. However, from 1 July 2017, plant and equipment depreciation deductions are limited to outlays actually incurred by investors in residential real estate properties. Plant and equipment items are usually mechanical fixtures or those which can be 'easily' removed from a property such as dishwashers and ceiling fans. Acquisitions of existing plant and equipment items will be reflected in the cost base for capital gains tax purposes for subsequent investors. Plant and equipment forming part of residential investment properties as of 9 May 2017 (including contracts already entered into at 7:30PM (AEST) on 9 May 2017) will continue to give rise to deductions for depreciation until either the investor no longer owns the asset, or the asset reaches the end of its effective life.

This results in a negative tax variation relative to the benchmark, which reflects the general principle that individual taxpayers are entitled to a deduction for expenses incurred in earning assessable income.

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A54 Part-year tax free threshold

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-18	-16	-16	-14	-10	*	*	*
<i>Variation type:</i>		Increased rate			<i>2020 code:</i>		A54
<i>Estimate Reliability:</i>		Medium – High			<i>* Category:</i>		2-
<i>Commencement date:</i>		1 July 1986			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 16 to 20 of the <i>Income Tax Rates Act 1986</i>					

Under the benchmark, income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate. However, taxpayers who become an Australian resident for the first time, or cease to be an Australian resident, do not receive the full value of the statutory tax-free threshold. From 1 July 2012, they are able to access a tax-free threshold of at least \$13,464, plus a pro-rated share of \$4,736 corresponding to the number of months in the year that they are a resident for tax purposes.

A55 Philanthropy – deduction for gifts to deductible gift recipients

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1,625	1,680	2,030	1,950	1,835	1,645	1,760	1,830
<i>Variation type:</i>		Deduction			<i>2020 code:</i>		A55
<i>Estimate Reliability:</i>		Medium – Low			<i>Expiry date:</i>		
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Division 30 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, expenses are only deductible if they are connected to income earning activity. However, gifts of cash and property (subject to certain conditions) of a value of \$2 or more to deductible gift recipients are tax deductible.

A56 Philanthropy – deduction for gifts to private ancillary funds

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
385	445	240	260	260	270	275	290
<i>Variation type:</i>		Deduction			<i>2020 code:</i>		A56
<i>Estimate Reliability:</i>		Medium – Low			<i>Expiry date:</i>		
<i>Commencement date:</i>		1 October 2009			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Item 2 of the table in Section 30-15 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, expenses are only deductible if they are connected to income earning activity. However, gifts of cash and property (subject to certain conditions) of a value of \$2 or more to private ancillary funds that have deductible gift recipient status are tax deductible. Private ancillary funds are funds established by businesses, families and individuals solely for the purpose of disbursing funds to deductible gift recipients, or the establishment of deductible gift recipients.

A57 Car expenses – alternatives to the logbook method

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Deduction			<i>2020 code:</i>		A57
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		3+
<i>Commencement date:</i>		1 July 1986			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Division 28 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, expenses are only deductible if they are connected to income earning activity. To value actual car expense deductions under the benchmark, taxpayers use the logbook method. However, the ‘cents per kilometre’ method is available up to a maximum of 5,000 business kilometres.

A58 Tax offset on certain payments of income received in arrears

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
15	18	20	25	25	25	25	25
<i>Variation type:</i>		Offset			<i>2020 code:</i>		A58
<i>Estimate Reliability:</i>		Medium			<i>Expiry date:</i>		
<i>Commencement date:</i>		1 July 1986			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 159ZR to 159ZRD of the <i>Income Tax Assessment Act 1936</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, individual taxpayers who receive lump sum payments of certain income, for example, salary and wages, which accrued in earlier income years may be entitled to a tax offset.

A59 Exemption for personal injury annuities

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
..
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		A59
<i>Estimate Reliability:</i>		Low			<i>Expiry date:</i>		
<i>Commencement date:</i>		1 June 2002			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Division 54 of the <i>Income Tax Assessment Act 1997</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, certain annuities provided to personal injury victims under structured settlements and orders are exempt from income tax. This allows personal injury victims who would be eligible to receive large tax-free lump sum compensation payments to receive all or part of their compensation in the form of a tax-free annuity or annuities.

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A60 Exemption of post-judgment interest awards in personal injury compensation cases

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
4	4	4	4	5	5	5	5
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		A60
<i>Estimate Reliability:</i>		Low					
<i>Commencement date:</i>		1992			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 51-57 of the <i>Income Tax Assessment Act 1997</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, interest accruing on a judgment debt arising in personal injury compensation cases, which relates to the period between the original judgment and when the judgment is finalised, is exempt from income tax.

A61 Low-value depreciating assets – immediate deduction

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Deduction			<i>2020 code:</i>		A61
<i>Estimate Reliability:</i>		Not Applicable					
<i>Commencement date:</i>		2001			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subsections 40-25(1) and 40-80(2) of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, assets are depreciated over their effective lives. However, an immediate deduction is available for depreciating assets costing \$300 or less where those assets are used mostly to earn non-business income.

BUSINESS INCOME

B1 Denial of deductions by businesses for political donations

General public services – Legislative and executive affairs (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Denial of deduction					<i>2020 code:</i>	B1	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	1-	
<i>Commencement date:</i>	1 July 2008					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 26-22 and Subsection 30-242(3A) of the <i>Income Tax Assessment Act 1997</i>							

The benchmark tax treatment is that gifts or contributions to deductible gift recipients are deductible against taxable income. Business taxpayers are prevented from claiming deductions for gifts or contributions to political parties, independent members and independent candidates.

B2 Local government bodies income tax exemption

Other purposes – General purpose inter-governmental transactions (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	1,890	1,880	1,670	1,670	1,680	1,680	1,690	1,690
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	B2	
<i>Estimate Reliability:</i>	Medium					<i>Expiry date:</i>		
<i>Commencement date:</i>	Introduced before 1985					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Item 5.1 in the table in Section 50-25 of the <i>Income Tax Assessment Act 1997</i>							

Under the benchmark tax treatment, corporations are taxable units that are liable to pay tax. Local government bodies and municipal corporations are exempted from income tax. This exemption includes the local governing bodies in Norfolk, Cocos (Keeling) and Christmas Islands.

B3 Exemptions for prescribed international organisations

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	B3	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	2+	
<i>Commencement date:</i>	1963					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 6 of the <i>International Organisations (Privileges and Immunities) Act 1963</i>							

Under the benchmark, income derived by organisations that are not exempt entities is generally taxable. However, the income of certain prescribed international organisations is exempt from income tax. Interest and dividends received by such organisations are also exempt from withholding tax. Prescribed international organisations include the United Nations, the World Trade Organisation, the Organisation for Economic Cooperation and Development and various United Nations specialised agencies.

B4 Interest withholding tax and dividend withholding tax exemptions for overseas charitable institutions

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	B4	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	2+	
<i>Commencement date:</i>	1971					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Paragraph 128B(3)(aa) of the <i>Income Tax Assessment Act 1936</i>							

Under the benchmark, dividends and interest paid to non-residents are generally subject to withholding tax at a flat rate. However, interest and dividends received by certain overseas charitable institutions are exempt from the interest and dividend withholding tax, respectively. This exemption only applies where the institutions are exempt from tax in their home country.

B5 Investment Manager Regime

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	B5	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	2+	
<i>Commencement date:</i>	1 July 2011					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 842-I of the <i>Income Tax Assessment Act 1997</i>							

The income tax law generally exempts non-resident investors in respect of capital gains made on ‘non land-rich’ investments, however tax uncertainty can arise in some instances. The Investment Manager Regime (IMR) seeks to address this potential uncertainty by providing that, subject to meeting the appropriate tests, foreign investors that invest into Australia via a foreign fund or through an independent Australian fund manager can disregard certain Australian tax consequences in relation to gains and losses on the disposal of specific assets.

The effect of the IMR is that when a foreign investor invests in Australia through a foreign fund or an independent Australian fund manager it will generally be in the same tax position as if it had invested directly. The IMR does not apply to Australian residents or to returns or gains attributable to Australian real property.

B6 Reduced withholding tax under international tax treaties

General public services – Foreign affairs and economic aid (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
740	880	780	890	1,020	1,170	1,350	1,550
<i>Variation type:</i>		Exemption, Concessional rate			<i>2020 code:</i>		B6
<i>Estimate Reliability:</i>		Low					
<i>Commencement date:</i>		2008			<i>Expiry date:</i>		
<i>Legislative reference:</i>		International Tax Agreements Act 1953					

Under the benchmark, dividends, interest and royalties paid to non-residents are generally subject to withholding tax at a flat rate. Tax treaties reduce or eliminate double taxation caused by the exercise of source and residence country taxing rights on cross border income flows. Under Australia's tax treaties, certain dividends, interest and royalties attract reduced withholding tax rates. For some treaties, these include interest withholding tax exemptions for financial institutions and governments and dividend withholding tax exemptions where dividends are paid to companies with controlling interests in the companies paying the dividends, provided that certain integrity measures are satisfied.

B7 Income tax exemption for persons connected with certain US Government projects in Australia

Defence (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		B7
<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>		Section 23AA of the <i>Income Tax Assessment Act 1936</i>					

Under the benchmark, foreign residents are generally taxed on their Australian-sourced income, such as money they earn working in Australia. The profit and remuneration of United States contractors, armed forces members and their associated employees, or others connected with certain approved United States Government projects in Australia are exempt from Australian income tax, where the income is subject to tax in the United States. Projects to which the exemption applies include the North West Cape Naval Communication Station and the Joint Defence Space Research Facility.

Tax Benchmarks and Variations Statement

B8 Concessional tax treatment of offshore banking units

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
300	335	370	330	330	340	235	..
<i>Variation type:</i>		Concessional rate			<i>2020 code:</i>		B8
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1992			<i>Expiry date:</i>		1 July 2023
<i>Legislative reference:</i>		Division 9A of Part III and Section 128GB of the <i>Income Tax Assessment Act 1936</i>					

Under the benchmark, company profits are taxed at 30 per cent. However, income (other than capital gains) derived by an offshore banking unit from eligible offshore banking activities is taxed at a concessional rate of 10 per cent. Interest paid by an offshore banking unit on qualifying offshore borrowings, and gold fees paid by an offshore banking unit on certain offshore gold borrowings, are exempt from withholding tax. From 1 July 2015, the list of eligible offshore banking activities has been updated to better target the regime and address integrity concerns. The concessional tax rate only applies to an entity that has been determined to be an offshore banking unit by the Minister. This concession will no longer apply from the end of the taxpayers' 2022-23 income year.

B9 Exemption for foreign branch profits from income tax

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		B9
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		4+
<i>Commencement date:</i>		1991			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 23AH of the <i>Income Tax Assessment Act 1936</i>					

Under the benchmark, Australian resident companies are taxed on their worldwide income. However, in general, income from a business carried on by an Australian company through a permanent establishment (branch) in a foreign country is exempt from income tax. The exempt income broadly comprises operating profits and capital gains but does not include passive or other tainted income where the branch fails an active income test.

B10 Exemption from accruals taxation system for certain transferor trusts

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		B10
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		2+
<i>Commencement date:</i>		1991			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 102AAT of the <i>Income Tax Assessment Act 1936</i>					

Under the benchmark, the transferor would normally be subject to accruals taxation, as provided by the transferor trust rules. However, the rules do not apply in relation to

certain transfers to family, discretionary or non-discretionary trusts, or to certain transfers made before the transferor commenced being a resident. Transferor trust rules apply to Australian residents who have transferred property or services to a non-resident trust estate.

B11 Exemption from accruals taxation system for controlled foreign companies

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	B11	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	2+	
<i>Commencement date:</i>	1991				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 385 and 432 of the <i>Income Tax Assessment Act 1936</i>						

Under the benchmark, the accruals taxation system normally applies to income derived by controlled foreign companies (CFCs). However, most tainted income derived by CFCs in listed countries is exempt from the accruals taxation system (applied to the attributable taxpayer) as it is generally comparably taxed. An exemption also applies to CFCs that derive 95 per cent or more of their income from genuine business activities.

B12 Exemption from interest withholding tax on certain securities

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
2,450	2,920	2,470	2,410	2,410	2,410	2,410	2,410
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	B12	
<i>Estimate Reliability:</i>	Medium						
<i>Commencement date:</i>	Introduced before 1985				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 128F and 128FA of the <i>Income Tax Assessment Act 1936</i>						

Under the benchmark, withholding tax from interest payments paid to a foreign resident is generally withheld at the rate of 10 per cent. Certain publicly offered debentures and debt interests are eligible for an exemption from interest withholding tax, where those debentures and debt interests are issued in Australia by a State or Territory, the Commonwealth, a resident Australian company, a non-resident company operating through a permanent establishment, or certain public unit trusts. The exemption is not available where it involves certain dealings between associated entities.

Tax Benchmarks and Variations Statement

B13 Exemption of inbound non-portfolio dividends from income tax

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
480	670	820	710	720	750	750	750
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		B13
<i>Estimate Reliability:</i>		Low					
<i>Commencement date:</i>		1991			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 768-5 of the <i>Income Tax Assessment Act 1997</i>					

Non-portfolio dividends are dividends paid to a company where that company has a 10 per cent or greater voting interest in the company paying the dividend. Under the benchmark, such dividends would normally be included in a recipient's assessable income. However, these dividends are exempt from income tax where they are paid to an Australian resident company by a company resident in a foreign country.

B14 Interest withholding tax concession on interest payments by financial institutions

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
25	35	25	10	20	25	25	25
<i>Variation type:</i>		Concessional rate			<i>2020 code:</i>		B14
<i>Estimate Reliability:</i>		Medium – Low					
<i>Commencement date:</i>		1994			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 160ZZZJ of the <i>Income Tax Assessment Act 1936</i>					

Under the benchmark, tax from interest payments paid to a foreign resident is generally withheld at the rate of 10 per cent. The notional interest paid by an Australian branch of a foreign bank on borrowings from the foreign bank attracts a reduced effective rate of withholding tax of 5 per cent.

B15 International tax – concessional rate of final withholding tax on certain distributions by clean building managed investment trusts to foreign residents

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Included in B87							
<i>Variation type:</i>		Concessional rate			<i>2020 code:</i>		B15
<i>Estimate Reliability:</i>		Not Applicable					
<i>Commencement date:</i>		2012			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 12-385 of Schedule 1 to the <i>Taxation Administration Act 1953</i> Regulation 34 of the <i>Taxation Administration Regulations 2017</i>					

Australia's default withholding tax rate for Managed Investment Trust (MIT) distributions of Australian source net income (other than dividends, interest and royalties) paid to foreign residents is 30 per cent. For distributions to residents of countries with which Australia has an information exchange arrangement, the withholding tax rate is reduced to 15 per cent.

However, for MITs that only hold energy efficient buildings that commenced construction on or after 1 July 2012, the withholding tax rate on distributions is 10 per cent, for residents of countries with which Australia has an information exchange arrangement. This is a final withholding tax.

B16 Threshold exemption for thin capitalisation

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	B16	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	2+	
<i>Commencement date:</i>	2001				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 820-35 and 820-37 of the <i>Income Tax Assessment Act 1997</i>						

The thin capitalisation regime is an integrity measure designed to ensure Australian and foreign owned multinational entities do not allocate an excessive amount of debt to their Australian operations.

Under the benchmark, the thin capitalisation regime would apply to all inward and outward investing entities. However, taxpayers will not be subject to the regime if their debt deductions and those of their associate entities do not exceed the threshold amount of \$2 million. Outward investing entities are also excluded from the thin capitalisation regime if at least 90 per cent of their assets together with the assets of their associates are Australian assets.

B17 Security agency transaction exemption

Defence (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	B17	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	1+	
<i>Commencement date:</i>	1 July 2005				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 850 of Schedule 1 to the <i>Taxation Administration Act 1953</i>						

Under the tax benchmark, tax laws apply broadly. The heads of the Australian Security Intelligence Organisation, the Australian Secret Intelligence Service and the Australian Signals Directorate have the power to declare that Commonwealth tax laws do not apply to a specified entity in relation to a specified transaction. This ensures that tax authorities do not need to obtain information that should remain secret in the interests of national security.

Tax Benchmarks and Variations Statement

B18 Not-for-profit private health insurers income tax exemption

Health (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
115	95	110	30	100	100	100	100
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		B18
<i>Estimate Reliability:</i>		Medium – Low					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Item 6.3 of the table in Section 50-30 of the <i>Income Tax Assessment Act 1997</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of an entity for an income year at its applicable rate of tax. However, the income of private health insurers covered by the *Private Health Insurance Act 2007* is exempt from income tax if the insurer is not operated for the gain or profit of its individual members.

B19 Deductibility for entertainment provided without charge to those in need

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Deduction			<i>2020 code:</i>		B19
<i>Estimate Reliability:</i>		Not Applicable					
<i>Commencement date:</i>		16 December 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 32-50 of the <i>Income Tax Assessment Act 1997</i>					

Under the tax benchmark, the cost of providing entertainment by way of food and drink, is denied as a deduction. This rule does not apply where the entertainment is provided without charge to members of the public who are in need.

B20 Exemption for payments for mining on Aboriginal land

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		B20
<i>Estimate Reliability:</i>		Not Applicable					
<i>Commencement date:</i>		8 July 1997			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 59-15 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, payments in respect of mining rights are generally assessable to taxpayers. However, certain mining payments to Aboriginal and Torres Strait Islander persons or certain distributing bodies are exempt from income tax.

B21 Life insurance investment income taxation concession

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption, Offset, Concessional rate			<i>2020 code:</i>		B21
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		1+
<i>Commencement date:</i>		2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 26AH and 160AAB of the <i>Income Tax Assessment Act 1936</i>					

Under the tax benchmark individuals are taxed on their investment returns at the tax rates applied to individuals. Some life insurance arrangements have the characteristics of an investment and are taxed partly at the level of the life insurance company at the company tax rate and partly when received by the individual. Individuals can also receive rebates to ensure that a reversionary bonus (the income distributed from a life insurance policy) on which the life insurance company has paid tax is not subject to double taxation in the hands of policyholders.

B22 Superannuation Guarantee amnesty

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-	-	-	20	36	-	-	-
<i>Variation type:</i>		Deduction			<i>2020 code:</i>		B22
<i>Estimate Reliability:</i>		Medium – Low			<i>Expiry date:</i>		
<i>Commencement date:</i>		24 May 2018			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 26-95(2) of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, superannuation guarantee (SG) charge payments are not tax deductible, in contrast to ordinary SG payments. Employers become liable for SG charge payments if they do not comply with their requirements under the *Superannuation Guarantee (Administration) Act 1992* to make SG contributions on behalf of their employees. The SG charge may also include nominal interest, an administrative component and a penalty.

However, the SG charge is tax deductible for employers if it relates to a SG shortfall that qualified for the one-off SG amnesty. The one-off SG amnesty allowed employers with historical SG shortfalls incurred between 1 July 1992 and 30 March 2018 to come forward voluntarily to repay their employees' SG and nominal interest from 24 May 2018 to 7 September 2020. Historical SG shortfalls which were voluntarily disclosed to the ATO but paid after the amnesty period ended are not tax deductible. The different treatment of penalties provided during the SG amnesty is not included as part of the benchmark variation estimate.

Tax Benchmarks and Variations Statement

B23 Tax exemption for assistance provided through the 'boosting cash flow for employers' measure

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	-	-	-	1,860	3,030	660	30	..
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	B23	
<i>Estimate Reliability:</i>	Medium							
<i>Commencement date:</i>	2020					<i>Expiry date:</i>	30 June 2026	
<i>Legislative reference:</i>	<i>Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020</i>							

The benchmark tax treatment is that Commonwealth government payments to taxpayers are generally treated as assessable income and subject to income tax. However, payments received under the Boosting Cash Flow for Employers measure are not taxable to support eligible entities as part of the COVID-19 response package.

B24 Temporary loss carry-back for certain incorporated entities

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	-	-	-	-	2,810	2,660	2,570	-880
<i>Variation type:</i>	Rebate					<i>2020 code:</i>	B24	
<i>Estimate Reliability:</i>	Low							
<i>Commencement date:</i>	6 October 2020					<i>Expiry date:</i>	30 June 2022	
<i>Legislative reference:</i>	Section 67-23 of the <i>Income Tax Assessment Act 1997</i> Subdivision 160-A of the <i>Income Tax Assessment Act 1997</i> Subdivision 160-B of the <i>Income Tax Assessment Act 1997</i>							

Under the benchmark, companies are required to carry losses forward to offset profits in future years. A tax benchmark variation will arise as eligible companies can carry back tax losses from their 2019-20, 2020-21 or 2021-22 income years to offset tax previously paid in 2018-19 or later income years. Subject to the passage of legislation, eligible companies will also be able to carry back tax losses incurred in their 2022-23 income year.

Companies that do not elect to carry-back losses can carry them forward as normal.

B25 Exemption of foreign currency gains and losses from certain low balance accounts

Other economic affairs – Other economic affairs, nec (\$m)								
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
*	*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		B25	
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		2+/-	
<i>Commencement date:</i>		1 July 2003			<i>Expiry date:</i>			
<i>Legislative reference:</i>		Subdivision 775-D of the <i>Income Tax Assessment Act 1997</i>						

Under the tax benchmark, taxpayers include the change of value of accounts denominated in foreign currency (as an equivalent Australian dollar amount) when they make a withdrawal from or payment to the account in their assessable income or as an allowable tax deduction. Taxpayers with low balance bank accounts or credit card accounts denominated in a foreign currency may elect to disregard gains and losses attributable to changes in exchange rates (made in respect of withdrawals and payments on these accounts) for tax purposes.

This option is available to all taxpayers other than financial institutions. Accounts with a combined credit or debit balance that does not exceed the foreign currency equivalent of A\$250,000 will generally be eligible.

B26 Off-market share buy-backs

Other economic affairs – Other economic affairs, nec (\$m)								
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
*	*	*	*	*	*	*	*	*
<i>Variation type:</i>		Offset			<i>2020 code:</i>		B27	
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		4+	
<i>Commencement date:</i>		1990			<i>Expiry date:</i>			
<i>Legislative reference:</i>		Division 16K of Part III and 177EA of the <i>Income Tax Assessment Act 1936</i>						

The proceeds paid to shareholders who participate in an off-market share buy-back are split into a dividend component and a capital component. The dividend component of the buy-back proceeds may be fully franked. This allows companies that undertake off-market share buy-backs to distribute franking credits to participating shareholders beyond the level that would normally be available. Treating part of the proceeds as a dividend makes off-market share buy-backs more attractive to low marginal tax rate taxpayers. This facilitates streaming of franking credits to those shareholders that can obtain the most benefit. The tax benchmark variation is equal to the difference in tax payable, had those franking credits been distributed uniformly to all shareholders.

Tax Benchmarks and Variations Statement

B27 Tax assistance for recipients of disaster relief and recovery payments

Other purposes – Natural disaster relief (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	B28	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	2+	
<i>Commencement date:</i>	2021					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 11-15, 11-55, 51-125, 59-60, 59-85, 59-86 and 59-99 of the <i>Income Tax Assessment Act 1997</i>							

Under the benchmark, government payments to businesses are generally treated as assessable income and subject to income tax. A tax benchmark variation arises because certain government natural disaster relief and recovery payments are not taxable.

B28 Tax exemption for COVID-19 business grants

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	-	-	-	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	New	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	3+	
<i>Commencement date:</i>	2020					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 59-97 of the <i>Income Tax Assessment Act 1997</i>							

Under the benchmark, government payments to businesses are generally treated as assessable income and subject to income tax. A tax benchmark variation arises because certain state and territory COVID-19 business support grants are treated as non-assessable and non-exempt for income tax purposes.

B29 Tax exemption for National Rental Affordability Scheme incentives

Housing and community amenities (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	70	80	67	66	70	68	62	51
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	B29	
<i>Estimate Reliability:</i>	Very Low							
<i>Commencement date:</i>	1 July 2008					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 380 of the <i>Income Tax Assessment Act 1997</i>							

Under the benchmark, government payments to individuals are included as part of taxable income; income tax is paid on the taxable income of a taxpayer for an income year at their applicable rate. However, the National Rental Affordability Scheme offers tax and cash incentives to providers of new dwellings on the condition that they are rented to low and moderate income households at a rate that is at least 20 per cent below market rates. The tax benchmark variation arises as the incentives are exempt from income tax.

The scheme is no longer open to new providers.

B30 Film industry concessions

Recreation and culture (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
58	43	62	58	81	114	120	124
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		B30
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		2001			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Division 376 of the <i>Income Tax Assessment Act 1997</i>					

Film production companies incurring expenditure on certain productions in Australia may be eligible for refundable tax offsets. The tax offsets are the location offset, the producer offset and the post, digital and visual effects offset.

Under the benchmark, government payments to taxpayers are generally treated as assessable income and subject to tax. A tax benchmark variation arises when payments made under a refundable tax offset are exempt from tax.

B31 Exemption from the tax shelter prepayments measure for certain passive investments

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Accelerated write-off			<i>2020 code:</i>		B31
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		2+
<i>Commencement date:</i>		11 November 1999			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 82KZME of the <i>Income Tax Assessment Act 1936</i>					

Under the benchmark, payments for business expenditure that relates to multiple income years (prepayments) are not wholly deductible in the income year in which the payment is made. The deduction for prepaid expenditure is spread over time and deductible over the shorter of 10 years, or the period to which the expenditure relates (the service period).

However, a prepayment is immediately deductible in the year in which the payment is made where it is in relation to:

- interest on money borrowed for investments in shares, units or rental property;
- eligible insurance premiums;
- ‘excluded expenditure’ under the tax law;
- certain other arrangements entered into before 11 November 1999; or
- an agreement subject to a product ruling made by the Commissioner of Taxation before 11 November 1999.

B32 Prepayment rule for eligible business taxpayers and non-business expenditure by individuals

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Accelerated write-off			<i>2020 code:</i>		B32
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		2+
<i>Commencement date:</i>		25 May 1988			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 82KZM of the <i>Income Tax Assessment Act 1936</i>					

Under the benchmark, payments for business expenditure that relates to multiple income years (prepayments) are not wholly deductible in the income year in which the payment is made. The deduction for prepaid expenditure is spread over time and deductible over the shorter of 10 years, or the period to which the expenditure relates (the service period).

However, prepayments by eligible businesses and non-business prepayments by individual taxpayers that have service periods ending in the next income year but not exceeding 12 months may be immediately deductible in the year in which the payment is made. From 1 July 2020, the aggregated annual turnover threshold for eligible businesses to access this concession increased from \$10 million to \$50 million.

B33 The 10-year rule for prepayments

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Accelerated write-off			<i>2020 code:</i>		B33
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		1+
<i>Commencement date:</i>		1988			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subsection 82KZL(1) of the <i>Income Tax Assessment Act 1936</i>					

The benchmark treatment of prepayments is that they are deductible over the period of the expenditure. A prepayment for services to be provided over a period of 10 years or more (for example, life membership) is evenly deducted over the first 10 years of that period. The tax benchmark variation allows deductions to be spread over a shorter period and consequently it allows greater deductions in the first 10 years than the benchmark treatment.

B34 Accelerated write-off for forestry managed investment schemes

Agriculture, forestry and fishing (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Accelerated write-off			<i>2020 code:</i>		B34
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		1+/-
<i>Commencement date:</i>		1 July 2007			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Division 394 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, expenditure on forestry managed investment schemes is generally deductible over the period where benefits are provided. However, investors in forestry managed investment schemes are able to claim immediate upfront deductions for their expenditure on such schemes, provided that, amongst other requirements, at least 70 per cent of the expenditure is directly related to developing forestry.

B35 Deferral of profit from early sale of double wool clips

Agriculture, forestry and fishing (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Deferral			<i>2020 code:</i>		B35
<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>		Section 385-135 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, income from business activities is generally assessable in the year in which it is derived.

However, as a consequence of drought, fire or flood, primary producers carrying on a sheep grazing business in Australia may conduct shearing in advance. In these circumstances, a woolgrower may elect to have the assessment of the profit from the advanced shearing deferred to the following income year.

B36 Deferral or spreading of profit from the forced disposal or death of livestock

Agriculture, forestry and fishing (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Deferral			<i>2020 code:</i>		B36
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		2+/-
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivision 385-E of the <i>Income Tax Assessment Act 1997</i>					

The benchmark tax treatment of profit from the disposal of stock by a primary producer is that such amounts are assessable income in the year in which they are derived. However, primary producers who make any profit from the forced disposal or death of

Tax Benchmarks and Variations Statement

livestock can elect to defer the recognition of this profit and use it to reduce the cost of replacement livestock within the disposal year and any of:

- the next five income years; or
- the next 10 income years if the forced disposal or death was in relation to bovine tuberculosis.

Alternatively, primary producers can elect to spread such amounts over the disposal year and the next four income years.

B37 Farm Management Deposits scheme

Agriculture, forestry and fishing (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	500	280	215	70	95	*	*	*
<i>Variation type:</i>	Deferral					<i>2020 code:</i>	B37	
<i>Estimate Reliability:</i>	Medium					<i>* Category:</i>	3+	
<i>Commencement date:</i>	1999					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 393 of the <i>Income Tax Assessment Act 1997</i>							

Under the benchmark, income from primary production is generally assessable in the year in which it is derived. However, the Farm Management Deposits (FMD) scheme allows primary producers (with no more than \$100,000 of non-primary production income) to defer the recognition of assessable income where the income is deposited into an FMD account.

Primary producers are able to claim deductions for deposits made into their FMD account in the income year of deposit, with subsequent withdrawals being assessed in the income year of withdrawal. The FMD scheme has a maximum limit on deposits made prior to 1 July 2016 of \$400,000 and \$800,000 on deposits from 1 July 2016.

B38 Income tax averaging for primary producers

Agriculture, forestry and fishing (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	175	160	135	*	*	*	*	*
<i>Variation type:</i>	Concessional rate					<i>2020 code:</i>	B38	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	3+	
<i>Commencement date:</i>	Introduced before 1985					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 392 of the <i>Income Tax Assessment Act 1997</i>							

The benchmark tax treatment is that income tax is calculated on the taxable income of a taxpayer for an income year at their applicable rate of tax. However, primary producers, unless they have opted out, calculate their tax at a tax rate based on their average income earned over the previous five income years to smooth their income tax liability. Primary producers that choose to opt out of income tax averaging are able to re-enter the system after 10 income years.

B39 Spreading of insurance income for loss of timber or livestock

Agriculture, forestry and fishing (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Deferral			<i>2020 code:</i>		B39
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		2+
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 385-130 of the <i>Income Tax Assessment Act 1997</i>					

The benchmark tax treatment is that insurance proceeds are consideration for the item that was lost or destroyed and may be assessable to the taxpayer. However, primary producers who receive insurance payouts in respect of trees lost because of fire, or livestock lost due to natural disasters, can elect to spread the income equally over five income years, resulting in a deferral of income tax.

B40 Sustainable Rural Water Use and Infrastructure Program

Agriculture, forestry and fishing (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
10	-10	-20	-10
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		B40
<i>Estimate Reliability:</i>		Medium – Low			<i>Expiry date:</i>		
<i>Commencement date:</i>		1 April 2010			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 59-65 to 59-80 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark treatment, payments under the Sustainable Rural Water Use and Infrastructure Program would be assessable income, and the associated expenditure deductible or, in cases of capital expenditure, included in the cost base for calculating a capital gain. Taxpayers can instead choose to make payments received under eligible Sustainable Rural Water Use and Infrastructure Program agreements free of income tax (including capital gains tax), with expenditures funded by such payments not being deductible.

B41 Valuation of livestock from natural increase

Agriculture, forestry and fishing (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Discounted valuation			<i>2020 code:</i>		B41
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		2+
<i>Commencement date:</i>		1 July 1997			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 70-55 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, trading stock would be allocated a closing stock value of either cost, market value or replacement value.

However, the cost of livestock acquired by natural increase may be calculated using the actual cost of the animal or the cost prescribed by regulations for a particular type of animal. The use of the prescribed rate may produce a value different to the benchmark.

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B42 Denial of depreciation deduction for car value above the car limit

Transport and communication (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-170	-180	-180	-180	-190	-190	-200	-200
<i>Variation type:</i>		Denial of deduction			<i>2020 code:</i>		B42
<i>Estimate Reliability:</i>		Low					
<i>Commencement date:</i>		1 July 2001			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 40-230 of the <i>Income Tax Assessment Act 1997</i>					

The benchmark treatment is that the full value of a car used for income-producing purposes should be depreciated. However, if the value of a car used for income-producing purposes exceeds a certain amount ('car limit'), the amount of depreciation deductions that can be claimed is capped at the 'car limit'.

B43 Shipping – investment incentives

Transport and communication (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption, Accelerated write-off, Deferral			<i>2020 code:</i>		B43
<i>Estimate Reliability:</i>		Not Applicable					
<i>Commencement date:</i>		1 July 2012			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 51-100 of the <i>Income Tax Assessment Act 1997</i> Subsection 128B(3) of the <i>Income Tax Assessment Act 1936</i> Item 10 of the table to subsection 40-102(4) of the <i>Income Tax Assessment Act 1997</i> Section 40-362 of the <i>Income Tax Assessment Act 1997</i> Subsection 40-285(5) of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, vessels are depreciated over their effective lives, shipping income and gains on the sale of vessels are generally assessable, and royalty withholding tax is applicable on payments made for the lease of vessels.

Tax incentives are provided to encourage investment in the Australian shipping industry and to facilitate Australian competition on international routes. The investment incentives that may be available and which cause a tax benchmark variation to arise include accelerated depreciation of eligible vessels via a cap of 10 years on the effective life of those vessels, an income tax exemption for ship operators on qualifying shipping income, the deferral of taxation on balancing adjustment amounts on disposal of eligible vessels, roll-over relief from income tax on the sale of an eligible vessel, and an exemption from royalty withholding tax for payments made for the lease of eligible vessels.

B44 Shipping – refundable tax offset for employers of qualifying Australian seafarers

Transport and communication (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
3	3	3	3	3	3	3	3
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		B44
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1 July 2012			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivision 61-N of the <i>Income Tax Assessment Act 1997</i>					

A refundable tax offset is available to qualifying companies that employ qualifying Australian seafarers.

Under the benchmark, government payments to taxpayers are generally treated as assessable income and subject to tax. A tax benchmark variation arises when payments made under a refundable tax offset are exempt from tax.

B45 Deductions for boat expenditure

Other economic affairs – Tourism and area promotion (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Deduction			<i>2020 code:</i>		B45
<i>Estimate Reliability:</i>		Not Applicable					
<i>Commencement date:</i>		2007			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 26-47 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, expenses connected to income earning activity, or a business are generally deductible. However, a tax benchmark variation arises as taxpayers who cannot demonstrate they are carrying on a business using a boat may only claim deductions for expenses incurred in boating activities up to the level of income generated in that year from their boating activity. These taxpayers can also carry forward any excess deductions from their boating activity and apply them against income from that boating activity in future income years.

B46 Digital Games Tax Offset

Recreation and culture (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-	-	-	-	-	-	3	6
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		New
<i>Estimate Reliability:</i>		Medium – Low					
<i>Commencement date:</i>		1 July 2022			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Legislation is yet to be passed					

Eligible companies incurring expenditure in relation to the development of digital games in Australia may be eligible for a refundable tax offset calculated at 30 per cent of qualifying expenditure, capped at \$20 million per year. Qualifying expenditure must be incurred on or after 1 July 2022.

Tax Benchmarks and Variations Statement

Under the benchmark, government payments to taxpayers are generally treated as assessable income and subject to tax. A tax benchmark variation arises when payments made under a refundable tax offset are exempt from tax.

B47 Capital gains tax concession for carried interests paid to venture capital partners

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deferral					<i>2020 code:</i>	B46	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	2+	
<i>Commencement date:</i>	2002					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 104-255 and 118-21 of the <i>Income Tax Assessment Act 1997</i> <i>Venture Capital Act 2002</i>							

Venture capital fund managers may be paid a performance-based share of partnership profits by investors. Such performance payments are 'carried interests'. Under the benchmark, these entitlements are generally taxable income of the partner as they accrue. However, a tax benchmark variation arises as an entitlement to receive a carried interest is a capital gains tax event in the hands of venture capital fund partners and is not treated as income. Consequently, taxation of carried interests is deferred until a capital gain is realised. Individual partners may also be eligible for the 50 per cent discount on their carried interest.

B48 Clarification of the debt or equity treatment of perpetual subordinated debt

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deduction					<i>2020 code:</i>	B47	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	2+	
<i>Commencement date:</i>	1 July 2001					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 974 of the <i>Income Tax Assessment Act 1997</i> Division 974 of the <i>Income Tax Assessment Regulations 1997</i>							

Issuers can defer payments on Upper Tier 2 perpetual cumulative subordinated notes because of clauses on 'profitability, insolvency or negative earnings conditions'. In these circumstances, these notes can be classified as debt interests for tax purposes. As such, distributions on the notes may be tax deductible. Under the benchmark debt-equity rules, the notes would be equity interests and distributions will not be tax deductible.

B49 Deduction for borrowing expenses

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deduction				<i>2020 code:</i>	B48	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	2+	
<i>Commencement date:</i>	1 July 1997				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 25-25 of the <i>Income Tax Assessment Act 1997</i>						

Under the benchmark treatment up front borrowing expenses (such as fees) incurred when borrowing to buy an asset used to produce assessable income would be capital in nature and included in the cost base of the asset. However, a taxpayer is able to claim a deduction (spread over the shorter of the term of the loan or five years) for these expenses.

B50 Deduction for certain co-operatives repaying government loans

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deduction				<i>2020 code:</i>	B49	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	2+	
<i>Commencement date:</i>	Introduced before 1985				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 117 and 120 of the <i>Income Tax Assessment Act 1936</i>						

Under the benchmark, a repayment of the principal on a loan is generally not deductible. However, co-operative companies whose primary object is the acquisition from their shareholders of commodities or animals for disposal or distribution can claim a deduction for repayments of certain Australian and state government loans.

The deduction is allowed only if 90 per cent or more of the value of the company is held by shareholders who supply the company with the commodities or animals.

B51 Denial of deductibility for non-compliant payments

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-	-	-	*	*	*	*	*
<i>Variation type:</i>	Denial of deduction				<i>2020 code:</i>	B50	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	1-	
<i>Commencement date:</i>	2019				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 26-105 of the <i>Income Tax Assessment Act 1997</i>						

Under the benchmark, a deduction is generally allowed to entities such as businesses for the payment of salary and wages, or payment for services made to another entity such as a contractor.

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From 1 July 2019, a deduction will be denied for these payments where an entity fully fails to comply with their withholding and reporting obligations, unless certain exemptions apply.

B52 Family trust loss rules

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deduction					<i>2020 code:</i>	B51	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	3+	
<i>Commencement date:</i>	9 May 1995					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Divisions 267 and 270 and subdivisions 272-D and 272-E of Schedule 2F to the <i>Income Tax Assessment Act 1936</i>							

The benchmark treatment is that trust losses and debt deductions are quarantined in the trust.

However, the family trust rules provide a concession to the individual specified in a family trust election (the test individual) of a family trust, and their family group, by allowing the transfer of the tax benefit of tax losses and certain debt deductions to members of the family trust.

B53 Immediate deduction for professional expenses

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	7	5	2	15	12	9	6	3
<i>Variation type:</i>	Accelerated write-off					<i>2020 code:</i>	B52	
<i>Estimate Reliability:</i>	Low							
<i>Commencement date:</i>	1 July 2015					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 40-880 of the <i>Income Tax Assessment Act 1997</i>							

Under the benchmark, professional expenses associated with starting a new business, such as professional, legal and accounting advice are deductible over a 5-year period.

However, eligible businesses can immediately deduct these professional expenses in the year in which the expenditure is made. From 1 July 2020, the aggregated annual turnover threshold for eligible businesses to access this concession increased from \$10 million to \$50 million.

B54 Income tax exemption for prescribed entities

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		B53
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		4+
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Division 50 of the <i>Income Tax Assessment Act 1997</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of an entity for an income year at its applicable rate of tax. However, the income of various prescribed entities is exempt from income tax. Prescribed entities include, amongst other things:

- Commonwealth, state and territory public authorities;
- public and not-for-profit hospitals;
- trade unions and employer associations;
- industry-specific not-for-profit associations predominantly devoted to promoting the development of aviation, tourism, agriculture, manufacturing or industry;
- registered charities, public educational institutions, scientific research funds, and community service entities;
- associations and clubs established for the encouragement of sports, music, art or literature; and
- international sporting organisations that are classified as a not-for-profit entity and receive Australian-sourced income that relates to a global sporting event held in Australia for a time-limited period before and after that event.

B55 Income tax exemptions for foreign government entities

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-	-	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		B54
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		3+
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Division 880 of the <i>Income Tax Assessment Act 1997</i>					

Where the income of an eligible foreign government entity is a return on a portfolio-like membership interest, debt interest or non-share equity interest in an Australian company or managed investment trust, this income is non-assessable non-exempt income that is also exempt from withholding tax.

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The benchmark tax treatment is the default withholding rate for dividends (30 per cent), interest (10 per cent), royalties (30 per cent), and managed investment trust payments (30 per cent). Where a tax treaty or exchange of information agreement has the effect of reducing the relevant default withholding rate, the benchmark rate is the rate specified in the applicable treaty or agreement (refer to B6).

B56 Income tax exemptions for foreign superannuation funds

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	B55	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	2+	
<i>Commencement date:</i>	1981					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 128B(3)(jb) of the <i>Income Tax Assessment Act 1936</i>							

Interest income and dividends received by foreign superannuation funds are exempt from interest and dividend withholding taxes if this income is exempt from income tax in the country in which the foreign superannuation fund resides and if the superannuation fund has a portfolio-like interest in the entity that pays the interest or dividends to it.

The benchmark tax treatment is the default withholding rate for interest (10 per cent) and dividends (30 per cent), or where a tax treaty reduces the relevant default withholding rate, the rate specified in the applicable treaty (refer to B6).

B57 Lower company tax rate

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	1,000	1,000	1,200	2,400	2,900	2,000	2,500	3,200
<i>Variation type:</i>	Concessional rate					<i>2020 code:</i>	B56	
<i>Estimate Reliability:</i>	Medium							
<i>Commencement date:</i>	1 July 2015					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subsection 23(2) of the <i>Income Tax Rates Act 1986</i>							

Under the benchmark treatment company income tax is paid at the headline corporate tax rate of 30 per cent. However, companies with aggregated annual turnover below \$50 million and with 80 per cent or less of assessable income that is passive in nature face a company tax rate of 26 per cent in the 2020-21 income year. These companies will face a tax rate of 25 per cent in 2021-22 and subsequent income years.

B58 Managed investment trusts – election to allow capital gains tax to be the primary code for disposals of certain assets

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Concessional rate			<i>2020 code:</i>		B57
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		3+
<i>Commencement date:</i>		1 July 2008			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Division 275 of the <i>Income Tax Assessment Act 1997</i>					

Gains and losses on disposals of assets by managed investment trusts (MITs) may be on revenue or capital account. Gains and losses that are treated on capital account are taxed under the CGT regime. Beneficiaries who are individuals or superannuation funds are entitled to the CGT tax concessions on distributions of capital gains. Foreign resident beneficiaries of a MIT are generally not subject to tax on a MIT distribution attributable to a CGT gain unless the gain relates to taxable Australian property.

However, from the 2008-09 income year, eligible MITs can make an irrevocable election to treat gains and losses on disposals of certain assets (primarily shares, units and real property) on capital account, and subject to the capital gains tax regime. If an eligible MIT does not make an irrevocable election to have capital account treatment, then gains and losses on disposals of shares and units may be treated as ordinary income.

B59 Philanthropy – income tax exemption for not-for-profit companies

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
..
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		B58
<i>Estimate Reliability:</i>		Medium			<i>Expiry date:</i>		
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subsection 23(6) of the <i>Income Tax Rates Act 1986</i>					

The benchmark tax treatment is that income tax is paid on the taxable income of a company for an income year at the applicable company tax rate. However, the rate of income tax payable by a not-for-profit company that has a taxable income not exceeding \$416 in a given income year is nil. Income tax is payable at a rate of 55 per cent on taxable income greater than \$416 until the not-for-profit company's effective company tax rate reaches its applicable company tax rate. When its taxable income has exceeded that level (for example, in 2020-21 this would be above \$788 for base rate entities or \$915 for other companies), the applicable company tax rate is applied on the not-for-profit company's entire taxable income.

B60 Philanthropy – refund of franking credits for certain income tax exempt philanthropic entities

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1,575	1,490	2,095	*	*	*	*	*
<i>Variation type:</i>		Rebate			<i>2020 code:</i>		B59
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		4+
<i>Commencement date:</i>		1 July 2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivision 207-E of the <i>Income Tax Assessment Act 1997</i>					

Entities that are not subject to Australian tax generally cannot benefit from franking credits on distributions from Australian companies. However, entities that are endorsed as income tax exempt charities or income tax exempt deductible gift recipients are able to claim a refund of franking credits on distributions from Australian companies.

B61 Tax exemption for small and medium credit unions

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
..
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		B60
<i>Estimate Reliability:</i>		Medium			<i>Expiry date:</i>		
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 6H and 23G of the <i>Income Tax Assessment Act 1936</i> Subsection 23(7) of the <i>Income Tax Rates Act 1986</i>					

The benchmark tax treatment is that interest derived from loans is assessable and taxed at the applicable tax rate for the entity. However, recognised small credit unions are exempt from tax on interest derived from loans to members.

Recognised medium credit unions are subject to an effective tax rate based on a sliding scale according to their level of taxable income.

B62 Tax incentives for early stage investors

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
25	30	30	25	25	25	25	25
<i>Variation type:</i>		Exemption, Offset			<i>2020 code:</i>		B61
<i>Estimate Reliability:</i>		Low			<i>Expiry date:</i>		
<i>Commencement date:</i>		2016			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Division 360 of the <i>Income Tax Assessment Act 1997</i>					

The benchmark tax treatment is that gains and income from investments are generally assessable.

A tax benchmark variation arises because eligible investors in qualifying early stage innovation companies receive a 20 per cent non-refundable carry forward tax offset based on their investment, which reduces the amount of tax that would otherwise be

payable, capped at a total offset amount of \$200,000 per investor in each income year. Non-sophisticated investors are also subject to an annual \$50,000 investment cap. Eligible investors also receive a ten year exemption from capital gains tax on their investment provided a minimum 12 month holding period has been met.

B63 Tax incentives for Venture Capital Limited Partnerships and Early Stage Venture Capital Limited Partnerships

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption, Offset					<i>2020 code:</i>	B62	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	NA	
<i>Commencement date:</i>	2002 and 2006					<i>Expiry date:</i>		
<i>Legislative reference:</i>	<i>Venture Capital Act 2002</i> Sections 26-68, 51-52 and 51-54 and Subdivisions 118-F and 118-G (ESVCLPs and VCLPs) of the <i>Income Tax Assessment Act 1997</i>							

The benchmark tax treatment is that gains and income from investments are generally assessable.

A tax benchmark variation arises because foreign investors are generally exempt from tax on capital gains derived in respect of their investments in Venture Capital Limited Partnerships. Similarly, eligible Australian and foreign investors in Early Stage Venture Capital Limited Partnerships (ESVCLPs) are generally exempt from tax on income, revenue and capital gains derived by the ESVCLP.

Since 1 July 2016, additional tax incentives have been available to ESVCLPs and their investors including a non-refundable carry-forward tax offset of up to 10 per cent for capital invested in new ESVCLPs, which reduces the amount of tax that would otherwise be payable.

B64 Treatment of distributions on certain term subordinated notes

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deduction					<i>2020 code:</i>	B63	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	1+	
<i>Commencement date:</i>	1 July 2001					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 974 of the <i>Income Tax Assessment Act 1997</i> Division 974 of the <i>Income Tax Assessment Regulations 1997</i>							

Issuers can defer payment on certain Tier 2 regulatory capital (subordinated notes) because of 'insolvency or capital adequacy conditions'. In these circumstances, the notes can be classified as debt interests for tax purposes. As such, distributions on the notes may be tax deductible. Under the benchmark debt-equity rules, the notes would be equity interests and distributions will not be tax deductible.

Tax Benchmarks and Variations Statement

B65 Treatment of finance leases

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deduction					<i>2020 code:</i>	B64	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	NA	
<i>Commencement date:</i>	1936					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Divisions 240, 242 and 250 of the <i>Income Tax Assessment Act 1997</i>							

Under the tax benchmark, finance leases are taxed as a loan from the lessor to the lessee to acquire the leased asset. That is, the related interest payments would be deductible to the lessee and assessable to the lessor, and the lessee would be able to claim depreciation deductions for the user cost of the leased asset. This is because a finance lease is, in substance, equivalent to a loan from the lessor to the lessee to finance the purchase of the leased asset. The lessor (financier) acquires the leased asset at the request of the lessee (borrower) and leases the asset to the lessee. On expiry of the lease, legal ownership of the asset is transferred to the lessee at minimal or no cost. During the term of the lease, while the lessor is the legal owner of the leased asset, the lessee has effective economic ownership through having control, use and enjoyment of the asset.

A tax variation arises because except where specific provisions apply, for example, Divisions 240 and 250 of the *Income Tax Assessment Act 1997*, finance leases are taxed as leases rather than as loans.

B66 Unincorporated small business tax discount

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	410	440	440	430	590	630	620	640
<i>Variation type:</i>	Offset					<i>2020 code:</i>	B65	
<i>Estimate Reliability:</i>	Medium – Low							
<i>Commencement date:</i>	1 July 2015					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 328-F of the <i>Income Tax Assessment Act 1997</i>							

Under the benchmark, business income is generally fully assessable to the taxpayer. However, individual taxpayers with business income from an unincorporated small business that had aggregated annual turnover of less than \$5 million were eligible for an 8 per cent tax discount on the income tax payable on that business income from 1 July 2016. This discount rate increased to 13 per cent in 2020-21 and increased to 16 per cent in 2021-22 and later income years. The discount is capped at \$1,000 per individual for each income year and is delivered as a non-refundable tax offset.

B67 Accelerated depreciation for business entities

General public services – Financial and fiscal affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-	-	..	2,900	9,300	11,000	5,200	-7,400
<i>Variation type:</i>		Accelerated write-off			<i>2020 code:</i>		B66
<i>Estimate Reliability:</i>		Medium – Low					
<i>Commencement date:</i>		2019			<i>Expiry date:</i>		30 June 2022
<i>Legislative reference:</i>		Section 40-82 of the <i>Income Tax Assessment Act 1997</i> Subdivision 40-BA of the <i>Income Tax (Transitional Provisions) Act 1997</i> Subdivision 40-BB of the <i>Income Tax (Transitional Provisions) Act 1997</i>					

Under the benchmark, depreciating assets are generally written off over their effective lives.

A tax benchmark variation arises because business entities with an aggregated annual turnover below a threshold can access accelerated depreciation arrangements for eligible assets. Where a business entity is eligible for multiple concessions for a particular asset, only one can apply.

For assets purchased from 7:30pm (AEDT) on 2 April 2019 and first used and installed by 11 March 2020, medium-sized businesses with an aggregated annual turnover between \$10 million and \$50 million could fully deduct eligible new and second-hand assets costing less than \$30,000.

From 12 March 2020 to 31 December 2020, businesses with an aggregated annual turnover between \$10 million and \$500 million could fully deduct eligible new and second-hand assets costing less than \$150,000. Eligible assets had to be purchased by 31 December 2020 and then first used or installed by 30 June 2021.

For assets purchased from 12 March 2020 and first used or installed by 30 June 2021, businesses with an aggregated annual turnover of less than \$500 million could deduct 50 per cent of the cost of new eligible assets, of any value, in the year of first use or installation, with ordinary depreciation rules applying to the balance of an asset's cost. This initiative is known as the Backing Business Investment incentive.

Eligible businesses, including those with an aggregated annual turnover of less than \$5 billion can fully deduct the cost of eligible assets acquired from 7:30pm (AEDT) on 6 October 2020 and first used or installed by 30 June 2022. This period will be extended until 30 June 2023, subject to the passage of legislation. This initiative is known as temporary full expensing. Eligible assets include new depreciating assets and the cost of improvements to existing eligible assets. Small and medium-sized businesses with an aggregated annual turnover of less than \$50 million can also fully deduct the cost of second-hand assets.

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B68 Accelerated depreciation of fencing and fodder storage assets for primary producers

Agriculture, forestry and fishing (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
50	65	125	130	100	120	120	125
<i>Variation type:</i>		Accelerated write-off			<i>2020 code:</i>		B67
<i>Estimate Reliability:</i>		Low					
<i>Commencement date:</i>		12 May 2015			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 40-10 and Subdivision 40-F of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, fences and fodder storage assets are depreciated over their effective lives. However, primary producers can immediately deduct capital expenditure on fencing assets, and from 19 August 2018, they can immediately deduct capital expenditure on fodder storage assets such as silos and hay sheds, used to store grain and other animal feed.

Prior to 19 August 2018, primary producers could depreciate the cost of fodder storage assets over three years.

B69 Accelerated write-off for expenditure on water facilities for primary producers

Agriculture, forestry and fishing (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
50	45	40	40	35	35	30	30
<i>Variation type:</i>		Accelerated write-off			<i>2020 code:</i>		B68
<i>Estimate Reliability:</i>		Medium – Low					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivision 40-F of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, expenditure on water facilities is generally deductible over the effective life of the asset. However, primary producers can immediately deduct capital expenditure on water facilities, such as dams, tanks and pumps, from 12 May 2015. Previously this expenditure was deductible over three years. The expenditure must be incurred primarily for conserving or conveying water for use in primary production.

B70 Accelerated write-off for horticultural plants

Agriculture, forestry and fishing (\$m)								
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
*	*	*	*	*	*	*	*	
<i>Variation type:</i>		Accelerated write-off			<i>2020 code:</i>		B69	
<i>Estimate Reliability:</i>		Not Applicable						
<i>Commencement date:</i>		1995			<i>* Category:</i>			1+
<i>Legislative reference:</i>		Subdivision 40-F of the <i>Income Tax Assessment Act 1997</i>						

Under the benchmark, capital expenditure on assets generally forms part of the cost of the asset or is deductible over the effective life of the asset. However, capital expenditure incurred in establishing horticultural plants can be written off using an accelerated

depreciation regime, with deductions available from the first commercial season. The cost of establishing plants with an effective life of less than three years can be written off in the first commercial year. Plants with an effective life of three or more years can be depreciated over a shorter period than their effective life using the maximum write-off periods set out in the legislation.

B71 Accelerated write-off for irrigation water providers

Agriculture, forestry and fishing (\$m)

2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Included in B69							
<i>Variation type:</i>		Accelerated write-off			<i>2020 code:</i>		B70
<i>Estimate Reliability:</i>		Not Applicable					
<i>Commencement date:</i>		1 July 2004			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivision 40-F of the <i>Income Tax Assessment Act 1997</i> Subdivision 40-G of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, expenditure on landcare and water facilities is generally deductible over the effective life of the asset. However, certain irrigation water providers can claim an immediate deduction for capital expenditure on landcare activities and water facilities.

B72 Accelerated write-off for landcare operations

Agriculture, forestry and fishing (\$m)

2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Included in B69							
<i>Variation type:</i>		Accelerated write-off			<i>2020 code:</i>		B71
<i>Estimate Reliability:</i>		Not Applicable					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivision 40-G of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, capital expenditure on landcare operations is generally deductible over the effective life of the asset. However, primary producers and business users of rural land can claim an immediate deduction for capital expenditure on landcare operations, such as constructing a levee or prevention of land degradation.

B73 Accelerated write-off for telephone lines and electricity connections

Agriculture, forestry and fishing (\$m)

2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Accelerated write-off			<i>2020 code:</i>		B72
<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>		Subdivision 40-G of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, assets are generally depreciated over their effective lives. A tax benchmark variation arises because capital expenditure incurred in connecting a telephone line to a primary production property and capital expenditure incurred in

Tax Benchmarks and Variations Statement

connecting or upgrading mains electricity to a property on which a business is conducted can be deducted in equal instalments over 10 years.

B74 Closing stock valuation options for horse breeding stock

Agriculture, forestry and fishing (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deduction, Discounted valuation					<i>2020 code:</i>	B73	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	2+	
<i>Commencement date:</i>	1992					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 70-60 and 70-65 of the <i>Income Tax Assessment Act 1997</i>							

Under the benchmark, horse breeding trading stock would be allocated a closing stock value of either cost, market value or replacement value. However, taxpayers can elect to write down the closing value of horse breeding stock that is at least 3 years old, at up to 25 per cent of the cost of sires per annum and up to 33½ per cent of the cost of mares (under 12 years old) per annum, on a prime cost basis. Mares that are 12 years old or older can be valued at \$1.

B75 Exploration and prospecting deduction

Mining, manufacturing and construction (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	-350	-320	-310	-210	-210	-150	-70	-50
<i>Variation type:</i>	Deduction					<i>2020 code:</i>	B74	
<i>Estimate Reliability:</i>	Medium							
<i>Commencement date:</i>	1968					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 40-25 and 40-730, and Subsections 40-80(1) and 40-95(12) of the <i>Income Tax Assessment Act 1997</i>							

Under the benchmark, business capital expenditures not elsewhere recognised within the taxation laws are deductible over five years. However, expenditure on exploration or prospecting for the purpose of mining (including for petroleum) and quarrying is immediately deductible.

Under the benchmark, expenditure on a depreciating asset is deductible over the effective life of the asset. However, the cost of a depreciating asset is immediately deductible if the taxpayer first uses the asset for exploration or prospecting for minerals (including petroleum) or quarry materials obtainable by mining operations, subject to certain conditions.

From 14 May 2013, the cost of a mining, quarrying or prospecting right or information first used for exploration is generally deductible over its effective life or 15 years, whichever is shorter. However, realignment and farm-in, farm-out arrangements remain immediately deductible.

B76 Statutory effective life caps

Transport and communication (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Accelerated write-off			<i>2020 code:</i>		B75
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		4+
<i>Commencement date:</i>		2002			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 40-102 of the <i>Income Tax Assessment Act 1997</i>					

Under the tax benchmark deductions for depreciation are made over the effective life of an asset. Statutory effective life caps provide a write-off period for some assets, shorter than the effective life determined by the Commissioner of Taxation. Statutory caps exist for assets such as aircraft, trucks, truck trailers, buses, tractors and harvesters.

B77 Absence of depreciation recapture for certain assets

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Deduction			<i>2020 code:</i>		B76
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		2+
<i>Commencement date:</i>		1982			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Division 43 and Section 110-45 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, deductions for expenses related to economic benefits that are spread over time are spread over the period of the benefit. For depreciating assets this outcome is usually ensured through balancing adjustments that modify tax outcomes when assets are sold or disposed. A variation occurs because certain buildings and structures receive deductions that are not recaptured by balancing adjustment on disposal of the asset. This tax benchmark variation is offset by reductions in the capital gains tax cost base of the assets concerned.

B78 Capital works expenditure deduction

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1,170	1,210	1,260	1,260	1,210	1,200	1,210	1,210
<i>Variation type:</i>		Accelerated write-off			<i>2020 code:</i>		B77
<i>Estimate Reliability:</i>		Medium – Low			<i>Expiry date:</i>		
<i>Commencement date:</i>		21 August 1979			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Division 43 of the <i>Income Tax Assessment Act 1997</i>					

Under the tax benchmark assets are depreciated over their effective lives. A taxpayer can claim a deduction for capital works expenditure over a period that is generally shorter than the effective life of the asset. Capital works can be deducted at either 2.5 per cent (over 40 years) or 4 per cent (over 25 years) of the construction expenditure, depending on when construction started and how the capital works are used.

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B79 Depreciation balancing adjustment roll-over relief

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Deferral			<i>2020 code:</i>		B78
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		1+
<i>Commencement date:</i>		1952			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 40-340 of the <i>Income Tax Assessment Act 1997</i>					

‘Balancing adjustments’ arise when the disposal value of a depreciating asset differs from its depreciated value. Under the benchmark, the net balancing adjustment amount is generally included in or deducted from assessable income. However, the tax liability for such balancing adjustments can be deferred where the balancing adjustment arises from certain changes in ownership, such as disposal as a result of a marriage breakdown. The transferee is taken to acquire the asset at the written down value and must depreciate the asset in the same way as the transferor.

B80 Depreciation pooling for low value assets

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Accelerated write-off			<i>2020 code:</i>		B79
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		2+
<i>Commencement date:</i>		2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivision 40-E of the <i>Income Tax Assessment Act 1997</i>					

Under the tax benchmark assets are depreciated over their effective life. Assets costing less than \$1,000 can be written off at the declining balance rate of 37.5 per cent through a low value asset pool. Once a taxpayer elects to create a low value pool, all assets that cost less than \$1,000 are subject to the declining balance rate treatment.

Eligible small businesses can access the Simplified depreciation rules (B83).

B81 Research and development – exemption of refundable tax offset

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-435	-440	-455	-460	-470	-490	-500	-520
<i>Variation type:</i>		Exemption, Denial of deduction			<i>2020 code:</i>		B80
<i>Estimate Reliability:</i>		Medium – Low			<i>Expiry date:</i>		
<i>Commencement date:</i>		1 July 2011			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Division 355 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, government payments to taxpayers are generally treated as assessable income and subject to tax. A tax benchmark variation arises when payments made under a refundable tax offset are exempt from tax. Additionally, companies that claim the research and development (R&D) refundable tax offset are unable to claim tax

deductions for the R&D expenditure. The absence of these deductions constitutes a negative tax benchmark variation.

For income years beginning on or after 1 July 2016 but before 1 July 2021, the R&D refundable tax offset is available to companies with an aggregated annual turnover of less than \$20 million at a rate of 43.5 per cent for the first \$100 million of expenditure on eligible R&D activities.

For income years beginning on or after 1 July 2021, the R&D refundable tax offset is available at a rate of 18.5 percentage points above the claimant's company tax rate for the first \$150 million of expenditure on eligible R&D activities.

A refundable tax offset at the prevailing company tax rate applies to the amount of the expenditure that exceeds the R&D expenditure threshold. If a taxpayer's income tax liability is reduced to zero, any residual unused refundable tax offset amount can be refunded as cash to the company.

B82 Research and development – non-refundable tax offset

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	580	520	390	460	470	580	620	620
<i>Variation type:</i>	Offset					<i>2020 code:</i>	B81	
<i>Estimate Reliability:</i>	Low							
<i>Commencement date:</i>	1 July 2011					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 355 of the <i>Income Tax Assessment Act 1997</i>							

Under the benchmark, companies may be able to claim a tax deduction for expenditure incurred on R&D activities. A tax benchmark variation arises because the R&D non-refundable tax offset reduces the amount of tax payable to a greater extent than a tax deduction.

For income years beginning on or after 1 July 2016 but before 1 July 2021, the R&D non-refundable tax offset is available to companies with an aggregated annual turnover of \$20 million or more at a rate of 38.5 per cent for the first \$100 million of expenditure on eligible R&D activities.

For income years beginning on or after 1 July 2021, the non-refundable R&D tax offset is calculated using a two tiered marginal R&D premium, whereby the level of support increases with the intensity (i.e. R&D expenditure as a proportion of total expenses) of the claimant's incremental R&D expenditure. The R&D premium is the claimant's company tax rate plus:

- 8.5 percentage points for R&D expenditure between 0 per cent and 2 per cent R&D intensity; and
- 16.5 percentage points for R&D expenditure above 2 per cent R&D intensity.

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The R&D expenditure threshold also increased from \$100 million to \$150 million per annum.

A non-refundable tax offset at the prevailing company tax rate applies to the amount of the expenditure that exceeds the R&D expenditure threshold. The non-refundable tax offset can be carried forward to be applied against future income tax liabilities. If a company's income tax liability is zero, unused offset amounts cannot be applied to reduce other tax liabilities.

B83 Simplified depreciation rules

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

2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
700	700	600	3,300	8,200	4,700	1,700	-5,000
<i>Variation type:</i>	Accelerated write-off				<i>2020 code:</i>	B82	
<i>Estimate Reliability:</i>	Medium – Low						
<i>Commencement date:</i>	2001				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 328-D of the <i>Income Tax Assessment Act 1997</i>						

Under the benchmark, depreciating assets are generally written off over their effective lives.

A tax benchmark variation arises because small business entities with an aggregated annual turnover of less than \$10 million can access concessional depreciation arrangements for eligible assets.

Under the concessions, small business entities can deduct the full cost of eligible assets costing less than a threshold amount. From 7.30pm (AEST) on 12 May 2015 to 28 January 2019, the threshold was \$20,000. From 29 January 2019 to before 7.30pm (AEDT) on 2 April 2019, the threshold was \$25,000. From 7.30pm (AEDT) on 2 April 2019 to 11 March 2020, the threshold was \$30,000. From 12 March 2020 to 31 December 2020, the threshold was \$150,000 for eligible assets purchased by 31 December 2020 and first used or installed by 30 June 2021. No threshold applies to eligible assets purchased from 7:30pm (AEDT) on 6 October 2020 until 30 June 2022. This period will be extended until 30 June 2023, subject to the passage of legislation.

Small business entities can depreciate assets above the threshold through simplified pooling arrangements. The general small business pool is fully deducted at the end of the income year if its balance is less than the applicable threshold (before deducting depreciation for the year). For income years ending in the period while no threshold applies, the balance of the pool is deducted regardless of value.

Small business entities can choose not to access the simplified depreciation rules. See related benchmark variation B67 on 'Accelerated depreciation for business entities'.

B84 Simplified trading stock rules

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Deferral			<i>2020 code:</i>		B83
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		1+
<i>Commencement date:</i>		2001			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivision 328-E of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, changes in the value of trading stock are generally accounted for at the end of the income year.

However, eligible entities with aggregated annual turnover of less than \$50 million (\$10 million before 1 July 2021) can choose to use a simplified trading stock regime. Under this regime, in certain circumstances, changes in the value of trading stock do not have to be accounted for and formal stocktaking is not required at the end of the income year.

B85 Timor Sea Maritime Boundaries Treaty

Fuel and energy (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		B84
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		2+
<i>Commencement date:</i>		2019			<i>Expiry date:</i>		
<i>Legislative reference:</i>		<i>Treasury Laws Amendment (Timor Sea Maritime Boundaries Treaty) Act 2019</i>					

Under the benchmark, expenses connected to income earning activity, or a business in another jurisdiction are generally not deductible in Australia and losses may only be offset against income that is taxable in Australia. The tax positions of petroleum projects directly affected by *The Treaty between Australia and the Democratic Republic of Timor-Leste Establishing their Maritime Boundaries in the Timor Sea* (The Treaty) have been preserved in the Australian tax system. This fulfils Australia's obligation under the Treaty to provide 'conditions equivalent' to participants in transitioned petroleum activities affected by the Treaty in respect of their taxation affairs.

Tax Benchmarks and Variations Statement

B86 Patent box concession for Australian medical and biotechnology innovations

General public services – General research (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-	-	-	-	-	-	100	100
<i>Variation type:</i>		Concessional rate			<i>2020 code:</i>		New
<i>Estimate Reliability:</i>		Medium – Low					
<i>Commencement date:</i>		1 July 2022			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Legislation is yet to be passed					

The benchmark corporate tax rate is 30 per cent. Australian resident corporate tax entities or foreign resident corporate tax entities operating in Australia through a permanent establishment that have income derived from eligible patents can elect for that income to be taxed under the patent box. The patent box provides an effective corporate rate of 17 per cent on eligible income. The patent box will apply from income years starting on or after 1 July 2022, subject to the passage of enabling legislation. The regime will apply to income derived from Australian medical and biotechnology patents.

B87 International tax – concessional rate of final withholding tax on certain distributions by Australian managed investment trusts to foreign residents

General public services – General services (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
420	505	565	605	550	550	545	545
<i>Variation type:</i>		Concessional rate			<i>2020 code:</i>		B85
<i>Estimate Reliability:</i>		Medium – Low					
<i>Commencement date:</i>		1 July 2008			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivision 12-H of Schedule 1 to the <i>Taxation Administration Act 1953</i> Regulation 34 of the <i>Taxation Administration Regulations 2017</i>					

Australia's default withholding tax rate for distributions of Australian source net income (other than dividends, interest and royalties) by managed investment trusts (MITs) to foreign residents is 30 per cent. However, since 1 July 2012, a concessional 15 per cent withholding tax rate has applied to MIT fund payments to foreign residents of countries with which Australia has an information exchange arrangement (contained in Regulation 34 of the *Taxation Administration Regulations 2017*). From 1 July 2019, the MIT withholding tax rate was increased to 30 per cent for income classified as non-concessional MIT income. The MIT withholding tax rate is a final withholding tax.

B88 Exception to equity interest test for certain related party at call loans

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deduction					<i>2020 code:</i>	B86	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	2+	
<i>Commencement date:</i>	1 July 2005					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 974 of the <i>Income Tax Assessment Act 1997</i>							

Under the debt/equity rules benchmark, 'at call' loans may be classified as either debt or equity; this classification will have consequences on whether an interest payment made by a company would be deductible or not. However, for companies that have an annual turnover of less than \$20 million, related party at call loans, are taken to be debt interests. Therefore, payments on the loan are deductible debt interest (as compared to non-deductible equity interest under the benchmark).

RETIREMENT SAVINGS

C1 Concessional taxation of capital gains for superannuation funds

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1,650	1,250	1,100	2,800	2,600	1,200	1,150	1,350
<i>Variation type:</i>		Reduction in taxable value			<i>2020 code:</i>		C1
<i>Estimate Reliability:</i>		Low					
<i>Commencement date:</i>		1999			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Paragraph 115-10(b) and subparagraph 115-100(b)(i) of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, the full nominal value of capital gains realised by superannuation funds are included in taxable income. However, two-thirds of any nominal capital gain made from a capital gains tax event occurring on or after 21 September 1999 is included in the assessable income of a fund, provided the fund has held the asset for at least 12 months. This effectively results in capital gains being taxed at a 10 per cent rate, rather than a 15 per cent rate.

See tax benchmark variation C4 for the variation relating to the concessional taxation of superannuation earnings.

C2 Concessional taxation of employer superannuation contributions

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
16,800	17,900	19,350	19,000	20,500	21,800	23,400	21,450
<i>Variation type:</i>		Exemption, Concessional rate			<i>2020 code:</i>		C2
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Divisions 290, 291, 293 and 295 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, contributions made to superannuation are made from after-tax income. However, employer superannuation contributions (up to the concessional contributions caps) are instead included in the assessable income of a superannuation entity and taxed at a concessional rate of 15 per cent. For individuals whose combined income and concessional contributions exceed \$250,000, the effective rate is 30 per cent.

Before 1 July 2017, the effective rate was 30 per cent for individuals whose combined income and concessional contributions exceeded \$300,000.

C3 Concessional taxation of personal superannuation contributions

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1,050	1,050	1,200	1,300	1,400	1,350	1,400	1,500
<i>Variation type:</i>	Exemption, Concessional rate				<i>2020 code:</i>	C3	
<i>Estimate Reliability:</i>	Medium						
<i>Commencement date:</i>	Introduced before 1985				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Divisions 290, 291, 293 and 295 of the <i>Income Tax Assessment Act 1997</i>						

Under the benchmark, contributions made to superannuation are made from after-tax income. However, subject to the concessional contributions caps, deducted personal superannuation contributions to eligible superannuation funds are included in the fund's assessable income and taxed at a concessional rate of 15 per cent. For individuals whose combined income and concessional contributions exceed \$250,000, the effective rate is 30 per cent.

Before 1 July 2017, only individuals earning less than 10 per cent of their income as an employee were able to make deductible personal superannuation contributions up to the concessional cap to eligible superannuation funds. Before 1 July 2017, for individuals whose combined income and concessional contributions exceeded \$300,000 the effective rate was 30 per cent.

C4 Concessional taxation of superannuation entity earnings

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
16,800	19,750	15,200	10,600	22,600	26,350	20,000	19,900
<i>Variation type:</i>	Exemption, Concessional rate				<i>2020 code:</i>	C4	
<i>Estimate Reliability:</i>	Low						
<i>Commencement date:</i>	Introduced before 1985				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Divisions 115, 294 and 295 of the <i>Income Tax Assessment Act 1997</i> Sections 26 and 29 of the <i>Income Tax Rates Act 1986</i>						

Under the benchmark, superannuation earnings are taxed at marginal rates. However, the tax rate on earnings, including capital gains, for complying superannuation entities is generally 15 per cent (accumulation phase) or nil where the earnings are derived from assets which are used to meet current pension liabilities (retirement phase). Complying superannuation entities are entitled to refunds of excess imputation credits attached to dividends payable to them.

A complying superannuation entity is one that has elected to be regulated and has complied with certain prudential requirements in the *Superannuation Industry (Supervision) Act 1993*.

These concessional rates do not apply to the non-arm's length income and no-TFN contributions income components of a complying superannuation entity. These rates are 45 per cent, and an additional 32 per cent, respectively.

Tax Benchmarks and Variations Statement

Since 1 July 2017, the value of assets transferred to the retirement phase has been limited by the general transfer balance cap.

C5 Concessional taxation of unfunded superannuation

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
540	550	580	620	660	720	730	760
<i>Variation type:</i>	Exemption, Offset, Concessional rate				<i>2020 code:</i>	C5	
<i>Estimate Reliability:</i>	Medium						
<i>Commencement date:</i>	Introduced before 1985				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Part 3-30 and subdivision 320-D of the <i>Income Tax Assessment Act 1997</i> Part 3-30 of the <i>Income Tax (Transitional Provisions) Act 1997</i>						

In the case of unfunded superannuation, no employer contributions are made until the benefit is provided on the member's retirement. The benchmark tax treatment of unfunded superannuation benefits is taxation at marginal rates on receipt by the member.

Unfunded superannuation lump sums are subject to the same concessional tax treatment as funded superannuation lump sums from untaxed funds (see C11). Similarly, unfunded superannuation income streams are taxed in the same way as funded superannuation income streams from untaxed funds (see C10).

The tax treatment of a death benefit paid to a dependant as an income stream depends on the age of the fund member and the dependant. If either was aged 60 or over at the time of death, then the taxable component of payments to the dependant will be taxed at marginal rates with a 10 per cent tax offset. If both were under age 60 at the time of death, the taxable component of the pension will be taxed at the dependant's marginal rate and will become eligible for the 10 per cent offset once the dependant reaches age 60.

Where an individual's income stream from an unfunded scheme exceeds the defined benefit income cap (currently \$106,250 per annum), the amount in excess of the threshold does not receive the 10 per cent tax offset.

C6 Deductibility of life and total and permanent disability insurance premiums provided inside of superannuation

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
2,190	2,260	1,840	1,700	1,740	1,850	1,970	1,950
<i>Variation type:</i>		Deduction, Concessional rate			<i>2020 code:</i>		C6
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		15 March 2007			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivision 295-G of the <i>Income Tax Assessment Act 1997</i>					

Life, total and permanent disability (TPD) and income protection insurance policies can be provided inside of superannuation and premiums paid out of members' superannuation balances. These premiums are deductible (either partially or fully) for the fund. Therefore the income used to purchase members' premiums is effectively exempt from tax.

By contrast, life and TPD insurance policies that are purchased by individuals outside of the superannuation system are not tax deductible, and must be purchased with after-tax income.

This item estimates the difference between the effective tax-exempt status of income used to purchase life and TPD insurance in superannuation, and the tax that would be paid on this income by the individual policy holder had it been purchased outside of superannuation.

As income protection policies purchased outside the superannuation system are tax deductible, a tax benchmark variation does not arise when such policies are provided inside superannuation.

The Government's Protecting Your Super Package is expected to reduce the amount of insurance premiums paid within superannuation.

C7 Small business capital gains retirement exemption

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
640	610	520	510	530	540	550	580
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		C7
<i>Estimate Reliability:</i>		Medium – Low					
<i>Commencement date:</i>		1997			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivision 152-D of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, eligible small businesses can exclude gains arising from the sale of active small business assets, where the proceeds of the sale are used for retirement. There is a lifetime limit of \$500,000 in respect of any one individual.

Tax Benchmarks and Variations Statement

C8 Superannuation measures for low-income earners

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
210	210	160	160	160	160	160	170
<i>Variation type:</i>	Exemption, Reduction in taxable value				<i>2020 code:</i>	C8	
<i>Estimate Reliability:</i>	Medium – Low						
<i>Commencement date:</i>	Co-contribution introduced 1 July 2003 Low income superannuation contribution introduced 1 July 2012 Low income superannuation tax offset introduced 1 July 2012				<i>Expiry date:</i>	Low income superannuation contribution ended 30 June 2017 Low income superannuation tax offset is ongoing	
<i>Legislative reference:</i>	Superannuation (Government Co-Contribution for Low Income Earners) Act 2003 Subdivision 290-D of the <i>Income Tax Assessment Act 1997</i>						

Under the benchmark, contributions made to superannuation are made from after-tax income. However, government contributions made under the Superannuation Co-contribution and Low Income Superannuation Tax Offset are tax free. These are government payments designed to increase the retirement savings of eligible low-income taxpayers.

The Low Income Superannuation Tax Offset has been in effect since 1 July 2017; a Low Income Superannuation Contribution applied up to that date. The payments are expense payments and are not included in the Tax Benchmarks and Variations Statement. The amounts indicated represent the impact of these payments not being taxed.

In addition, a tax offset is available for after-tax contributions to the superannuation account of a low-income spouse.

C9 Tax on excess non-concessional superannuation contributions

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-16	-2	-4	-6	*	*	*	*
<i>Variation type:</i>	Exemption, Reduction in taxable value				<i>2020 code:</i>	C9	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	1-	
<i>Commencement date:</i>	2006 Excess contributions made after 1 July 2013 can be withdrawn				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 292 of the <i>Income Tax Assessment Act 1997</i> Division 292 of the <i>Income Tax (Transitional Provisions) Act 1997</i> <i>Superannuation (Excess Non-Concessional Contributions Tax) Act 2007</i>						

Under the benchmark, all superannuation contributions are made from after-tax income, and are therefore not taxed upon transfer into a superannuation fund. However, non-concessional (after-tax) contributions above the non-concessional caps may be subject to the excess contributions tax levied at the top marginal tax rate, including the Medicare levy (and temporary budget repair levy between 1 July 2014 and 30 June 2017).

In addition, between 1 July 2017 and 30 June 2021, non-concessional contributions made by individuals with a total superannuation balance of \$1.6 million or more may be subject to the excess contributions tax. On 1 July 2021, this total superannuation balance limit increased to \$1.7 million under existing indexation arrangements. Non-concessional contributions above the non-concessional cap can be withdrawn, in which case, they are not subject to the excess contributions tax.

On 1 July 2017, the annual non-concessional contributions cap was also lowered from \$180,000 to \$100,000. On 1 July 2021, this cap increased to \$110,000 under existing indexation arrangements. A three-year bring forward of annual non-concessional contributions exists for individuals below age 67 at any time in a financial year since 1 July 2020 (below age 65 between 1 July 2008 and 30 June 2020), but is also modified to accommodate the total superannuation balance test.

C10 Tax on funded superannuation income streams

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-260	-230	-190	-170	-150	-140	-130	-110
<i>Variation type:</i>		Increased rate			<i>2020 code:</i>		C10
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Divisions 301 and 302 and Part 3-30 of the <i>Income Tax Assessment Act 1997</i> Part 3-30 of the <i>Income Tax (Transitional Provisions) Act 1997</i>					

Under the benchmark, superannuation benefits are generally tax free. As such, taxes raised on income stream payments from superannuation result in a negative tax benchmark variation.

Superannuation income stream payments from a taxed source are tax free for persons aged 60 and over. The taxable component of superannuation income stream payments from a taxed source to persons below age 60 is included in assessable income. A death benefit paid from a taxed source as a reversionary pension from a deceased person who was aged under 60 to a dependant beneficiary aged under 60 is taxed (but receives a 15 per cent tax offset), and also creates a negative tax benchmark variation.

Some offsets reduce the amount of tax paid – for instance, a 15 per cent tax offset applies to the taxed element of the taxable component of superannuation income stream benefits paid to persons aged between preservation age and 60, and to disability income stream benefits paid to persons under preservation age.

The taxable component of superannuation income stream payments from an untaxed source is included in the recipient's assessable income, with the tax rate depending on the age of the recipient (see C5).

Where an individual's income stream exceeds \$106,250 per annum (indexed), the amount in excess of the threshold does not receive the 10 per cent tax offset. Where an

Tax Benchmarks and Variations Statement

income stream from a taxed source exceeds \$106,250 per annum, 50 per cent of the amount in excess of the threshold is taxed at the individual's marginal rate.

Proceeds from life insurance claims that are taken as an income stream are taxed as a death benefit. Proceeds from total and permanent disability (TPD) insurance claims that are taken as an income stream are taxed as a disability benefit.

C11 Tax on funded superannuation lump sums

Social security and welfare (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	-500	-540	-590	-520	-520	-560	-600	-620
<i>Variation type:</i>	Increased rate					<i>2020 code:</i>	C11	
<i>Estimate Reliability:</i>	Low							
<i>Commencement date:</i>	Introduced before 1985					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Divisions 301, 302 and 307 and Part 3-30 of the <i>Income Tax Assessment Act 1997</i> Part 3-30 of the <i>Income Tax (Transitional Provisions) Act 1997</i> <i>Superannuation (Departing Australia Superannuation Payments Tax) Act 2007</i>							

Under the benchmark, superannuation benefits are generally tax free. As such, taxes raised on lump sum payments from superannuation result in a negative tax benchmark variation.

The taxable component of lump sums paid from a taxed fund is tax free for a person aged 60 or over. For a person aged between preservation age and 60, it is tax free up to the low rate cap (indexed) and up to 15 per cent thereafter. For a person below preservation age a maximum tax rate of 20 per cent applies.

The taxable component of lump sums paid from untaxed funds to persons aged 60 or over is taxed at a maximum rate of 15 per cent up to the untaxed plan cap (indexed) and at the top marginal rate thereafter. For persons aged between preservation age and 60, the tax rate is a maximum rate of 15 per cent up to the low rate cap, a maximum of 30 per cent above the low rate cap but below the untaxed plan cap and at the top marginal rate thereafter. For persons under preservation age the tax rate is up to 30 per cent up to the untaxed plan cap and at the top marginal rate thereafter.

Special arrangements apply to lump sums paid to certain temporary residents who have departed Australia, with a higher tax rate applying to temporary residents who held working holidaymaker visas.

While lump sum death benefits paid to dependents are tax free, death benefit payments to non-dependants are taxed at a maximum rate of 15 per cent where paid from a taxed source and a maximum rate of 30 per cent where paid from an untaxed source.

Lump sums paid from life insurance proceeds are taxed as a death benefit. Lump sums paid from total and permanent disability (TPD) insurance proceeds are taxed as

standard lump sums above, with the rate depending on the component, the age of the individual and the amount.

Lump sums released under the First Home Super Saver Scheme are generally taxed at the individual's marginal tax rate less a 30 per cent offset.

Lump sums paid under the temporary coronavirus compassionate ground of early release were tax free.

The 2021-22 Budget measure 'Self-managed Superannuation Funds – legacy retirement product conversions' will allow individuals to exit a specified range of legacy retirement products, together with any associated reserves, for a two year period. Lump sums commuted from the associated reserves of these products will be taxed as assessable contributions.

C12 Exemption for small business assets held for more than 15 years

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
480	510	450	520	490	490	490	490
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		C12
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1999			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivision 152-B of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, gains arising from the disposal of active small business assets that have been held continuously for 15 years are exempt from capital gains tax where the taxpayer is permanently incapacitated or reaches the age of 55 and retires.

FRINGE BENEFITS TAX

D1 Exemption for compensation-related benefits, occupational health and counselling services and some training courses

Public order and safety (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	D1	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	3+	
<i>Commencement date:</i>	1986				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 58J, 58K and 58M of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, certain benefits in relation to: compensable work-related trauma, medical services, other forms of health care provided in work site first aid posts and medical clinics, work-related medical examinations, work-related medical screening, work related preventative health care, work-related counselling and migrant language training are exempt from fringe benefits tax.

D2 Exemption for safety award benefits

Public order and safety (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	D2	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	1+	
<i>Commencement date:</i>	1987				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58R of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, 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 car expenses incurred for occupational health and counselling services and some training courses

Public order and safety (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Reduction in taxable value				<i>2020 code:</i>	D3	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	1+	
<i>Commencement date:</i>	1987				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 61F of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate.

However, 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 for the car expenses incurred calculated based on the distance travelled by the car.

D4 Exemption for benefits provided by certain international organisations

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	D4	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	1+	
<i>Commencement date:</i>	1986					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 55 and 56 of the <i>Fringe Benefits Tax Assessment Act 1986</i>							

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, 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*, the *Consular Privileges and Immunities Act 1972* or the *Diplomatic Privileges and Immunities Act 1967* and by organisations established under international agreements which oblige Australia to grant the organisation a general tax exemption.

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

Defence (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	100	115	145	155	170	190	190	175
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	D5	
<i>Estimate Reliability:</i>	Medium							
<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>							

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, benefits provided to Australian Government employees in receipt of military compensation payments are exempt from fringe benefits tax.

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D6 Exemption for war service loans

Defence (\$m)		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	
<i>Variation type:</i>	Exemption						<i>2020 code:</i>	D6	
<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>								

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, 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.

D7 Exemption for certain retraining and reskilling benefits

Education (\$m)		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
		-	-	-	1	1	1	1	1
<i>Variation type:</i>	Exemption						<i>2020 code:</i>	D7	
<i>Estimate Reliability:</i>	Low								
<i>Commencement date:</i>	2 October 2020						<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58ZE of the Fringe Benefits Tax Assessment Act 1986								

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, retraining and reskilling benefits provided by employers to redundant, or soon to be redundant employees, where the benefits may not be related to their current employment are exempt from fringe benefits tax. This measure commenced from 2 October 2020.

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

Education (\$m)		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
		*	*	*	*	*	*	*	*
<i>Variation type:</i>	Reduction in taxable value						<i>2020 code:</i>	D8	
<i>Estimate Reliability:</i>	Not Applicable						<i>* Category:</i>	1+	
<i>Commencement date:</i>	1987						<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 65A of the <i>Fringe Benefits Tax Assessment Act 1986</i>								

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, 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 may be reduced. The extent of the reduction relates to the period of the employee's service overseas.

D9 Exemption for health care benefits provided to members of the Defence Force

Defence (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
590	590	520	510	520	540	550	520
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		D9
<i>Estimate Reliability:</i>		Medium					
<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>					

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, 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.

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

Health (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
125	130	135	130	135	145	145	140
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		D10
<i>Estimate Reliability:</i>		Medium – High					
<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>					

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, charities whose principal activity is to promote the prevention or control of diseases in human beings are provided with an exemption from fringe benefits tax for up to \$30,000 of the grossed up taxable value of fringe benefits per employee in each fringe benefits tax year. This exemption threshold changed to \$31,177 per employee for the fringe benefits tax years ending 31 March 2016 and 31 March 2017 only.

D11 Exemption for public and not-for-profit hospitals and public ambulance services

Health (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1,550	1,650	1,600	1,750	1,850	2,000	2,000	1,900
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		D11
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 57A(3) and 57A(4) of the <i>Fringe Benefits Tax Assessment Act 1986</i>					

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate.

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However, public and not-for-profit hospitals and public ambulance services are provided with an exemption from fringe benefits tax for up to \$17,000 of the grossed-up taxable value of fringe benefits per employee in each fringe benefits tax year. This exemption threshold changed to \$17,667 per employee for the fringe benefits tax years ending 31 March 2016 and 31 March 2017 only.

D12 Exemption for travel costs of employees and their families associated with overseas medical treatment

Health (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	D12	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	1+	
<i>Commencement date:</i>	1987				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58L of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, 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.

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

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 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>	Sections 58 and 58U of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, 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 Exemption for emergency assistance

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		D14
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		1+
<i>Commencement date:</i>		1987			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 58N of the <i>Fringe Benefits Tax Assessment Act 1986</i>					

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, certain benefits provided by way of emergency assistance to employees 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.

D15 Exemption for public benevolent institutions (excluding hospitals)

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1,600	1,850	1,950	1,950	2,100	2,300	2,400	2,300
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		D15
<i>Estimate Reliability:</i>		Medium – High			<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>					

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, public benevolent institutions (excluding hospital activities) are provided with an exemption from fringe benefits tax for up to \$31,177 of the grossed-up taxable value of fringe benefits per employee for the fringe benefits tax years ending 31 March 2016 and 31 March 2017. In all other fringe benefits tax years the exemption is up to \$30,000 per employee.

D16 Exemption from the fringe benefit cap for meal entertainment and entertainment facility leasing expenses

Social security and welfare (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
230	260	260	290	310	330	330	310
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		D16
<i>Estimate Reliability:</i>		Medium – High			<i>Expiry date:</i>		
<i>Commencement date:</i>		1 January 2001			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 5B and Subsections 57A(1) and 57A(5) of the <i>Fringe Benefits Tax Assessment Act 1986</i>					

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, charitable institutions whose principal activity is to promote the prevention

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or control of diseases in human beings, public and not-for-profit hospitals, public ambulance services, and public benevolent institutions (excluding hospital activities) are provided with an exemption from fringe benefits tax for meal entertainment and entertainment facility leasing expenses. Since 1 April 2016, the fringe benefits tax exemption on these items is no longer unlimited, with a \$5,000 cap on the grossed-up taxable value of fringe benefits per employee imposed.

D17 Exemption for meals for primary production employees in remote areas

Housing and community amenities (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	D17	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	2+	
<i>Commencement date:</i>	2000				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58ZD of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, certain meals provided on working days to employees of primary producers in remote areas are exempt from fringe benefits tax.

D18 Exemption for remote area housing and reduction in taxable value for housing assistance

Housing and community amenities (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption, Reduction in taxable value				<i>2020 code:</i>	D18	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	3+	
<i>Commencement date:</i>	1986, 1988, 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>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, housing benefits (the right to use accommodation as a usual place of residence) 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 may include housing loans or the reimbursement of rent paid by an employee.

D19 Exemption for certain fringe benefits provided to live-in employees providing domestic services to religious institutions and practitioners

Recreation and culture (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	D19	
<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>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, accommodation, residential 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.

D20 Exemption for fringe benefits provided to certain employees of religious institutions

Recreation and culture (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
85	80	80	75	80	85	90	85
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	D20	
<i>Estimate Reliability:</i>	Low				<i>Expiry date:</i>		
<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>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, 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.

D21 Application of statutory formula to value car benefits

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
930	1,070	1,050	810	800	920	890	770
<i>Variation type:</i>	Discounted valuation				<i>2020 code:</i>	D21	
<i>Estimate Reliability:</i>	Medium – Low				<i>Expiry date:</i>		
<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 income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. A fringe benefit arises where an employee is provided with a car for private use. A car fringe benefit can be valued using the statutory formula method, under which the value

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of a person's car fringe benefit is determined by multiplying the cost of the car by the proportion of days the vehicle is used privately by the statutory rate of 20 per cent for contracts entered into after 7.30pm (AEST) on 10 May 2011. For contracts entered into prior to this, the statutory rates decreased as annual kilometres travelled increased.

D22 Approved worker entitlement fund payment exemption

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
160	160	165	155	160	160	160	145
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		D22
<i>Estimate Reliability:</i>		Low					
<i>Commencement date:</i>		30 June 2003			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 58PA and 58PB of the <i>Fringe Benefits Tax Assessment Act 1986</i>					

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, payments to approved worker entitlement funds providing for entitlements such as redundancy and long service leave of employees are exempt from fringe benefits tax. The funds must be either endorsed by the Commissioner of Taxation or be a long service leave fund established under a Commonwealth, State or Territory law. Legislation currently before the Parliament proposes to change the regulation of worker entitlement funds from the Commissioner of Taxation to the Registered Organisations Commissioner.

D23 Australian Traineeship System – exemptions for certain employees

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		D23
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		1+
<i>Commencement date:</i>		1987			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 58S of the <i>Fringe Benefits Tax Assessment Act 1986</i>					

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, food, drink and accommodation provided to people training under the Australian Traineeship System may be exempt from fringe benefits tax if the benefit is provided in accordance with an award or an industry custom. Benefits relating to food or drink must not be provided at a party, reception or other social function.

D24 Car parking benefits

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Discounted valuation				<i>2020 code:</i>	D24	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	2+	
<i>Commencement date:</i>	1 April 1993				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 10A of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. A car parking fringe benefit arises if a car is parked at premises that are owned or leased by, or otherwise under the control of, the provider, there is a commercial parking station within one kilometre radius of the car parking premises charging an all-day fee greater than \$9.25 (for the year commencing 1 April 2021) and certain other conditions are met. There are five methods for valuing car parking fringe benefits, four of those may result in a non-market valuation.

D25 Certain relocation and recruitment expenses exemption and reduction in taxable value

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption, Reduction in taxable value				<i>2020 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 58A to 58D and 58F of the <i>Fringe Benefits Tax Assessment Act 1986</i> Sections 61B to 61E of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, certain benefits associated with relocation and recruitment expenses, including transport, temporary accommodation, relocation consultants and other benefits, are exempt from fringe benefits tax, while others may be eligible for a reduction in taxable value.

D26 Compassionate travel exemption

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	D26	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	1+	
<i>Commencement date:</i>	1989				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58LA of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate.

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However, certain travel costs provided on compassionate grounds to an employee, or their close relatives, are exempt from fringe benefits tax.

D27 Discounted valuation for board meals

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
4	4	5	4	5	5	5	5
<i>Variation type:</i>		Discounted valuation			<i>2020 code:</i>		D27
<i>Estimate Reliability:</i>		Low			<i>Expiry date:</i>		
<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>					

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee’s marginal income tax rate. However, where an employee is entitled 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 is \$2 per meal per adult, or \$1 per meal per child under the age of 12.

D28 Discounted valuation for holidays for employees and their families when posted overseas

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Discounted valuation			<i>2020 code:</i>		D28
<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>					

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee’s marginal income tax rate. However, the value of an overseas holiday provided as industry custom or under an industrial award to an employee and their family while posted overseas, is reduced by 50 per cent or 50 per cent of a benchmark holiday cost, whichever is lower. Overseas transport, meals and accommodation are included.

D29 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)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Discounted valuation				<i>2020 code:</i>	D29	
<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>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, the taxable value of in-house property and residual fringe benefits (generally, goods or services sold by the employer to the public) is 75 per cent of the lowest retail price charged to the public in the ordinary course of business. This includes airline transport fringe benefits. This treatment is not available for in-house fringe benefits accessed by way of a salary sacrifice arrangement.

D30 Employees of public transport providers – free or discounted travel exemption

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
65	60	50	70	70	75	75	70
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	D30	
<i>Estimate Reliability:</i>	Low				<i>Expiry date:</i>		
<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>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, where an employer operates a business of providing public transport, the provision of free or discounted travel (other than in an aircraft) to employees of that business for travelling to and from work is exempt from fringe benefits tax. Free or discounted travel on a scheduled metropolitan service is also exempt from fringe benefits tax. This exemption excludes benefits provided under a salary sacrifice arrangement.

Tax Benchmarks and Variations Statement

D31 Employer contributions to secure child care places exemption

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	D31	
<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>							

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, payments made by employers to obtain priority of access to approved child care services for children of employees are exempt from fringe benefits tax.

D32 Employer-provided motor vehicle parking exemptions

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	D32	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	2+	
<i>Commencement date:</i>	1987					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58G of the <i>Fringe Benefits Tax Assessment Act 1986</i> Regulations 12 and 14 of the <i>Fringe Benefits Tax Assessment Regulations 2018</i>							

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, parking for disabled employees, and for employees of scientific, religious, charitable or other public educational institutions, is exempt from fringe benefits tax.

D33 Expenses for employees living away from home exemptions

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	50	50	50	40	50	50	50	40
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	D33	
<i>Estimate Reliability:</i>	Very Low							
<i>Commencement date:</i>	1986					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Sections 21, 31, 47(5), 58E, 58D and 63 of the <i>Fringe Benefits Tax Assessment Act 1986</i>							

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, accommodation, food, household goods 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. A range of requirements must be satisfied in order to access this concession.

D34 In-house fringe benefits – reduction in the aggregate taxable value

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Reduction in taxable value				<i>2020 code:</i>	D34	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	3+	
<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>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, the taxable value of in-house fringe benefits (for example, goods sold by the employer to the public) provided to an employee is reduced by \$1,000, or the taxable value of the benefits is reduced to zero if the benefits are less than \$1,000. The reduction in taxable value does not apply where the benefits are provided under a salary sacrifice arrangement.

D35 Loan benefits exemption

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	D35	
<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>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, certain in-house loan benefits, certain loans to employees to meet employment-related expenses and certain loans to employees to pay amounts in respect of accommodation are exempt from fringe benefits tax.

D36 Long service awards exemption

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	D36	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	1+	
<i>Commencement date:</i>	18 December 1987				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58Q of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, long service awards granted in recognition of 15 years or more service, up to a specified maximum amount, are exempt from fringe benefits tax.

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D37 Minor benefits exemption

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		D37
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		2+
<i>Commencement date:</i>		1987			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 58P of the <i>Fringe Benefits Tax Assessment Act 1986</i>					

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, minor benefits, worth less than \$300 and where it is unreasonable to treat them as fringe benefits, are exempt from fringe benefits tax.

D38 Minor private use of company motor vehicle exemption

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		D38
<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(6) of the <i>Fringe Benefits Tax Assessment Act 1986</i>					

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, 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 between home and 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 Philanthropy – exemption for donations to deductible gift recipients

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		D39
<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(2A) of the <i>Fringe Benefits Tax Assessment Act 1986</i>					

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, donations to deductible gift recipients made under salary sacrifice arrangements are exempt from fringe benefits tax.

D40 Police officers – free or discounted travel to and from duty on public transport exemption

Other economic affairs – Total labour and employment affairs (\$m)								
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
*	*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		D40	
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		1+	
<i>Commencement date:</i>		1 April 2000			<i>Expiry date:</i>			
<i>Legislative reference:</i>		Subsection 47(1A) of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, 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.

D41 Private use of business property exemption

Other economic affairs – Total labour and employment affairs (\$m)								
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
*	*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		D41	
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		2+	
<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>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, the personal use of property (other than a motor vehicle) principally used directly in connection with business operations is exempt from fringe benefits tax. The property must be onsite or ordinarily located onsite, and provided to or consumed by an employee on a working day. This exemption excludes meals provided under a salary sacrifice arrangement.

D42 Provision of food and drink in certain circumstances exemption

Other economic affairs – Total labour and employment affairs (\$m)								
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
*	*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		D42	
<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>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, where employees receive meals that are board fringe benefits, any additional food and drink supplied to them in certain circumstances is exempt from fringe benefits tax. Food and drink provided to domestic employees who do not 'live-in' may also be

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exempt if consumed at the place of employment and the employer is a religious institution or individual.

D43 Recreational or child care facilities on an employer's business premises exemption

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 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>	Subsection 47(2) of the <i>Fringe Benefits Tax Assessment Act 1986</i>							

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, recreational facilities or child care are exempt from fringe benefits tax if the facilities are provided on an employer's business premises for the benefit of employees.

D44 Remote area holiday benefits discounted valuation

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Discounted valuation					<i>2020 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>	Sections 60A and 61 of the <i>Fringe Benefits Tax Assessment Act 1986</i>							

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, 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 in some cases family members) are generally reduced by 50 per cent.

D45 Small business employee car parking exemption

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	D45	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	2+	
<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>							

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, car parking benefits provided to employees of small businesses 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 aggregated annual turnover must be less than \$50 million.

D46 Taxi travel to or from place of work exemption

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	D46	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	2+	
<i>Commencement date:</i>	1995				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 58Z of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, any benefit arising from taxi travel in a motor vehicle (other than a limousine) 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 or related to sickness or injury of the employee.

D47 Transport for oil rig and remote area employees exemption

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	D47	
<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(7) of the <i>Fringe Benefits Tax Assessment Act 1986</i>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, transport provided to employees working in remote areas or on oil rigs may be exempt from fringe benefits tax.

D48 Work-related items exemption

Other economic affairs – Total labour and employment affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	D48	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	2+	
<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>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee's marginal income tax rate. However, eligible work-related items (such as mobile phones, laptop computers, protective clothing and tools of trade) provided by an employer to an employee primarily for use in the employee's employment are exempt from fringe benefits tax.

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D49 Fringe benefits tax record keeping exemption

Other economic affairs – Other economic affairs, nec (\$m)								
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
..	
<i>Variation type:</i>		Record keeping exemption			<i>2020 code:</i>		D49	
<i>Estimate Reliability:</i>		High						
<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>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee’s marginal income tax rate. However, certain employers are eligible to use record keeping exemption arrangements when calculating their fringe benefits tax liability. The employer’s liability is based on their aggregate fringe benefits amount in the most recent base year (a year beginning on or after 1 April 1996) in which they qualified to use the exemption arrangements. This may result in concessional tax treatment compared to being required to keep full fringe benefits tax records.

D50 Meal entertainment fringe benefits – 50/50 valuation method

Other economic affairs – Other economic affairs, nec (\$m)								
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
*	*	*	*	*	*	*	*	
<i>Variation type:</i>		Record keeping exemption			<i>2020 code:</i>		D50	
<i>Estimate Reliability:</i>		Not Applicable			<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>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee’s marginal income tax rate. However, an employer may elect to value meal entertainment fringe benefits using the 50/50 method, under which the taxable value is equal to 50 per cent of total food and drink entertainment expenditure incurred in an FBT year relating to employees and their associates as well as third parties.

D51 Philanthropy – rebate for certain not-for-profit, non-government bodies

Other economic affairs – Other economic affairs, nec (\$m)								
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
55	60	60	50	45	55	55	35	
<i>Variation type:</i>		Rebate			<i>2020 code:</i>		D51	
<i>Estimate Reliability:</i>		Medium						
<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>						

Under the income tax benchmark, fringe benefits are classified as individual employee income, with the grossed up value taxed at the employee’s marginal income tax rate. However, certain not-for-profit, non-government bodies (including, in general, charitable institutions, schools, and trade unions) are eligible for a partial 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. This threshold changed to \$31,177 per employee for the fringe benefits tax years ending 31 March 2016 and 31 March 2017 only.

CAPITAL GAINS TAX

E1 Exemption for valour or brave conduct decorations

Defence (\$m)								
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
..
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	E1		
<i>Estimate Reliability:</i>	Low							
<i>Commencement date:</i>	20 September 1985				<i>Expiry date:</i>			
<i>Legislative reference:</i>	Paragraph 118-5(b) of the <i>Income Tax Assessment Act 1997</i>							

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, capital gains or losses arising from the disposal of a decoration awarded for valour or brave conduct are exempt from capital gains tax (CGT). This exemption is available unless the owner of the decoration had paid money or given any other property for it.

E2 Roll-over for membership interests in medical defence organisations

Health (\$m)								
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
*	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deferral				<i>2020 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>							

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, a CGT 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 guarantee and subject to certain other conditions, until the ultimate disposal of the replacement membership interest.

E3 Exemptions for special disability trusts

Social security and welfare (\$m)								
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
*	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	E3		
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i> 1+			
<i>Commencement date:</i>	1 July 2006				<i>Expiry date:</i>			
<i>Legislative reference:</i>	Sections 118-85 and 118-215 to 118-230 of the <i>Income Tax Assessment Act 1997</i>							

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. A tax benchmark variation arises because assets donated to a special disability trust (SDT) are exempt from CGT. A trustee of a SDT is

also eligible for the CGT main residence exemption to the extent that the individual who is or has been the principal beneficiary of the trust uses the dwelling as a home.

E4 Additional 10 per cent CGT discount for affordable housing

Housing and community amenities (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-	-	-	-	*	*	*	*
<i>Variation type:</i>	Reduction in taxable value			<i>2020 code:</i>		E4	
<i>Estimate Reliability:</i>	Not Applicable			<i>* Category:</i>		2+	
<i>Commencement date:</i>	1 January 2018			<i>Expiry date:</i>			
<i>Legislative reference:</i>	Schedule 2 of the <i>Treasury Laws Amendment (Reducing Pressure on Housing Affordability Measures) Act 2019</i>						

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. From 1 January 2018, resident individuals who dispose of an investment in qualifying affordable housing will receive an additional CGT discount of up to ten percentage points, increasing the discount from 50 per cent to 60 per cent.

The tax benchmark variation occurs beyond 2020-21 due to the qualifying condition that a property is rented as affordable housing for at least 3 years after the commencement date.

See tax benchmark variation E15 for detail on the 50 per cent discount applying to assets held by individuals or trusts where the asset has been owned for at least 12 months.

E5 Exemption for granny flat arrangements

Housing and community amenities (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-	-	-	-	-	*	*	*
<i>Variation type:</i>	Exemption			<i>2020 code:</i>		E5	
<i>Estimate Reliability:</i>	Not Applicable			<i>* Category:</i>		1+	
<i>Commencement date:</i>	1 July 2021			<i>Expiry date:</i>			
<i>Legislative reference:</i>	Division 137 of the <i>Income Tax Assessment Act 1997</i>						

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, from 1 July 2021, capital gains or losses on the creation, variation and disposal of formal granny flat arrangements will be exempt from CGT. The exemption applies to granny flat arrangements entered into with Australians who have reached age pension age or those with a disability.

Tax Benchmarks and Variations Statement

E6 Concessions for conservation covenants

Housing and community amenities (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Reduction in taxable value			<i>2020 code:</i>		E6
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		1+
<i>Commencement date:</i>		15 June 2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 104-47 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, for CGT 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. Landowners can also benefit from any CGT concession or exemption that may apply to the capital gain.

E7 Main residence exemption

Housing and community amenities (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
30,000	21,000	22,000	25,500	29,500	29,000	30,000	29,500
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		E7
<i>Estimate Reliability:</i>		Low			<i>Expiry date:</i>		
<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>					

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, capital gains or losses on the disposal of an individual's main residence and up to two hectares of adjacent land are exempt from CGT, to the extent the dwelling is used as a home.

Foreign residents are unable to access the CGT main residence exemption when they sell property in Australia, other than when specific life events occur and a person is a foreign resident for a period of six years or less. This was introduced from 9 May 2017, and transitional arrangements enabled foreign tax residents who held property on 9 May 2017 to access the exemption if they sold their property before 1 July 2020.

This tax benchmark variation covers the exemption of any capital gain or loss after the 50 per cent CGT discount for individuals and trusts has been applied. See tax benchmark variation E8 for the 50 per cent discount component of the main residence exemption.

E8 Main residence exemption – discount component

Housing and community amenities (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
35,500	24,500	25,000	29,500	34,500	33,500	35,000	34,500
<i>Variation type:</i>		Reduction in taxable value			<i>2020 code:</i>		E8
<i>Estimate Reliability:</i>		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>					

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, capital gains or losses on the disposal of an individual's main residence and up to two hectares of adjacent land are exempt from CGT, to the extent the dwelling is used as a home.

Disposals of other assets by individuals or trusts receive a CGT exemption applying to 50 per cent of any nominal gain where the asset has been owned for at least 12 months. The 50 per cent CGT discount is not available to the extent that a capital gain was accrued while the individual was a foreign or temporary resident.

The CGT treatment of the main residence effectively provides a 100 per cent exemption. Conceptually, this can be split into a component reflecting the 50 per cent discount provided to disposals of non-main residence assets and a 'top up' component that brings the concession up to 100 per cent.

See tax benchmark variation E7 for the remainder of the value of the CGT main residence exemption. See tax benchmark variation E15 for detail on the 50 per cent discount applying to other assets.

E9 Main residence exemption extensions

Housing and community amenities (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Included in E7							
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		E9
<i>Estimate Reliability:</i>		Not Applicable					
<i>Commencement date:</i>		1985 and 1996			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 118-145, 118-195 and 118-200 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, capital gains or losses on the disposal of an individual's main residence and up to two hectares of adjacent land are exempt from CGT, to the extent the dwelling is used as a home.

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; or indefinitely, if the dwelling is not used to produce assessable

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income. This is provided that no other dwelling is treated as the taxpayer's main residence during the period of absence.

In addition, 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 all or a proportion of a capital gain or loss if certain conditions are met.

E10 Exemption for the disposal of assets under the Cultural Gifts program

Recreation and culture (\$m)

2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	E10	
<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>						

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, capital gains or losses arising from gifts made under the Cultural Gifts program are exempt from CGT. The Cultural Gifts program, which does not apply to testamentary gifts, encourages donations of significant cultural items from private collections to public art galleries, public museums and public libraries or Artbank by offering tax incentives to the donor.

E11 Roll-over for worker entitlement funds

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

2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deferral				<i>2020 code:</i>	E11	
<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>						

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, a CGT 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.

E12 Concession for non-portfolio interests in foreign companies with active businesses

Other economic affairs – Other economic affairs, nec (\$m)								
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
*	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Reduction in taxable value				<i>2020 code:</i>	E12		
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	3+		
<i>Commencement date:</i>	2004				<i>Expiry date:</i>			
<i>Legislative reference:</i>	Section 768-505 of the <i>Income Tax Assessment Act 1997</i>							

Under the benchmark, Australian companies are generally subject to tax on any capital gains made on the disposal of their interests in a foreign company. However, capital gains and losses of Australian companies and controlled foreign companies arising from certain CGT events related to non-portfolio interests in foreign companies with active business assets are reduced. The reduction reflects the degree to which the assets of the foreign company are used in active business. The concession applies where the Australian company holds a direct voting percentage of 10 per cent or more in the foreign company throughout a 12-month period.

E13 Deferral of liability when taxpayer dies

Other economic affairs – Other economic affairs, nec (\$m)								
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
*	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deferral				<i>2020 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>							

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, there is no CGT taxing point when a taxpayer dies. Recognition of the gains or losses accruing during the life of the deceased is deferred until the person inheriting the CGT asset later disposes of it. An exception applies if the asset passes to an exempt entity, the trustee of a complying superannuation entity, or a foreign resident.

E14 Demerger concessions

Other economic affairs – Other economic affairs, nec (\$m)								
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
*	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption, Deferral				<i>2020 code:</i>	E14		
<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>							

The benchmark treatment is that capital gains are taxed upon realisation at the taxpayer's marginal tax rate, or the headline rate where they are a company. Concessions

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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'.

E15 Discount for individuals and trusts

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	9,970	10,550	8,970	9,740	11,780	11,730	12,270	12,870
<i>Variation type:</i>	Reduction in taxable value					<i>2020 code:</i>	E15	
<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>							

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, a CGT exemption applies to 50 per cent of any nominal capital gain made by a resident individual or trust where the asset has been owned for at least 12 months. Different rules may apply to assets acquired before 21 September 1999.

E16 Discount for investors in listed investment companies

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	55	50	50	55	55	60	60	65
<i>Variation type:</i>	Deduction					<i>2020 code:</i>	E16	
<i>Estimate Reliability:</i>	Low							
<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>							

Under the benchmark treatment, capital gains are taxed at the company level at the corporate tax rate. Distributions to stakeholders may then be franked and shareholders taxed at their marginal personal income tax rate on the distribution. However, 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 deduction equivalent to the CGT 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. The shareholders receive their concession when the listed company has advised their share of the attributable part.

E17 Exemption for assets acquired before commencement of CGT

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	E17	
<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> Section 102-25(2) of the <i>Income Tax (Transitional Provisions) Act 1997</i>						

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, capital gains or losses on assets acquired before 20 September 1985 (or before 24 October 2015 for Norfolk Island residents) are generally exempt from CGT.

E18 Exemption for demutualisation of mutual entities

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	E18	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	2+	
<i>Commencement date:</i>	1995 (mutual entities); 2007 (health insurers); 2008 (friendly societies)				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 9AA and Schedule 2H of the <i>Income Tax Assessment Act 1936</i> Division 315 and 316 of the <i>Income Tax Assessment Act 1997</i>						

Under the tax benchmark capital gains are taxed when they are realised, which would include during a demutualisation event. However, capital gains and 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. Special rules determine the cost base of the shares received.

E19 Exemption for testamentary gifts to deductible gift recipients

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	E19	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	2+	
<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>						

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, testamentary gifts (gifts made under a will) of certain property to deductible gift recipients are exempt from CGT.

E20 Exemption from the market value substitution rule for certain interests in widely held entities

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		E20
<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 benchmark treatment of disposals of capital assets for less than their market value, or where the market value of the proceeds cannot be ascertained is to deem the proceeds to be the market value (the market value substitution rule). Disposal of membership interests in widely-held entities by way of a redemption, cancellation or surrender of the interest are exempt from the market value substitution rule, that is, they are subject to CGT at their disposal value.

E21 Legacy arrangements for the indexation of the cost base

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Reduction in taxable value			<i>2020 code:</i>		E21
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		1+
<i>Commencement date:</i>		20 September 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 110-36 and Division 114 of the <i>Income Tax Assessment Act 1997</i>					

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, for assets acquired at or before 11:45 am AEST on 21 September 1999, taxpayers may choose to calculate the capital gain on the asset by reference to its indexed cost base. The indexed cost base for these assets was frozen as at 30 September 1999. Taxpayers that choose to use the indexed cost base cannot access the CGT discount.

E22 Quarantining of capital losses

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Denial of deduction			<i>2020 code:</i>		E22
<i>Estimate Reliability:</i>		Not Applicable			<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>					

Under the benchmark, expenses are deductible if they are connected to income earning activity. However, capital losses are quarantined from ordinary income which means they may only be offset against capital gains.

E23 Removal of taxation of certain financial instruments at point of conversion or exchange

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deferral				<i>2020 code:</i>	E23	
<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>						

The benchmark treatment in the tax law is that generally there would be a taxing point upon the conversion or exchange of a traditional security into ordinary shares. In broad terms, the cost of the traditional security at that time would be compared with the value of the shares received on conversion to determine if an amount is to be included in assessable income or allowed as a deduction.

Taxation of gains or losses from conversion or exchange of convertible or exchangeable interests issued after 14 May 2002 is deferred until the ultimate disposal of the shares. This tax treatment applies only to those traditional securities that convert into ordinary shares and those traditional securities that exchange into ordinary shares.

Traditional securities are, broadly, securities in the form of debentures, bonds and other loans that do not have a deferred interest element, are not capital indexed and are not issued at a deep discount.

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.

This variation from the benchmark treatment avoids cash flow difficulties for taxpayers arising from having to pay tax on a gain on conversion or exchange that is settled in the form of shares rather than cash.

E24 Roll-over for assets compulsorily acquired, lost or destroyed

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deferral				<i>2020 code:</i>	E24	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	1+	
<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>						

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, a CGT roll-over is available for capital gains where an asset is compulsorily acquired (whether by a private or public acquirer), lost or destroyed and the taxpayer purchases a replacement asset. The capital gains liability is deferred until the ultimate disposal of the replacement asset.

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E25 Roll-over for complying superannuation funds in certain circumstances

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deferral					<i>2020 code:</i>	E25	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	2+	
<i>Commencement date:</i>	1994 (ADFs); 2008 (merging funds);					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 126-C (trust deeds), and Division 310 (merging funds) of the <i>Income Tax Assessment Act 1997</i>							

Tax relief is provided for superannuation funds which merge, where a complying superannuation fund or a complying Approved Deposit Fund amends or replaces its trust deed, in certain circumstances.

From 24 December 2008, complying superannuation funds that merge are able to transfer capital and revenue losses to a new merged fund and to defer the taxation consequences on gains and losses from revenue and capital assets that are rolled over. Without the tax relief, the merged fund would not be able to access past losses and members would be taxed as if they had disposed and repurchased their assets at the time of the merger.

E26 Roll-over for replacement small business active assets

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	410	310	340	320	330	350	360	380
<i>Variation type:</i>	Deferral					<i>2020 code:</i>	E26	
<i>Estimate Reliability:</i>	Medium							
<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>							

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, a CGT roll-over is available for eligible small businesses, for gains arising from the disposal of active small business assets if the proceeds of the sale are used to purchase a replacement asset or make capital improvements to an existing asset. Active assets include assets used in carrying on a business and intangible assets inherently connected with a business (for example, goodwill).

E27 Roll-over for statutory licences and water entitlements

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deferral				<i>2020 code:</i>	E27	
<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 124-R (water entitlements) of the <i>Income Tax Assessment Act 1997</i>						

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, a CGT 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 CGT roll-over is available where a taxpayer's ownership of one or more water entitlements ends and the taxpayer receives one or more replacement water entitlements.

E28 Roll-over for transfer of assets on marriage or relationship breakdown

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deferral				<i>2020 code:</i>	E28	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	2+	
<i>Commencement date:</i>	1985				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 126-A of the <i>Income Tax Assessment Act 1997</i>						

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, an automatic roll-over is available where a CGT asset is transferred to a spouse or former spouse because of a marriage or relationship breakdown, or 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.

E29 Roll-overs not otherwise recognised

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deferral				<i>2020 code:</i>	E29	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	NA	
<i>Commencement date:</i>	Various				<i>Expiry date:</i>		
<i>Legislative reference:</i>	Divisions 106(b), 122(a,b,d,e,f,l,n,q), 124(j,k,l,m,p,s) 125, 126(b,e,g), 128, 328(g) 615 of the <i>Income Tax Assessment Act 1997</i>						

Capital gains or losses are generally included in assessable income when an asset is sold or otherwise disposed of. A CGT rollover allows the taxpayer to defer or disregard a capital gain or loss from a CGT event until another CGT event happens.

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This tax benchmark variation encompasses other CGT roll-overs not specifically covered in existing CGT roll-over tax benchmark variations.

For example, the crown lease roll-over in Subdivision 124-J, the roll-over for the disposal of assets by a trust to a company provided in Subdivision 124-N, and the roll-overs facilitating a change to a company structure in Division 122 of the *Income Tax Assessment Act 1997*.

E30 Scrip-for-scrip roll-over

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

2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-20	245	45	1	*	*	*	*
<i>Variation type:</i>	Deferral				<i>2020 code:</i>	E30	
<i>Estimate Reliability:</i>	Not Applicable				<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>						

Generally a capital gain or loss is included in assessable income when an asset is sold or otherwise disposed of.

A CGT roll-over is available for capital gains arising from an exchange of interests in companies or fixed trusts, removing impediments to takeovers or similar arrangements. 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 CGT liability arising from the exchange until the ultimate disposal of the replacement asset.

The roll-over provides a deferral of CGT only. The financial impact of this tax benchmark variation is volatile as in any year new deferrals may be claimed by taxpayers (reducing revenue collections) and CGT may be paid on the ultimate disposal or replacement of assets that have previously accessed the deferral (increasing revenue collections).

E31 Small business 50 per cent reduction

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

2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
930	870	810	690	710	760	770	810
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	E31	
<i>Estimate Reliability:</i>	Medium						
<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>						

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, a gain that arises from the sale of active assets held in an eligible small business can be reduced by 50 per cent. This applies in addition to any CGT 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).

E32 Small business restructure roll-over

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	20	20	20	20	20	20	20	25
<i>Variation type:</i>	Deferral					<i>2020 code:</i>	E32	
<i>Estimate Reliability:</i>	Very Low							
<i>Commencement date:</i>	1 July 2016					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 328-G of the <i>Income Tax Assessment Act 1997</i>							

Under the benchmark, realised capital gains are generally assessable to taxpayers at their applicable tax rate in the year they arise. However, owners of small business active assets are eligible for roll-over relief when they change the legal structure of their business, provided the underlying economic ownership of the assets is unchanged.

COMMODITY AND OTHER INDIRECT TAXES

F1 Primary industry levy exemptions

Agriculture, forestry and fishing (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	F1	
<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>						

Under the benchmark, primary industry levies would generally apply to all participants in a primary industry. However 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.

F2 Exemptions from radiocommunications taxes for not-for-profit community or government entities

General public services – General services (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
9	9	9	9	10	10	11	11
<i>Variation type:</i>	Exemption, Deferral				<i>2020 code:</i>	F2	
<i>Estimate Reliability:</i>	Medium						
<i>Commencement date:</i>	1992				<i>Expiry date:</i>		
<i>Legislative reference:</i>	<i>Section 107 of the Radiocommunications Act 1992</i> <i>and Regulation 5 of the Radiocommunications Taxes Collection Regulations 1985</i>						

Under the benchmark, radiocommunications licenses are subject to taxes, including apparatus licences. However, an exemption from the apparatus licence fee is available to organisations or individuals who are: diplomatic and consular missions; surf lifesaving and remote area ambulance services; emergency services or services for the safe-guarding of human life – such as rural fire fighting and coast guard services. These must be staffed principally by volunteers and be exempt from paying income tax.

F3 Passenger Movement Charge exemptions

Transport and communication (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
160	170	120	20	40	130	160	180
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	F3	
<i>Estimate Reliability:</i>	Low						
<i>Commencement date:</i>	Introduced before 1985				<i>Expiry date:</i>		
<i>Legislative reference:</i>	<i>Section 5 of the Passenger Movement Charge Collection Act 1978</i>						

The benchmark treatment is that a flat Passenger Movement Charge is imposed on persons upon their departure from Australia. However, certain persons are exempt from

the Passenger Movement Charge including foreign diplomats, children and outbound crew.

F4 Luxury car tax

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-735	-688	-632	-900	-770	-720	-720	-760
<i>Variation type:</i>	Increased rate				<i>2020 code:</i>	F4	
<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 1999</i> <i>A New Tax System (Luxury Car Tax Imposition-General) Act 1999</i> <i>A New Tax System (Luxury Car Tax Imposition-Customs) Act 1999</i> <i>A New Tax System (Luxury Car Tax Imposition-Excise) Act 1999</i>						

The benchmark tax treatment is that purchases of new motor vehicles are only subject to the GST at the rate of 10 per cent. However, the luxury car tax also applies to purchases of most motor vehicles that have a GST-inclusive value above the relevant luxury car tax threshold: currently, \$79,659 for fuel-efficient vehicles and \$69,152 for other vehicles. The luxury car tax is imposed at the rate of 33 per cent on the GST-inclusive value above the luxury car tax threshold, less an adjustment for GST. The luxury car tax is a negative tax benchmark variation.

The purchase of certain vehicles is not subject to luxury car tax, including: motor homes, campervans, emergency vehicles and commercial vehicles designed mainly for carrying passengers. Also, vehicles that are imported by endorsed public institutions for the sole purpose of public display are not subject to luxury car tax. Capped refunds of the luxury car tax paid are also available to primary producers and tourism operators when eligible vehicles are purchased.

F5 Tourism – inwards duty free

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption				<i>2020 code:</i>	F5	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	3+	
<i>Commencement date:</i>	Introduced before 1985				<i>Expiry date:</i>		
	1 July 2000 (WET)						
<i>Legislative reference:</i>	<i>Item 15 of Schedule 4 to the Customs Tariff Act 1995</i> <i>Section 7-15 of the A New Tax System (Wine Equalisation Tax) Act 1999</i> <i>Customs By-Law No. 1700571</i>						

The benchmark tax treatment is that goods imported into Australia are subject to the same taxes on consumption as domestically produced goods. However, tobacco and alcohol products brought into Australia by inbound international travellers aged 18 years and over, within an allowance, are not subject to excise-equivalent customs duty or wine equalisation tax (WET). The standard duty free concession enables adults

Tax Benchmarks and Variations Statement

to bring in 2.25 litres of alcoholic beverages and up to 25 grams of tobacco, equivalent to approximately 25 cigarettes, plus an open packet.

F6 Concessional rate of excise levied on aviation gasoline and aviation turbine fuel

Fuel and energy (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1,260	1,300	1,090	750	960	1,020	1,070	1,150
<i>Variation type:</i>		Concessional rate			<i>2020 code:</i>		F6
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		Introduced before 1985			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Item 10 of the Schedule to the <i>Excise Tariff Act 1921</i>					

The benchmark rates for fuel consumed in an internal combustion engine are based on categories of energy density of the fuel types. However, aviation gasoline and aviation turbine fuel are subject to a lower rate of excise than the benchmark rate. Consistent with its obligation as a signatory of the Convention on International Civil Aviation, Australia does not charge fuel excise on aviation fuel used for international civil aviation activities.

F7 Excise concessions for 'alternative fuels'

Fuel and energy (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
170	160	140	100	100	100	110	120
<i>Variation type:</i>		Concessional rate, Increased rate			<i>2020 code:</i>		F7
<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 fuel consumed in an internal combustion engine are based on categories of energy density of the fuel types. There are categories for high, medium and low energy density fuels.

Alternative fuels including liquefied petroleum gas (LPG), liquefied natural gas (LNG), compressed natural gas (CNG) and domestically produced biodiesel and ethanol are subject to lower excise rates than the benchmark.

In June 2015, the Government passed legislation to gradually increase excise duty on domestically produced biodiesel and fuel ethanol.

Before 1 July 2015, domestically produced biodiesel and fuel ethanol were subject to the same excise rates as petrol and diesel, with grants available to producers to offset the excise. From 1 July 2015, the excise rates for these fuels were reduced to zero and the grants ceased. The excise rates for domestically manufactured fuel ethanol and biodiesel then increase on 1 July of each subsequent year until the final rates are reached. For fuel ethanol, the final rate was reached on 1 July 2020 and for biodiesel, the final rate will be reached on 1 July 2030.

The final rates for biodiesel (a high energy content fuel) and fuel ethanol (a medium energy content fuel) will be 50 per cent of the respective benchmark rates.

Since 1 July 2015, the excise rates for LPG, LNG and CNG have been 50 per cent of the benchmark rate applying to high energy content fuels.

Users of small, non-commercial scale, domestically-based compressed natural gas refuellers are exempt from paying excise duty on compressed natural gas used to fuel their vehicles.

F8 Excise levied on fuel oil, heating oil and kerosene

Fuel and energy (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-105	-130	-115	-100	-100	-105	-110	-115
<i>Variation type:</i>		Increased rate			<i>2020 code:</i>		F8
<i>Estimate Reliability:</i>		Medium – Low					
<i>Commencement date:</i>		2006			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Item 10 of the Schedule to the <i>Excise Tariff Act 1921</i>					

The benchmark excise rate for fuels consumed for a purpose other than in an internal combustion engine is zero. Fuel oil, heating oil, and kerosene are subject to excise equivalent to that applying to petroleum and diesel. Business users of these products are eligible for a fuel tax credit of an equivalent value.

F9 Excise levied on fuel products used for purposes other than as fuel

Fuel and energy (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-50	-50	-50	-50	-50	-55	-60	-65
<i>Variation type:</i>		Increased rate			<i>2020 code:</i>		F9
<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>					

The benchmark excise rate for fuels consumed for a purpose other than in an internal combustion engine is zero. Some fuels, when used for a purpose other than in an internal combustion engine, are subject to excise equivalent to that applying to petroleum and diesel. These fuels include toluene, mineral turpentine and white spirits. Business users of these products are eligible for a fuel tax credit of an equivalent value.

Tax Benchmarks and Variations Statement

F10 Higher rate of excise levied on cigarettes not exceeding 0.8 grams of tobacco

Health (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-2,220	-1,965	-2,260	-1,595	-1,455	-1,445	-1,485	-1,525
<i>Variation type:</i>		Increased rate			<i>2020 code:</i>		F10
<i>Estimate Reliability:</i>		Medium – Low					
<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>					

The benchmark excise rate is the rate per kilogram applying to tobacco products containing more than 0.8 grams of tobacco. Cigarettes and cigars containing no more than 0.8 grams of tobacco pay excise at a per-stick rate. However, due to the way that the per-stick rate and per-kilogram rate are equalised, cigarettes containing less tobacco than the equalisation weight will have a higher excise liability than if they were subject to the benchmark rate. The equalisation weight was reduced to 0.775 grams per stick from 1 September 2017, 0.75 grams per stick from 1 September 2018, 0.725 grams per stick from 1 September 2019 and 0.70 grams per stick from 1 September 2020.

F11 Concessional rate of excise levied on brandy

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
5	5	5	5	5	6	6	6
<i>Variation type:</i>		Concessional rate			<i>2020 code:</i>		F11
<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>					

Under the benchmark tax treatment, spirits are taxed at a single rate per litre of alcohol. However, brandy is subject to a lower rate of excise than the rate applying to other spirits.

F12 Concessional rate of excise levied on brewed-on-premises beer

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
3	3	3	3	3	3	4	4
<i>Variation type:</i>		Concessional rate			<i>2020 code:</i>		F12
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1 January 1993			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Item 1 of the Schedule to the <i>Excise Tariff Act 1921</i>					

The benchmark excise rate for beer is that which applies to full-strength, commercially produced beer stored in containers of less than eight litres. Brewed-on-premises 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.

F13 Concessional rate of excise levied on draught beer

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
175	180	150	150	155	155	160	170
<i>Variation type:</i>		Concessional rate			<i>2020 code:</i>		F13
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1 January 2001			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Item 1 of the Schedule to the <i>Excise Tariff Act 1921</i>					

The benchmark excise rate for beer is that which applies to full strength, commercially produced beer stored in containers of less than eight litres. Draught beer (that is, beer stored in individual containers of eight litres or more) is subject to a lower rate of excise than the benchmark rate.

F14 Concessional rate of excise levied on low strength packaged beer

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
7	7	6	6	6	6	7	7
<i>Variation type:</i>		Concessional rate			<i>2020 code:</i>		F14
<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>					

The benchmark excise rate for beer is that which applies to full strength, commercially produced beer stored in containers of less than eight litres. However, low strength beer with an alcohol content of no more than 3 per cent is subject to a lower rate of excise than the benchmark rate of similarly packaged full strength beer.

F15 Excise concession for alcohol producers

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
15	15	35	50	100	100	105	110
<i>Variation type:</i>		Rebate			<i>2020 code:</i>		F15
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1 July 2021			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Item 10 of table in subclause 2(1) of Schedule 1 to the <i>Excise Regulation 2015</i> Item 7 of table in Regulation 12(2) of the <i>Excise Regulation 2015</i>					

The benchmark tax treatment is that breweries and distilleries pay excise on all beer, spirits and other excisable beverages (such as liqueurs, pre-mixed spirit-based drinks and fermented products that are not subject to the WET) that they manufacture.

Since 1 July 2021, eligible brewers and distillers can claim a full remission of any excise paid, up to a cap of \$350,000 per financial year. Prior to that, breweries and distilleries could only claim a refund of 60 per cent of excise paid, up to a maximum amount of \$100,000 per financial year.

Tax Benchmarks and Variations Statement

F16 Excise exemption for privately produced beer

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		F16
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		2+
<i>Commencement date:</i>		18 April 1973			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Schedule to the <i>Excise Tariff Act 1921</i>					

The benchmark excise rate for beer is that which applies to full strength, commercially produced beer stored in containers of less than eight litres. However, beer made for personal use by private individuals is exempt from the payment of excise.

F17 Wine equalisation tax exemption for privately produced wine

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		F17
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		2+
<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>					

Under the benchmark tax treatment, wine is taxed under the WET at 29 per cent of its last wholesale value. However, wine made for personal use by private individuals is exempt from the WET.

F18 Wine equalisation tax producer rebate

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
350	260	250	310	310	300	310	320
<i>Variation type:</i>		Rebate			<i>2020 code:</i>		F18
<i>Estimate Reliability:</i>		Medium			<i>Expiry date:</i>		
<i>Commencement date:</i>		1 October 2004			<i>Expiry date:</i>		
<i>Legislative reference:</i>		1 July 2018 (tightened eligibility criteria and reduced rebate cap) <i>A New Tax System (Wine Equalisation Tax) Act 1999</i>					

Under the benchmark tax treatment, wine is taxed under the WET at 29 per cent of its last wholesale value. However, wine producers are able to claim a rebate of any WET they have paid, up to \$350,000 per financial year. The rebate also extends to producers of other fruit and vegetable wines, traditional cider, perry, mead, and sake.

From 1 July 2018, eligibility for the rebate was tightened, including by requiring wine producers to own at least 85 per cent of the grapes used to make the wine throughout the winemaking process, and for wine to be branded and packaged in a container not exceeding five litres (51 litres for cider and perry).

The tightened eligibility criteria has applied to all wine from the 2018 vintage irrespective of when the rebate is claimed.

F19 Certain exemptions for diplomats, diplomatic missions and approved international organisations

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	1	1	1	1	1	1	1	1
<i>Variation type:</i>	Exemption					<i>2020 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 8 and Schedule 1 of the <i>Excise Regulation 2015</i> Section 9 of the <i>Diplomatic Privileges and Immunities Act 1967</i> Section 7 of the <i>Consular Privileges and Immunities Act 1972</i> Section 11B of the <i>International Organisations (Privileges and Immunities) Act 1963</i> Section 12 of the <i>Overseas Missions (Privileges and Immunities) Act 1995</i>							

Under the benchmark tax treatment, fuel, tobacco and alcohol (other than wine) are subject to excise and excise-equivalent customs duty, and wine and luxury cars are subject to the wine equalisation tax and luxury car tax, respectively. However, these taxes are not payable (or the amount paid is refundable) on items acquired for official purposes by diplomatic missions and consulates, for personal use by privileged individuals, or for official use by approved international organisations. Any refunds provided 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*.

F20 Certain exemptions for Australian military sea vessels

Defence (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	F20	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	1+	
<i>Commencement date:</i>	1934					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Item 6 of Table 2 of Schedule 1 to the <i>Excise Regulation 2015</i>							

Under the benchmark tax treatment, tobacco and alcohol (other than wine) are subject to excise and excise-equivalent customs duty. However, 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 Benchmarks and Variations Statement

F21 Customs duty

Mining, manufacturing and construction (\$m)

2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
-1,930	-1,990	-1,700	-1,770	-1,860	-1,850	-1,080	-1,120
<i>Variation type:</i>	Increased rate				<i>2020 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						

The benchmark tax treatment is that imported goods are subject to the same taxes on consumption as domestically produced goods and, therefore, are free from customs duty (except for excise-equivalent customs duty). Customs duty is collected on certain goods imported into Australia (for example, most cars are subject to 5 per cent customs duty upon importation, unless a free-trade agreement applies). This is a negative tax benchmark variation.

NATURAL RESOURCES TAXES

G1 Junior Minerals Exploration Incentive

Mining, manufacturing and construction (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	-	-	1	2	6	8	6	6
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	G1	
<i>Estimate Reliability:</i>	Medium							
<i>Commencement date:</i>	1 July 2014					<i>Expiry date:</i>	30 June 2025	
<i>Legislative reference:</i>	Division 418 of the <i>Income Tax Assessment Act 1997</i> .							

Under the benchmark, government payments to taxpayers are generally treated as assessable income and subject to tax. A tax benchmark variation arises when payments made under a refundable tax offset are exempt from tax.

The Junior Minerals Exploration Incentive provides a tax benefit to Australian resident investors that purchase newly issued shares in small minerals exploration companies that are raising capital to fund greenfields exploration activity. Eligible companies can create exploration credits by giving up a portion of their tax losses relating to their exploration expenditure, which can then be distributed to investors. Most investors that receive a credit are entitled to a refundable tax offset or an additional franking credit if the investor is a company.

The Junior Minerals Exploration Incentive applies from 2017-18 to 30 June 2025, replacing the former Exploration Development Incentive which applied from 2014-15 to 30 June 2017.

G2 Crude Oil Excise

Fuel and energy (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deduction					<i>2020 code:</i>	G2	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	NA	
<i>Commencement date:</i>	1 July 2012					<i>Expiry date:</i>		
<i>Legislative reference:</i>	<i>Petroleum Resource Rent Tax Assessment Act 1987</i>							

Under the natural resource benchmark, crude oil excise is treated as a prepayment of Petroleum Resource Rent Tax (PRRT) liabilities and to the extent that the crude oil excise exceeds the PRRT payable in a year, a negative tax benchmark variation will arise for that period. Where crude oil excise credits are carried forward and used to reduce PRRT in later periods, a tax benchmark variation will arise in the year the carried forward credit is utilised.

Tax Benchmarks and Variations Statement

G3 PRRT – denial of refund of tax credits for losses at project end

Fuel and energy (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Denial of refund				<i>2020 code:</i>	G3	
<i>Estimate Reliability:</i>	Not Applicable				<i>* Category:</i>	1-	
<i>Commencement date:</i>	1 July 1990				<i>Expiry date:</i>		
<i>Legislative reference:</i>	<i>Petroleum Resource Rent Tax Act 1987</i>						

Under the natural resources benchmark, any unutilised tax losses that are available when a petroleum project closes down are refunded. However under the PRRT, there is no general refund of the tax value of losses available when the project closes down. Closing-down expenditure is the only category of expenditure that is refundable and that is limited to the total amount of PRRT paid in respect of the project.

G4 PRRT – expenditure uplift rate

Fuel and energy (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>	Deduction				<i>2020 code:</i>	G4	
<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 Act 1987</i>						

The natural resources benchmark includes immediate expensing of project expenditures. To the extent that losses are carried forward because they cannot be utilised immediately, they are uplifted at the long-term government bond rate (a proxy for the risk-free rate). The uplift rate compensates investors for the delay in the recognition of the tax credit and preserves the value of the tax credit over time.

Under the PRRT, expenditure that generates project losses is uplifted at a number of different rates depending on when the expenditure took place and the nature of the expenditure. A significant amount of expenditure is uplifted at rates that exceed the long-term government bond rate.

On 3 April 2019, the Government legislated a policy to reduce the expenditure uplift rates in some cases.

G5 PRRT – gas transfer price regulations

Fuel and energy (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Deduction			<i>2020 code:</i>		G5
<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>		Petroleum Resource Rent Tax Assessment Regulation 2015					

The natural resources benchmark is a 40 per cent tax rate on the economic rents earned on the extraction of petroleum resources including natural gas.

The PRRT gas transfer price regulation stipulates rules for calculating the value of gas at the PRRT taxing point attributable to extraction activities where there is no arm's length transaction to determine the price of that gas in an integrated liquefied natural gas (LNG) project. The regulations rely on formulaic rules to determine the assessable receipts of the PRRT project.

The regulations include provisions in the calculation of the gas transfer price that reduce the estimated upstream gas price by half the difference between the estimated 'upstream' price and the estimated 'downstream' price where the upstream price is the higher.

G6 PRRT – starting base and uplift rate for capital assets

Fuel and energy (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Deduction			<i>2020 code:</i>		G6
<i>Estimate Reliability:</i>		Not Applicable			<i>* Category:</i>		2+
<i>Commencement date:</i>		1 July 2012			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Petroleum Resource Rent Tax Assessment Act 1987					

The natural resources benchmark includes immediate expensing of project expenditures. To the extent that losses are carried forward because they cannot be utilised immediately, they are uplifted at the long-term government bond rate (a proxy for the risk-free rate).

Existing investments of projects brought under the PRRT on 1 July 2012 are recognised through the provision of a starting base allowance. The starting base allowance recognises assets relating to the upstream assets of the PRRT project on 2 May 2010. Unused starting base losses are uplifted at the long-term bond rate plus 5 percentage points. Unused exploration expenditure under the look back valuation option is uplifted at the long-term bond rate plus 15 percentage points.

Onshore projects were removed from the PRRT regime effective from 1 July 2019.

Tax Benchmarks and Variations Statement

G7 Decommissioning levy for Laminaria-Corallina oil fields

Mining, manufacturing and construction (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	-	-	-	-	nfp	nfp	nfp	nfp
<i>Variation type:</i>	Increased rate				2020 code:		New	
<i>Estimate Reliability:</i>	Not Applicable							
<i>Commencement date:</i>	1 July 2021				<i>Expiry date:</i>			
<i>Legislative reference:</i>	Legislation is yet to be passed							

From 1 July 2021, registered holders of petroleum production licences under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* are liable to pay a levy of 48 cents per barrel of oil equivalent petroleum production from offshore titles. The levy will not be deductible for PRRT or corporate income tax. The levy will cease in 2029-30 at the latest.

GOODS AND SERVICES TAX

H1 Financial supplies – financial acquisitions threshold – input tax credits

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Concessional rate				2020 code:		H1	
<i>Estimate Reliability:</i>	Not Applicable				* Category:		3+	
<i>Commencement date:</i>	1 July 2000				<i>Expiry date:</i>			
<i>Legislative reference:</i>	Sections 11-15(4) and 189-5 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>							

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services and that entities may claim input tax credits for GST they pay on their inputs. However, financial supplies are generally input taxed – that is, they are not subject to GST and input tax credits cannot be claimed for anything acquired or imported to make the supply. In addition, entities that make financial supplies without exceeding the financial acquisitions threshold are entitled to input tax credits for acquisitions used or intended to be used for making the financial supplies. This allows entities to claim input tax credits for financial supplies, where they have principal commercial activities other than providing financial supplies.

An entity does not exceed the financial acquisitions threshold if the input tax credits it would have been entitled to for the acquisitions do not exceed \$150,000 or 10 per cent of their total input tax credits for the year.

H2 Financial supplies – input taxed treatment

General public services – Financial and fiscal affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
3,150	3,100	3,150	3,250	3,400	3,550	3,750	3,900
<i>Variation type:</i>		Exemption, Concessional rate			<i>2020 code:</i>		H2
<i>Estimate Reliability:</i>		Medium – Low					
<i>Commencement date:</i>		1 July 2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivision 40-A of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>					

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services and that entities may claim input tax credits for the GST they pay on their inputs. However, generally, financial supplies are not subject to GST and input tax credits cannot be claimed for such supplies. For example, banks do not charge GST on the supply of bank accounts to customers, and cannot claim back the GST component of the costs they incur in supplying bank accounts. A positive tax benchmark variation arises in this situation as the GST paid is less than 10 per cent of the final value of the financial supply.

A negative tax benchmark variation arises where the financial supply is to a business. This is because no GST would actually be payable under the benchmark (subjecting financial services to GST) in this situation as businesses would claim an input tax credit for the GST amount. However, under actual tax arrangements, some GST is paid as input tax credits cannot be claimed on financial supplies to businesses.

Financial supplies are input taxed due to the difficulty in valuing them. The input tax treatment of financial supplies in Australia is consistent with international practice.

H3 Financial supplies – reduced input tax credits

General public services – Financial and fiscal affairs (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
800	800	800	800	850	900	950	1,000
<i>Variation type:</i>		Concessional rate			<i>2020 code:</i>		H3
<i>Estimate Reliability:</i>		Medium – Low					
<i>Commencement date:</i>		1 July 2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Division 70 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>					

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services and that entities may claim input tax credits for the GST they pay on their inputs. However, generally, financial supplies are not subject to GST and input tax credits cannot be claimed for such supplies. However, input tax credits may be claimed for the acquisition of certain supplies, (including cash management, funds transfer, and debt collection services) but at a reduced rate (either 55 or 75 per cent of the standard input tax credit entitlement depending on the acquisition).

Tax Benchmarks and Variations Statement

Reduced input tax credits are designed to reduce the bias between insourcing and outsourcing the relevant services, as GST can apply where these services are outsourced, but not when they are provided internally by employees.

H4 Charities and non-profit bodies

General public services – General services (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	H4	
<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>	Subdivision 38-G of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>							

Broadly, the benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services. Non-profit bodies are entitled to a higher GST 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 fundraising treated as input taxed. This option is also available to deductible gift recipients and government schools.

H5 Child care services

Housing and community amenities (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	1,360	1,380	1,300	1,520	1,680	1,880	1,980	2,120
<i>Variation type:</i>	Exemption, Concessional rate					<i>2020 code:</i>	H5	
<i>Estimate Reliability:</i>	Medium – Low							
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 38-D of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>							

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services. Generally, child care will be GST-free where the provider is eligible to receive government funding, or if the provider is a registered carer or child care service for the purposes of the relevant Commonwealth legislation. All supplies that are directly related to child care are also GST-free.

H6 Water, sewerage and drainage

Housing and community amenities (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	1,040	1,060	1,100	1,090	1,120	1,150	1,180	1,220
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	H6	
<i>Estimate Reliability:</i>	Medium							
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 38-I of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>							

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services. However, 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. Water sold as a beverage is included in tax benchmark variation H26.

H7 Diplomats, diplomatic missions and approved international organisations

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	8	10	11	13	13	13	13	13
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	H7	
<i>Estimate Reliability:</i>	High							
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 10B of the <i>Diplomatic Privileges and Immunities Act 1967</i> Section 10A of the <i>Consular Privileges and Immunities Act 1972</i> Section 11C of the <i>International Organisations (Privileges and Immunities) Act 1963</i>							

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services within the indirect tax zone. However, the amount of GST paid is refundable on items acquired for official purposes by diplomatic missions and consulates, for personal use by privileged individuals, or for official use by approved international organisations. Any refunds provided 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 Global roaming by visitors to Australia

Transport and communication (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	H8	
<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>	Section 38-570 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>							

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services. However, telecommunication supplies for global roaming services provided to visitors to Australia are GST-free, consistent with Australia's treaty obligations under the International Telecommunication Regulations (the Melbourne Agreement).

Tax Benchmarks and Variations Statement

H9 Tourist refund scheme

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	225	250	190	20	10	175	210	240
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	H9	
<i>Estimate Reliability:</i>	Low							
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 168 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i> Division 168 of the <i>A New Tax System (Goods and Services Tax) Regulations 2019</i>							

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services. However, 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 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 Boats for export

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	19	19	18	18	18	18	18	18
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	H10	
<i>Estimate Reliability:</i>	Low							
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Item 4A of section 38-185 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>							

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services but does not apply to goods which are exported from Australia within 60 days. However, supplies of eligible boats used for recreational purposes are GST-free if the boats are exported by the purchaser from Australia within 12 months, with effect from 1 July 2011.

H11 Tourism – domestic travel as part of an international arrangement

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		H11
<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>		Section 38-355 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>					

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services within the indirect tax zone. However, domestic air or sea travel within Australia by residents or non-residents as part of a wider international travel arrangement is not subject to GST. In addition, the transport of passengers to the first place of arrival in, or from the last point of departure within, the indirect tax zone is GST-free. Domestic air travel within Australia by non-residents is also GST-free if the ticket is purchased while the passenger is outside Australia. Transport insurance for the above supplies is also GST-free.

H12 Tourism – inwards duty free

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
*	*	*	*	*	*	*	*
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		H12
<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>		Section 38-415 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>					

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most goods imported into the Australian indirect tax zone. However, supplies made through an inwards duty free shop to inbound international travellers are not subject to GST.

H13 Tourism – travel agents arranging overseas travel

Other economic affairs – Other economic affairs, nec (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
265	275	140	..	10	210	240	255
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		H13
<i>Estimate Reliability:</i>		Low			<i>Expiry date:</i>		
<i>Commencement date:</i>		1 July 2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 38-360 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>					

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services. However, the arranging of overseas travel, accommodation and other services by travel agents in Australia in the course of their business is GST-free. The arranging service must relate to a holiday or supply that takes place or is used overseas.

Tax Benchmarks and Variations Statement

H14 Education

Education (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
4,400	4,600	4,800	5,000	5,200	5,450	5,700	5,950
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		H14
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1 July 2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Subdivision 38-C of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>					

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services. However, certain education supplies are GST-free. These include education courses, directly related administrative services provided by the same provider as the education course, sale of course materials or lease of curriculum-related goods to a student undertaking a pre-school or primary or secondary course by the same provider as the education course, student accommodation for students attending a primary, secondary or special education course provided by the same provider as the education course, excursions and field trips (excluding food and accommodation provided as part of a tertiary course, tertiary residential college course or professional or trade course) and supplies related to the recognition of prior learning.

H15 Health – drugs and medicinal preparations

Health (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
460	500	490	540	590	620	660	700
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		H15
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1 July 2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 38-50 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>					

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services. However, most medicines for human use are GST-free. GST-free medicines include: medicines that can only be supplied on prescription; medicines supplied as a pharmaceutical benefit; 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 certain analgesics covered by a written determination by the Federal Health Minister.

H16 Health – medical aids and appliances

Health (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
250	290	300	330	355	375	395	415
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		H16
<i>Estimate Reliability:</i>		Low					
<i>Commencement date:</i>		1 July 2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 38-38, 38-45, 38-47 and Subdivision 38-P of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>					

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services. However, 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, including certain disability support delivered under the *National Disability Insurance Scheme Act 2013*.

H17 Health – medical and health services

Health (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
4,050	4,200	4,100	4,550	4,950	5,200	5,500	5,800
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		H17
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1 July 2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 38-7, 38-10, 38-15, 38-20 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>					

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services. However, certain medical and health services are GST-free.

For instance, the supply of a service for which a Medicare benefit is payable under the *Health Insurance Act 1973*, or any other service supplied by or on behalf of a medical practitioner or approved pathology practitioner that is generally accepted in the medical profession as being necessary for the appropriate treatment of the recipient of the supply, will be GST-free.

Further, the supply of a prescribed 'other health service' will be GST-free if it is supplied by a recognised professional, and the supply is generally accepted in the relevant profession as being necessary for the appropriate treatment of the recipient of the supply. The supply of hospital treatments and certain other government funded health services are also GST-free.

Tax Benchmarks and Variations Statement

H18 Health – residential care, community care and other care services

Health (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1,130	1,210	1,190	1,310	1,430	1,500	1,590	1,680
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		H18
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1 July 2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Sections 38-25, 38-30, 38-35, 38-38 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>					

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services. However, some services provided by care and specialist disability providers are GST-free. The quality of care principles set out 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 set out in the *Aged Care Act 1997* and are provided to those needing daily living activities assistance or nursing services. Certain disability supports delivered under the *National Disability Insurance Scheme Act 2013* are also GST-free.

H19 Private health insurance

Health (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
360	370	320	400	410	420	430	440
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		H19
<i>Estimate Reliability:</i>		Medium					
<i>Commencement date:</i>		1 July 2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 38-55 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>					

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services. However, a supply of private health insurance by a private health insurer (within the meaning of the *Private Health Insurance Act 2007*) is GST-free.

H20 Religious services

Recreation and culture (\$m)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
30	30	30	30	30	30	30	30
<i>Variation type:</i>		Exemption			<i>2020 code:</i>		H20
<i>Estimate Reliability:</i>		Low					
<i>Commencement date:</i>		1 July 2000			<i>Expiry date:</i>		
<i>Legislative reference:</i>		Section 38-220 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>					

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services. However, supplies of religious services are GST-free if supplied by a religious institution and the supplied service is integral to the practice of that religion.

H21 Supplies of farm land

Agriculture, forestry and fishing (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	H21	
<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>	Subdivision 38-O of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>							

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services. However, 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; and subdivided farm land that is potential residential land when supplied to associates for nil or inadequate consideration.

H22 Registration thresholds

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	H22	
<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>	Section 23-15 and Part 4-5 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i> Regulations 23-15.01 and 23-15.02 of the <i>A New Tax System (Goods and Services Tax) Regulation 2019</i>							

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services. Entities (other than taxi operators) with a GST turnover of less than \$75,000, or \$150,000 for non-profit entities, are not required to register for GST. Supplies made by unregistered entities are not subject to GST.

H23 Simplified accounting methods

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	16	15	15	14	14	14	14	13
<i>Variation type:</i>	Concessional rate					<i>2020 code:</i>	H23	
<i>Estimate Reliability:</i>	Low					<i>Expiry date:</i>		
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Division 123 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>							

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services. The Commissioner of Taxation can create simplified accounting methods (SAMs) that some small businesses can choose to apply to reduce 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

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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 is expected to result in a positive tax benchmark variation.

H24 Precious metal

Mining, manufacturing and construction (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	H24	
<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>	Subdivision 38-L of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>							

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services. However, the first supply of precious metal (after its refining by or on behalf of the supplier) to a precious metal dealer is GST-free. Any other supply of precious metal is input taxed. The GST-free treatment of precious metals recognises that precious metal prices are internationally fixed, and dealers cannot pass on the GST on sales they make. Making the initial supply after refining GST-free is intended to ensure that there is no GST embedded in the price of that sale.

H25 Cross-border transport supplies

Transport and communication (\$m)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	*	*	*	*	*	*	*	*
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	H25	
<i>Estimate Reliability:</i>	Not Applicable					<i>* Category:</i>	1+	
<i>Commencement date:</i>	1 July 2010					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Section 13-20 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>							

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services. However, since 1 July 2010, the supply of domestic transport services made to a foreign entity for non-postal imports is GST-free. From this date, the cost of domestic transport services for non-postal imports is instead included in the calculation of the 'value of the taxable importation', which is used determine the GST liability on importation.

H26 Food

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

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	7,000	7,300	7,800	8,100	8,400	8,700	9,100	9,400
<i>Variation type:</i>	Exemption					<i>2020 code:</i>	H26	
<i>Estimate Reliability:</i>	Medium							
<i>Commencement date:</i>	1 July 2000					<i>Expiry date:</i>		
<i>Legislative reference:</i>	Subdivision 38-A of the <i>A New Tax System (Goods and Services Tax) Act 1999</i>							

The benchmark tax treatment is that GST applies at the rate of 10 per cent to most supplies of goods and services. Most food items for human consumption that are prepared and/or consumed at home are GST-free. Examples of GST-free food include fresh fruit and vegetables, fish, dairy products, bread and meat. Examples of GST-free beverages include unflavoured milk products, tea, coffee, water and fruit juices. Food and beverages subject to GST include: restaurant and takeaway meals, confectionary, savoury snacks, ice cream, biscuits and soft drinks.

CHAPTER 4: REVENUE GAIN ESTIMATES OF TAX BENCHMARK VARIATIONS

The revenue gain approach is an alternative to the revenue forgone approach used to produce the tax benchmark variation estimates in Chapter 3. As revenue gain estimates take account of behavioural responses, these estimates are more akin to the revenue impact of budget measures and are often lower than revenue forgone estimates.

- For example, introducing a tax benchmark variation may create incentives for taxpayers to change their behaviour to utilise (or avoid) the new tax provision. Removing the tax benchmark variation (so that the benchmark tax treatment prevailed) would remove this incentive and may cause a corresponding change in taxpayer behaviour.

In particular, taxpayers may make greater use of other tax benchmark variations if a particular tax benchmark variation were to be (hypothetically) abolished.

- For example, a revenue gain estimate for the concessional treatment of employer superannuation contributions would take account of the potential for voluntary employer contributions to be redirected to other tax-preferred investments.

Consistent with a recommendation of the Australian National Audit Office in its 2007-08 performance audit of the Tax Expenditures Statement,⁹ this Chapter reports revenue gain estimates for 10 large tax benchmark variations.

These tax benchmark variations have been chosen because they best illustrate the considerable differences between the revenue forgone and revenue gain approaches, and how those differences can vary between tax benchmark variation items.

As in previous statements, revenue gain estimates for tax benchmark variations relating to the Capital Gains Tax (CGT) concessions for housing (E7 and E8) and the CGT discount for individuals and trusts (E15) have not been produced because of the significant uncertainty about behavioural responses.

Revenue gain estimates should be treated with caution.

- In practice, the revenue gain can be difficult to estimate as there is usually little, if any, information on how taxpayers might react to the removal of a tax benchmark variation. Assumptions about behavioural responses therefore need to be made.

⁹ ANAO Audit Report No. 32, 2007-08, *Preparation of the Tax Expenditures Statement*, Recommendation 5.

- Revenue gain estimates assume that a tax benchmark variation is abolished with immediate effect, whereas it may be more plausible on policy grounds to adopt transitional arrangements, or to reduce the size of a tax benchmark variation rather than abolish it.
- Judgments also need to be made about likely policy settings – for example, whether it is realistic to assess the abolition of a single tax benchmark variation (for example, a particular GST exemption) while keeping other tax benchmark variations unchanged (for example, other GST exemptions).
- Revenue gain estimates do not take into account any potential changes in direct government expenditure flowing from the removal of a tax benchmark variation.

4.1. Standard assumptions for the revenue gain estimates

The tax benchmark variations listed below have been estimated using both the revenue gain and revenue forgone approaches. The revenue gain estimates all assume that the tax benchmark variations:

- are removed with effect from 1 July 2021;
- apply prospectively to transactions entered into after that date; and
- include other specific assumptions concerning likely policy specifications for the removal of each concession as set out in the text below each estimate.

The revenue gain estimates also incorporate the impact of direct behavioural responses from the change where these are expected to have a significant impact on the estimates. The revenue gain estimates do not include any allowance for second round effects (that is, those arising from the flow-on of a change, beyond those directly affected, into the wider economy) because of the considerable uncertainty regarding the magnitude and timing of such effects.

Revenue forgone and revenue gain estimates are presented for a four-year period from 2021-22. A brief outline of the reasons for any difference between the revenue gain and revenue forgone estimates is then provided.

TAX BENCHMARK VARIATIONS BASED ON REVENUE GAIN APPROACH

C4: Concessional taxation of superannuation entity earnings								
Estimates	Revenue forgone estimate (\$m)				Revenue gain estimate (\$m)			
	2021-22	2022-23	2023-24	2024-25	2021-22	2022-23	2023-24	2024-25
	22,600	26,350	20,000	19,900	22,450	23,300	16,450	16,200
Reason for difference	<p>Broadly, the revenue gain approach yields a lower estimate of the tax benchmark variation because it incorporates a likely behavioural response, with removal of the concessional taxation of both superannuation contributions and earnings leading to reduced superannuation contributions (and lower balances). It is assumed current preservation rules remain. In the accumulation phase, voluntary concessional contributions are assumed to cease (as in C2) and most non-concessional contributions also cease after the start date. Over time this reduces the superannuation asset base and thus the revenue gain on withdrawing the earnings tax concession. Additionally, a significant proportion of funds in the retirement phase (not preserved) are withdrawn. Because of other tax concessions for older Australians (particularly the Seniors and Pensioners Tax Offset), the funds withdrawn attract lower tax in the new investments chosen.</p>							
C2: Concessional taxation of employer superannuation contributions								
Estimates	Revenue forgone estimate (\$m)				Revenue gain estimate (\$m)			
	2021-22	2022-23	2023-24	2024-25	2021-22	2022-23	2023-24	2024-25
	20,500	21,800	23,400	21,450	19,600	20,800	22,300	20,400
Reason for difference	<p>Broadly, the revenue gain approach yields a lower estimate of the tax benchmark variation because it incorporates a likely behavioural response, with removal of the concessional taxation of superannuation leading to reduced superannuation contributions. It is assumed that the Superannuation Guarantee remains and therefore compulsory contributions continue. Voluntary contributions are assumed to be directed to alternative tax-preferred investments.</p>							
H26: GST – Food								
Estimates	Revenue forgone estimate (\$m)				Revenue gain estimate (\$m)			
	2021-22	2022-23	2023-24	2024-25	2021-22	2022-23	2023-24	2024-25
	8,400	8,700	9,100	9,400	8,000	8,400	8,700	9,000
Reason for difference	<p>Removing the GST exemption applicable to certain types of food would be expected to decrease demand for those items. However, the impact of this behavioural response is expected to be small as demand for GST-free food is likely to be relatively unresponsive to changes in price.</p>							
H14: GST – Education								
Estimates	Revenue forgone estimate (\$m)				Revenue gain estimate (\$m)			
	2021-22	2022-23	2023-24	2024-25	2021-22	2022-23	2023-24	2024-25
	5,200	5,450	5,700	5,950	4,700	4,900	5,100	5,350
Reason for difference	<p>Removing the GST exemption for education would be expected to decrease demand for education services, for example, for private education.</p>							
H17: GST – Health – medical and health services								
Estimates	Revenue forgone estimate (\$m)				Revenue gain estimate (\$m)			
	2021-22	2022-23	2023-24	2024-25	2021-22	2022-23	2023-24	2024-25
	4,950	5,200	5,500	5,800	4,850	5,100	5,400	5,700
Reason for difference	<p>Removing the GST exemption for medical and health services would be expected to decrease demand for those services. However, the impact of this behavioural response is expected to be small as demand for medical and health services is likely to be relatively unresponsive to changes in price.</p>							

Chapter 4: Revenue gain estimates of tax benchmark variations

H2: GST – Financial supplies – input taxed treatment								
Estimates	Revenue forgone estimate (\$m)				Revenue gain estimate (\$m)			
	2021-22	2022-23	2023-24	2024-25	2021-22	2022-23	2023-24	2024-25
	3,400	3,550	3,750	3,900	3,400	3,550	3,750	3,900
Reason for difference	Removing the input taxed treatment of financial services is not expected to materially impact the demand for these services. This is because of the relatively small increase in the price of financial services that would result from applying the normal GST rules and the lack of substitutable services that are available. As a result, there is no material difference between the revenue forgone and revenue gain estimates.							
B12: Exemption from interest withholding tax on certain securities								
Estimates	Revenue forgone estimate (\$m)				Revenue gain estimate (\$m)			
	2021-22	2022-23	2023-24	2024-25	2021-22	2022-23	2023-24	2024-25
	2,410	2,410	2,410	2,410	1,750	1,650	1,640	1,640
Reason for difference	Removing the exemption from interest withholding tax on certain securities would be expected to result in some borrowers switching to other forms of exempt borrowings, resulting in no revenue gain. In addition, some interest payments may be increased to cover the tax, leading to increased income tax deductions.							
A23: Concessional taxation of non-superannuation termination benefits								
Estimates	Revenue forgone estimate (\$m)				Revenue gain estimate (\$m)			
	2021-22	2022-23	2023-24	2024-25	2021-22	2022-23	2023-24	2024-25
	2,250	2,250	2,200	1,950	2,250	2,250	2,200	1,950
Reason for difference	As this tax benchmark variation relates to termination of employment (including cases such as redundancy), it is expected that employees would have limited capacity to alter their employment status if the tax treatment changed. As a result, there is no material difference between the revenue forgone and revenue gain estimates.							
A38: Exemption of Family Tax Benefit payments								
Estimates	Revenue forgone estimate (\$m)				Revenue gain estimate (\$m)			
	2021-22	2022-23	2023-24	2024-25	2021-22	2022-23	2023-24	2024-25
	1,740	1,840	1,880	1,770	1,740	1,840	1,880	1,770
Reason for difference	Removing the exemption of Family Tax Benefit, Parts A and B could be expected to result in a change in labour force participation; however, the size of the effect is uncertain and has not been quantified. As a result, there is no difference between the revenue forgone and revenue gain estimates.							
F21: Customs duty								
Estimates	Revenue forgone estimate (\$m)				Revenue gain estimate (\$m)			
	2021-22	2022-23	2023-24	2024-25	2021-22	2022-23	2023-24	2024-25
	-1,860	-1,850	-1,080	-1,120	-1,860	-1,850	-1,080	-1,120
Reason for difference	Under the customs duty benchmark, goods imported into Australia are free from customs duty except to the extent that the duty is equivalent to taxes imposed on domestically produced goods. Bringing the customs duty tax benchmark variation in line with the benchmark would remove the revenue currently collected from tariffs on imports (which is reported as a negative benchmark variation). While the change may increase demand for imported goods, this would have no impact on customs duty revenue once the tax rate has been reduced to zero.							

APPENDIX A: TECHNICAL NOTES

This appendix provides further technical information regarding the reliability of estimates, how unquantifiable tax benchmark variations are reported, detailed information about the benchmark tax treatments used in the Statement and an overview of the various modelling techniques used to quantify tax benchmark variation estimates.

A.1 Reliability

The tax benchmark variation estimates published in this statement are based on a range of economic and other parameters. These parameters have been updated to reflect the most recent information on the outlook for the domestic and international economies as outlined in the *2021-22 Mid-Year Economic and Fiscal Outlook*.

In addition to economic conditions, tax benchmark variation estimates vary in reliability due to a variety of factors including: the quality, detail and frequency of the underlying data; the consequent extent to which calculations must be based on assumptions, and the sensitivity of estimates to those assumptions.

Estimates with higher reliability tend to be those where future taxpayer behaviour is relatively more predictable because of longstanding stable trends in the historical data, or where only estimates based on historical data ('actuals') are reported.

The reliability of each tax benchmark variation estimate (where quantified) has been assessed by separately scoring:

- the reliability of the available data;
- the underlying assumptions made where no data, or insufficient data, is available; and
- other relevant factors (for example, the volatility of growth rates over time).

Scores range from 0 (very low) to 3 (high). The three scores are then summed to give an overall reliability rating as set out below.

Score	Rating
0	Very low
1-3	Low
4	Medium – low
5-7	Medium
8	Medium – high
9	High

The reliability of quantified tax benchmark variations in the 2021 Statement is shown in Table A1.

Table A1: Reliability of quantified benchmark variations for 2021-22

Reliability rating	Number of benchmark variations
High	3
Medium – high	11
Medium	58
Medium – low	27
Low	37
Very low	4
Total	140

A.2 Unquantifiable tax benchmark variations

In many cases, there is insufficient data to produce an estimate for a tax benchmark variation. While Treasury has access to detailed tax data collected by the Australian Taxation Office from tax returns, the scope of this data is limited by the number and nature of questions on the tax return itself. While expanding the tax return form could increase the data available for estimating tax benchmark variations, this would increase compliance costs for taxpayers. Treasury also utilises other data sources, for example, Australian Bureau of Statistics data where relevant.

In the 2021 Statement, estimates are not available for 2021-22 for 153 of the 298 tax benchmark variations. Where tax benchmark variations are not quantifiable, an order of magnitude is provided using the categories set out in Table A2.

Table A2: Orders of magnitude

Order of magnitude range	
Category	Expected benchmark variation (\$m)
0	0 on average over reporting period
1	0–10
2	10–100
3	100–1,000
4	1,000 +
NA	not available

Category classifications are provided as a broad guide only. They are based on assumptions and judgment and should be treated with caution.

The category classification also indicates whether a tax benchmark variation is positive or negative. For example, '1+' indicates a positive benchmark variation. Where a benchmark variation could be positive or negative, a '+/-' classification is assigned.

The category assigned to a tax benchmark variation refers to the year the tax benchmark variation is considered to be largest.

A.3 Periodic update of certain benchmark variation estimates

All larger tax benchmark variations estimates are reviewed annually. Each year, variations subject to a significant policy change or variations subject to significant growth or volatility over the forward estimates period, are also reviewed.

Tax benchmark variations with a value of less than \$200 million in the Budget year and that cannot be quantified are reviewed periodically. Tables A3 and A4 note the items that were not updated in the 2021 Statement and when they will be reviewed.

Table A3: Indicative list of items for review in the 2022 Statement

Code	Benchmark variation title	Code	Benchmark variation title
A13	Tax offsets for Australian Defence Force personnel serving overseas and for Australian Federal Police and civilians serving with United Nations forces	A15	Exemption of income from certain educational scholarships, payments to apprentices or similar forms of assistance
A21	Medicare levy surcharge lump sum payment in arrears tax offset	A36	Income tax exemption for Australian staff of the Asian Development Bank
A42	Exemption of payments made under the First Home Owner Grant Scheme	A43	Zone tax offsets
A46	Non-commercial losses deductions allowed for certain taxpayers with an adjusted taxable income under \$250,000	A49	Tax deferral advantage arising from personal after-tax contributions to a pension or annuity
A50	Union dues and subscriptions to business associations deduction	A60	Exemption of post-judgment interest awards in personal injury compensation cases

Table A3: Indicative list of items for review in the 2022 Statement (continued)

Code	Benchmark variation title	Code	Benchmark variation title
B4	Interest withholding tax and dividend withholding tax exemptions for overseas charitable institutions	B5	Investment Manager Regime
B10	Exemption from accruals taxation system for certain transferor trusts	B11	Exemption from accruals taxation system for controlled foreign companies
B27	Tax assistance for recipients of disaster relief and recovery payments	B33	The 10-year rule for prepayments
B42	Denial of depreciation deduction for car value above the car limit	B44	Shipping – refundable tax offset for employers of qualifying Australian seafarers
B48	Clarification of the debt or equity treatment of perpetual subordinated debt	B56	Income tax exemptions for foreign superannuation funds
B58	Managed investment trusts – election to allow capital gains tax to be the primary code for disposals of certain assets	B64	Treatment of distributions on certain term subordinated notes
B65	Treatment of finance leases	B70	Accelerated write-off for horticultural plants
B73	Accelerated write-off for telephone lines and electricity connections	B76	Statutory effective life caps
B77	Absence of depreciation recapture for certain assets	B79	Depreciation balancing adjustment roll-over relief
B84	Simplified trading stock rules	B88	Exception to equity interest test for certain related party at call loans
D8	Reduction in taxable value for education costs of children of employees posted overseas	D12	Exemption for travel costs of employees and their families associated with overseas medical treatment
D13	Exemption for accommodation, fuel and meals for live-in employees caring for the elderly or disadvantaged	D14	Exemption for emergency assistance
D17	Exemption for meals for primary production employees in remote areas	D19	Exemption for certain fringe benefits provided to live-in employees providing domestic services to religious institutions and practitioners
D25	Certain relocation and recruitment expenses exemption and reduction in taxable value	D26	Compassionate travel exemption
D28	Discounted valuation for holidays for employees and their families when posted overseas	D35	Loan benefits exemption
D36	Long service awards exemption	D44	Remote area holiday benefits discounted valuation
D45	Small business employee car parking exemption	D46	Taxi travel to or from place of work exemption
E2	Roll-over for membership interests in medical defence organisations	E4	Additional 10 per cent CGT discount for affordable housing
E12	Concession for non-portfolio interests in foreign companies with active businesses	E16	Discount for investors in listed investment companies
E17	Exemption for assets acquired before commencement of CGT	E24	Roll-over for assets compulsorily acquired, lost or destroyed
E28	Roll-over for transfer of assets on marriage or relationship breakdown	F1	Primary industry levy exemptions

Table A3: Indicative list of items for review in the 2022 Statement (continued)

Code	Benchmark variation title	Code	Benchmark variation title
G1	Junior Minerals Exploration Incentive	H11	Tourism – domestic travel as part of an international arrangement
H21	Supplies of farm land	H24	Precious metal

Table A4: Indicative list of items for review in the 2023 Statement

Code	Benchmark variation title	Code	Benchmark variation title
A1	Deduction for expenses incurred by election candidates	A6	Australian Defence Force personnel – exemption of certain allowances
A9	Australian Defence Force Reserve personnel – exemption of compensation for loss of pay and allowances	A10	Australian Defence Force Reserve personnel – exemption of pay and allowances for part-time personnel
A12	Medicare levy exemption for current and veteran Australian Defence Force personnel and their relatives and associates	A24	Concessional taxation of unused long service leave accumulated prior to 16 August 1978
A41	Denial of deductions for vacant land	A47	Non-commercial losses exception rules for primary producers and artists
A48	Tax concessions for employee share schemes income	A51	Denial of deductions for illegal activities
A52	Increased tax rates for certain minors	A57	Car expenses – alternatives to the logbook method
A59	Exemption for personal injury annuities	B1	Denial of deductions by businesses for political donations
B3	Exemptions for prescribed international organisations	B7	Income tax exemption for persons connected with certain US Government projects in Australia
B16	Threshold exemption for thin capitalisation	B17	Security agency transaction exemption
B29	Tax exemption for National Rental Affordability Scheme incentives	B32	Prepayment rule for eligible business taxpayers and non-business expenditure by individuals
B36	Deferral or spreading of profit from the forced disposal or death of livestock	B39	Spreading of insurance income for loss of timber or livestock
B40	Sustainable Rural Water Use and Infrastructure Program	B45	Deductions for boat expenditure
B47	Capital gains tax concession for carried interests paid to venture capital partners	B50	Deduction for certain co-operatives repaying government loans
B59	Philanthropy – income tax exemption for not-for-profit companies	B62	Tax incentives for early stage investors
B63	Tax incentives for Venture Capital Limited Partnerships and Early Stage Venture Capital Limited Partnerships	B68	Accelerated depreciation of fencing and fodder storage assets for primary producers
B69	Accelerated write-off for expenditure on water facilities for primary producers	B71	Accelerated write-off for irrigation water providers
B72	Accelerated write-off for landcare operations	B74	Closing stock valuation options for horse breeding stock
B80	Depreciation pooling for low value assets	B85	Timor Sea Maritime Boundaries Treaty

Table A4: Indicative list of items for review in the 2023 Statement (continued)

Code	Benchmark variation title	Code	Benchmark variation title
C8	Superannuation measures for low-income earners	C10	Tax on funded superannuation income streams
D5	Exemption for benefits received by Australian Government employees in receipt of military compensation payments	D7	Exemption for certain retraining and reskilling benefits
D10	Exemption for charities promoting the prevention or control of disease in human beings	D18	Exemption for remote area housing and reduction in taxable value for housing assistance
D22	Approved worker entitlement fund payment exemption	D23	Australian Traineeship System – exemptions for certain employees
D24	Car parking benefits	D31	Employer contributions to secure child care places exemption
D32	Employer-provided motor vehicle parking exemptions	D33	Expenses for employees living away from home exemptions
D34	In-house fringe benefits – reduction in the aggregate taxable value	D37	Minor benefits exemption
D38	Minor private use of company motor vehicle exemption	D39	Philanthropy – exemption for donations to deductible gift recipients
D40	Police officers – free or discounted travel to and from duty on public transport exemption	D41	Private use of business property exemption
D42	Provision of food and drink in certain circumstances exemption	D43	Recreational or child care facilities on an employer's business premises exemption
D47	Transport for oil rig and remote area employees exemption	D49	Fringe benefits tax record keeping exemption
D50	Meal entertainment fringe benefits – 50/50 valuation method	E1	Exemption for valour or brave conduct decorations
E3	Exemptions for special disability trusts	E5	Exemption for granny flat arrangements
E6	Concessions for conservation covenants	E14	Demerger concessions
E19	Exemption for testamentary gifts to deductible gift recipients	E20	Exemption from the market value substitution rule for certain interests in widely held entities
E27	Roll-over for statutory licences and water entitlements	F2	Exemptions from radiocommunications taxes for not-for-profit community or government entities
F5	Tourism – inwards duty free	F7	Excise concessions for 'alternative fuels'
F8	Excise levied on fuel oil, heating oil and kerosene	F9	Excise levied on fuel products used for purposes other than as fuel
F11	Concessional rate of excise levied on brandy	F12	Concessional rate of excise levied on brewed-on-premises beer
F13	Concessional rate of excise levied on draught beer	F14	Concessional rate of excise levied on low strength packaged beer
G2	Crude Oil Excise	G6	PRRT – starting base and uplift rate for capital assets
H1	Financial supplies – financial acquisitions threshold – input tax credits	H8	Global roaming by visitors to Australia
H10	Boats for export	H23	Simplified accounting methods
H25	Cross-border transport supplies		

A.4 Benchmarks

Benchmarks represent a standard taxation treatment that applies to similar taxpayers or types of activity. Benchmarks may also incorporate structural elements of the tax system; for example, the progressive income tax rate scale for individual taxpayers.

Determining benchmarks involves judgment. Consequently, the choice of benchmark may be contentious and benchmarks may vary over time. The choice of benchmark should not be interpreted as indicating a view on how an activity or taxpayer ought to be taxed.

Broadly, benchmarks comprise the following elements:

- the tax base – the activities or transactions subject to the tax;
- the tax rate – the rate of tax that applies to the base;
- the tax unit – the entity liable to pay the tax; and
- the tax period – the period in which the activities or transactions are undertaken.

INCOME TAX BENCHMARK

The starting point for defining the income tax benchmark is the Schanz-Haig-Simons (SHS) definition of income. Under this definition, income is equal to the increase in an entity's economic wealth (stock of assets) between two points in time plus the entity's consumption in that period. Consumption includes all expenditures except those incurred in earning or producing income.

However, the income tax benchmark departs from the SHS definition of income in places – for example, it does not include unrealised capital gains. The benchmark also incorporates features of the tax system not addressed by the SHS definition – for example, the progressive personal tax rate scale, which is included in the benchmark as it is considered to be a structural feature of the tax system.

Tax base

Under the income tax benchmark, income includes:

- wages and salaries;
- allowances;
- business receipts;

- realised capital gains (except where they form part of the normal trading activities of a business);
- interest, royalties and dividends;
- partnership income;
- government cash transfers; and
- distributions from trusts.

Expenses incurred in earning assessable income are deductible. Where an expense is incurred for both income producing and private purposes, deductions are limited to the portion of expenses relating to income production.

The income tax benchmark incorporates a range of features of the tax system.

- Assessment applies to nominal rather than real income. Expenses incurred in earning income are deductible at the nominal cost that applied in the year they were incurred.
- The taxable income of some taxpayers (typically individuals) is assessed on a cash basis – that is, as it is actually received by the taxpayer. The taxable income of other taxpayers (typically businesses) is assessed on an accruals basis – that is, when the right to the income arises (even if it has not yet been received).
- Depreciation deductions for expenses related to economic benefits that extend beyond the income year in which the expenditure is incurred are spread over the period of the benefits.
- Imputed rent from owner-occupied housing is not included in income in the estimates presented in Chapter 3. Expenditure incurred in earning imputed rent is not deductible. The impact of including imputed rent in the benchmark tax treatment was discussed in Chapter 2 of the 2018 Statement.
- Certain gains, such as gains received by way of compensation for damage or any wrong or injury suffered by a taxpayer, or gains or winnings from gambling (where taxpayers are not considered to be carrying on a business of gambling), are not included in income.
- Losses are deductible against assessable income for a later income year. Losses generally cannot be transferred to other taxpayers, and some losses may only be claimed against certain types of future income.
 - Non-commercial loss rules prevent individuals carrying on unprofitable business activities from claiming deductions for losses arising from such

activities against their other income. The denial of losses from non-commercial activities is part of the benchmark.

- Depreciation deductions are made over the effective life of the asset, and balancing adjustments on disposal reconcile differences between the outstanding tax and economic values of the asset.
- Business capital expenditures not elsewhere recognised within the taxation laws are deductible over five years.
- The mutuality principle excludes income from dealings with oneself or members of mutual associations and societies. For instance, goods produced by taxpayers for their own consumption, or services performed by taxpayers for their own benefit are generally not included in the tax base.
- The benchmark incorporates arrangements to reduce or eliminate double taxation, for example, the imputation system, which eliminates the double taxation of company profits distributed to resident shareholders.
- The superannuation guarantee charge is not tax-deductible under the benchmark.

Under the income tax benchmark, Australian residents are taxed on their Australian source and foreign source income. The benchmark also incorporates international tax arrangements.

- Resident taxpayers are allowed to claim foreign income tax offsets up to the amount of Australian tax payable on their foreign income. These arrangements ensure foreign source income is not excessively taxed.
- The controlled foreign company and trust rules ensure Australian residents cannot escape or defer taxation of certain income (often passive in nature) by interposing a foreign resident legal entity.
- Transfer pricing and thin capitalisation rules and interest, dividend and royalty withholding taxes aim to tax appropriately Australian sourced income and are included in the benchmark.
- Foreign residents are taxed on their Australian source income only. As part of this benchmark, where foreign income (or foreign capital gains) earned by an Australian entity is subsequently distributed to a foreign resident, the distribution attracts no Australian tax.
- The benchmark for Australian residents includes their worldwide capital gains. For foreign residents, the benchmark includes the limitation of domestic and treaty capital gains tax rules to the direct or indirect disposal of interests in Australian land (and similar interests such as mining rights) and branch office assets (from 12 December 2006).

- Taxation treaties primarily operate to allocate taxing rights over income between the source country of income and the taxpayer's country of residence. However, some articles (by incorporation into Australia's domestic law) have the effect of imposing taxation or determining source. For distributions of Australian source income to foreign residents, the basic rates of Australian tax (typically imposed as withholding tax) prescribed in these treaties in respect of specified classes of income, such as interest, dividend and royalty income, are included in the benchmark as the applicable tax rates.
 - Under this approach, the benchmark rate of interest, dividend and royalty withholding rates will vary depending on whether the country in question has a tax treaty with Australia.
 - If a tax treaty exists, the benchmark rates of withholding tax for a class of income will be the 'basic rate', where the basic rate is the highest rate specified in the treaty for each withholding tax.
 - Exemptions or reductions relative to the basic rates prescribed in a particular tax treaty will give rise to tax benchmark variations.
 - If a tax treaty does not apply, any exemptions or reductions from the standard domestic statutory rates will give rise to tax benchmark variations.

Tax rates

The income tax benchmark includes:

- for resident individuals: the tax-free threshold, the progressive personal income tax rate scale, low income tax offset, low and middle income tax offset (from 2018-19 to 2021-22), and the Medicare levy;
- for non-resident individuals: the foreign resident income tax scale, non-eligibility for the low income tax offset and low and middle income tax offset and non-liability for the Medicare levy; and
- for companies: the relevant company tax rate.

Tax unit

For the personal income tax system in Australia, the benchmark unit is the individual.

For companies, the benchmark tax unit is the company (including the head entity of a consolidated group or a multiple entry consolidated group).

Sole traders, partnerships and trusts are not separate tax units. Income earned by these entities is taxable in the hands of the recipient.

Tax period

Generally, the tax period under the income tax benchmark is the financial year (1 July to 30 June). However, the benchmark also includes arrangements for entities whose accounting period differs from the standard financial year (for example, companies with a substituted accounting period).

Superannuation

Superannuation may be taxed at three stages:

- when contributions are made to a superannuation fund;
- when investments in superannuation funds earn income; and
- when superannuation benefits are paid out.

The income tax benchmark treatment of superannuation is that contributions are made from after-tax income, earnings are taxed at marginal rates and benefits from superannuation are untaxed. Any costs associated with superannuation investments are deductible under the benchmark.

Fringe benefits

Under the income tax benchmark:

- fringe benefits are classified as individual employee income;
- the tax base includes property rights, privileges or services. However, payments of salary or wages, eligible termination payments, contributions to complying superannuation funds and certain benefits arising from employee share schemes are excluded;
- the benchmark value of a fringe benefit to an employee is taken to be its market value less any contribution that the employee pays from after-tax income;
- the tax rate is the employee's marginal income tax rate;
- fringe benefits tax is calculated on the grossed-up taxable value (that is, the pre-tax equivalent value) of the fringe benefit. In some cases, discount valuation methods are available to calculate the taxable value of a fringe benefit. Such methods are reported as tax benchmark variations;
- the unit liable to pay fringe benefits tax is the employer, however, for consistency with the benchmark treatment, the relevant unit to the benchmark is the individual employee.
- generally, employers may claim the cost of providing fringe benefits and the amount of fringe benefits tax paid as income tax deductions; and

- the tax period is the fringe benefits tax year (1 April to 31 March).

INDIRECT TAX BENCHMARKS

The main indirect taxes are:

- the goods and services tax;
- taxes on commodities such as fuel, tobacco, alcoholic beverages and motor vehicles;
- crude oil excise and the petroleum resource rent tax; and
- miscellaneous taxes including agricultural levies and the passenger movement charge.

Unlike the income tax benchmark, there is no starting point such as the Schanz-Haig-Simons definition of income for determining the benchmarks for indirect taxes. Each indirect tax therefore has its own benchmark that reflects the standard features of the tax in question. Identifying the standard features of a tax unavoidably involves judgment.

Generally, for each tax, the tax unit under the benchmark is the entity that has the legal obligation to pay the tax.

Goods and services tax

Broadly, the tax base for the goods and services tax (GST) benchmark is the supply of all goods and services to households in Australia. The definition of 'goods and services' is broad and includes, for example, commercial property.

The supply of some goods and services, however, is either:

- exempt from GST – that is, where no GST is payable on the supply and the supplier is entitled to claim input tax credits (ITCs); or
- input-taxed – that is, where no GST is payable on the supply but the supplier cannot claim ITCs (or can only claim reduced credits).

ITCs do not constitute tax benchmark variations as they are an integral part of the GST system, ensuring that tax doesn't distort production processes.

Features of the benchmark tax base include:

- exports are exempt from GST;
- non-commercial activities of governments are exempt from GST;

- the supply of private residential accommodation¹⁰ is input-taxed (meaning rent is not subject to GST);
- the sale of pre-existing residential premises is input-taxed;
- the sale of new residential premises and the supply of alterations, additions and improvements to residential premises are subject to GST;
- goods and services supplied to oneself are not subject to GST.
- The tax rate for the GST benchmark is 10 per cent.

Fuel

The Australian Government imposes a volumetric tax on the consumption of fuel (that is, tax is charged as a fixed proportion of the quantity sold).

The tax base for the consumption of all fuel (or energy) is split into two activities:

- fuels consumed in an internal combustion engine (that is, primarily for transport use); and
- fuels consumed for a purpose other than in an internal combustion engine (for example, a product that can be used as a fuel in an internal combustion engine but is used in a solvent application or for heating).

The taxation of these activities reflects longstanding and integral features of the tax system whereby excise rates are dependent on whether the fuel is used in an internal combustion engine.

The benchmark excise rates for fuels consumed in an internal combustion engine are the full energy content-based rates established using an energy band system and in reference to the rate applying high energy content fuels. The bands used are:

- high energy content fuels, with an energy content of more than 30 megajoules per litre (such as petrol, diesel, biodiesel and aviation fuel);
- medium energy content fuels, with an energy content between 20 and 30 megajoules per litre (such as liquefied petroleum gas (LPG) and fuel ethanol), and an excise rate approximately two-thirds of that applying to high energy content fuels;
- low energy content fuels, with an energy content of less than 20 megajoules per litre (such as methanol), and an excise rate approximately 45 per cent of that applying to high energy content fuels; and

¹⁰ Including owner-occupied housing and long-term commercial residential accommodation.

- liquefied natural gas (LNG) and compressed natural gas (CNG) fuels, which are taxed on a mass basis using a conversion rate of approximately 1.37 litres per kilogram.¹¹

Fuels consumed other than in an internal combustion engine are exempt from excise under the benchmark.

Tobacco

The Australian Government imposes a volumetric tax on the consumption of tobacco (that is, tax is charged as a fixed proportion of the quantity sold).

The benchmark for the consumption of tobacco and tobacco products is the excise rate that applies to tobacco by weight of tobacco content.

Alcoholic beverages

The Australian Government imposes volumetric taxes on the consumption of beer and spirits (that is, tax is charged as a fixed proportion of the quantity sold) and an ad valorem tax on the consumption of wine (that is, tax is charged as a fixed proportion of the value of the commodity sold).

The tax base for the consumption of alcoholic beverages is separated into three components based on the types of beverage:

- the consumption of lower alcohol content beverages such as beer;
- the consumption of higher alcohol content beverages (beverages with greater than 10 per cent alcohol content) such as brandy and other spirits (including spirits mixed in ready to drink beverages); and
- the consumption of wine and alcoholic cider.

The taxation of these activities reflects a longstanding feature of the tax system whereby different tax rates apply to beer, spirits and wine.

- The benchmark excise rate for lower alcohol content beverages (for example, beer) is the volumetric excise rate that applies to full strength packaged beer (including the excise-free threshold of the first 1.15 per cent of alcohol).
- The benchmark excise rate for higher alcohol content beverages (for example, spirits) is the volumetric excise rate on spirits other than brandy.

¹¹ For example, 38.143 cents per litre multiplied by 1.37 litres per kilogram becomes 52.26 cents per kilogram.

- The benchmark rate for wine and alcoholic cider is the ad valorem wine equalisation tax rate.

Motor vehicles

Generally, motor vehicle purchases are only subject to goods and services tax. Consequently, the luxury car tax is a negative tax benchmark variation.

Customs duties

The customs duty benchmark treats goods imported into Australia as being subject to the same taxes as domestically produced goods, the main taxes being goods and services tax and excises on tobacco, alcohol and fuel. Customs duty (other than on excise-equivalent goods) therefore constitutes a negative tax benchmark variation.

Natural resources

The natural resources benchmark applies to the offshore extraction of petroleum products (crude oil, natural gas, LPG and condensate) subject to the petroleum resource rent tax (PRRT). The benchmark does not apply to the extraction of other natural resources.

The benchmark is a 40 per cent tax rate on the economic rents earned on the extraction of these resources. There is a full tax-loss offset which can be utilised by transferring tax losses among commonly owned projects that are subject to the same tax rate. The tax unit is the project interest.

The benchmark also includes immediate expensing of project expenditures. To the extent that losses are carried forward because they cannot be utilised immediately, they are uplifted at the long-term government bond rate (a proxy for the risk-free rate). The uplift rate compensates investors for the delay in the recognition of the tax credit and preserves the value of the tax credit over time. A refund of unutilised tax credits is available when the project closes down.

Crude oil excise is payable in respect of certain petroleum production, and is creditable against the project's PRRT liabilities. Where this occurs, the crude oil excise paid in a period is treated as a prepayment of the PRRT liability for that period. To the extent that the tax prepayment exceeds the PRRT liability in a year, a negative tax benchmark variation arises for the year, while credits for overpayments recouped in subsequent years would count as positive tax benchmark variations in those years.

Passenger movement charge

The passenger movement charge is a flat rate imposed on all persons upon their departure from Australia. Exemptions from the charge create a tax benchmark variation.

Visa application charges

From 1 July 2015, visa application charges (VAC) have been treated as taxation revenue, rather than sales of goods and services.

VAC are set such that all visa applicants with similar characteristics, applying for the same visa, pay the same charge. The benchmark tax treatment is equivalent to the current charges levied.

Primary industry levies

Primary industry levies provide collective industry funding for activities such as research and development, promotion and marketing, residue testing and plant and animal health programs. The levies are levied on the volume or value of the relevant type of produce. Exemptions from levies create tax benchmark variations (except exemptions for products which are unfit for human consumption or exemptions for products used by the producer for domestic purposes).

Major bank levy

From 1 July 2017, the benchmark for the major bank levy has been taken to be equivalent to the levy as outlined in the *Major Bank Levy Act 2017* (the Act).

The levy applies to Authorised Deposit-taking Institutions (ADI) with total liabilities of greater than \$100 billion, with the threshold indexed to grow in line with nominal GDP. The levy is imposed at a rate of 0.015 per cent on certain liabilities of the ADI that are reported to the Australian Prudential Regulation Authority on a quarterly basis. For further detail on the certain liabilities please see the Act.

Other Miscellaneous Taxes

There are a range of minor miscellaneous indirect taxes, including but not limited to, radiocommunications taxes and taxes on regulated entities for the purpose of providing regulatory activities.

Generally, the benchmark for these taxes is taken to be the tax rate stated in applicable legislation. Any exemptions or concessions from these taxes would create a tax benchmark variation.

A.5 Modelling tax benchmark variations

This section provides an overview of the various modelling techniques used in the Statement to estimate the value of tax benchmark variations.

The methods used to calculate the estimates of individual tax benchmark variations in this statement vary. The appropriate approach is determined by the nature of the tax benchmark, the particular tax concession examined and the availability of data. Data availability is a major factor influencing the reliability of the estimates and, in many cases, estimates are not provided owing to data limitations.

The approaches used to estimate tax benchmark variations include aggregate modelling, distributional modelling and microsimulation.

AGGREGATE MODELLING

This approach involves using information on the aggregate volume of transactions to calculate the value of a particular tax concession. Aggregate modelling is an appropriate approach for estimating tax exemptions or concessions where the impact can be represented as a simple proportion of the total transactions concerned. Data sources suitable for aggregate modelling include national accounts data, trade and production statistics, and aggregates derived from administrative databases (such as taxation records). Microsimulation models also provide some summary measures for input into aggregate models.

Table A5: Large measured tax benchmark variations modelled using an aggregate approach

Code	Benchmark variation title	Code	Benchmark variation title
A17	Exemption of the Private Health Insurance Rebate	A19	Medicare levy exemption for residents with taxable income below the low-income thresholds
A25	Exemption for National Disability Insurance Scheme amounts	A26	Exemption of Child Care Assistance payments
A37	Exemption of certain income support benefits, pensions or allowances	A38	Exemption of Family Tax Benefit payments
A55	Philanthropy – deduction for gifts to deductible gift recipients	B2	Local government bodies income tax exemption
B12	Exemption from interest withholding tax on certain securities	B23	Tax exemption for assistance provided through the 'boosting cash flow for employers' measure

Table A5: Large measured tax benchmark variations modelled using an aggregate approach (continued)

Code	Benchmark variation title	Code	Benchmark variation title
B67	Accelerated depreciation for business entities	B78	Capital works expenditure deduction
B83	Simplified depreciation rules	C1	Concessional taxation of capital gains for superannuation funds
C2	Concessional taxation of employer superannuation contributions	C3	Concessional taxation of personal superannuation contributions
C4	Concessional taxation of superannuation entity earnings	C6	Deductibility of life and total permanent disability insurance premiums provided inside of superannuation
D11	Exemption for public and not-for-profit hospitals and public ambulance services	D15	Exemption for public benevolent institutions (excluding hospitals)
E7	Main residence exemption	E8	Main residence exemption – discount component
E15	Discount for individuals and trusts	F10	Higher rate of excise levied on cigarettes not exceeding 0.8 grams of tobacco
F21	Customs duty	H2	Financial supplies – input taxed treatment
H5	Child care services	H6	Water, sewerage and drainage
H14	Education	H17	Health – medical and health services
H18	Health – residential care, community care and other care services	H26	Food

DISTRIBUTIONAL MODELLING

This approach involves using discrete aggregate data to calculate the impact of tax variations on particular segments of the economy. Distributional modelling is an appropriate approach for estimating concessions that vary according to the characteristics of the taxpayer. Data sources suitable for distributional modelling include survey data and data derived from administrative databases.

Distributional modelling is used to estimate tax benchmark variations for personal income tax concessions when the cost is related to a taxpayer's taxable income. For these concessions, data on income distribution and tax concessions by grade of taxable income can be used to estimate the cost of tax benchmark variations for those concessions.

Table A6: Large measured tax benchmark variations modelled using a distributional approach

Code	Benchmark variation title
B6	Reduced withholding tax under international tax treaties

MICROSIMULATION

This approach involves examining detailed datasets, such as taxpayer records, to determine the value of taxable transactions for each taxpayer. The value of the tax benchmark variation is the difference between the tax paid on those transactions under the variation and the tax that would have been collected under the benchmark. Microsimulation modelling requires either a comprehensive database of all taxpayers or a detailed sample that is representative of the population. The data must provide sufficient detail on the value of transactions affecting the calculation of tax liabilities to allow the required calculations.

Microsimulation modelling is used to estimate tax benchmark variations that closely target particular taxpayer groups (for instance, benefits subject to detailed eligibility tests) and variations where the payment rate varies considerably according to taxpayer behaviour or circumstance.

Microsimulation modelling can also be used to derive key information, such as average effective tax rates, which can be used in other models that employ aggregate or distributional modelling. This is appropriate for situations where detailed datasets are not available for all items.

Table A7: Large measured tax benchmark variations modelled using microsimulation

Code	Benchmark variation title	Code	Benchmark variation title
A23	Concessional taxation of non-superannuation termination benefits	B24	Temporary loss carry-back for certain incorporated entities
B57	Lower company tax rate		

REVENUE FORGONE ESTIMATES – DOUBLE COUNTING AND CLAWBACKS

Treatment of imputation

The value of some tax benchmark variations reported in this statement is partially offset as a result of the imputation system. For example, concessions that reduce company tax may be clawed back through the subsequent taxation of dividends in the hands of shareholders. The estimates in this statement generally make no allowance for this clawback owing to the practical difficulties of doing so.

Income tax clawback

In addition, the value of some tax benchmark variations can include an income tax clawback. An income tax clawback will occur when a taxpayer's taxable income is affected by the operation of a particular tax benchmark variation.

For example, an income tax clawback can occur in respect of taxes that are deductible for income tax purposes and that are not passed on to final consumers through higher prices. That is, while a tax benchmark variation may offer a concession to a group of taxpayers or type of activity, if that concession were removed, there would be a resulting increase in deductible expenses and decrease in income tax paid that would partially offset the additional tax liability.

Tax benchmark variation estimates for consumption taxes generally do not include an income tax clawback as consumption taxes are usually assumed to be passed onto final consumers, resulting in no change to the taxable income of the taxpayer. Tax benchmark variation estimates for other taxes can include an income tax clawback where the tax is assumed to be borne by the taxpayer.

Capital gains tax estimates

Under the income tax benchmark as it applies to CGT, nominal capital gains are fully taxable upon realisation. The 50 per cent discount for capital gains realised by resident individuals and trusts, which affects most capital gains realised by these entities, is a variation against this benchmark.

Individuals and trusts may also be eligible for other CGT concessions. The revenue forgone methodology that is generally used in this statement implies that estimates for these other CGT concessions should be calculated against the benchmark of full taxation of nominal capital gains.

To avoid double counting, the values of tax benchmark variations for other CGT concessions are reduced by the CGT discount component and the discount component of these other concessions is included in the tax benchmark variation for the CGT discount (E15). This modification to the tax benchmark variation methodology provides more realistic estimates of the value of the benefits taxpayers receive from capital gains concessions in aggregate, though it has the effect of understating the value of individual CGT tax benchmark variations other than the discount.

A.6 Accrual estimates

Like budget revenue estimates, tax benchmark variations estimates are prepared in accordance with Australian Accounting Standards and Government Finance Statistics standards for accrual accounting.

Broadly, tax benchmark variations arising from the following taxes use the Tax Liability Method (TLM) method of accrual accounting¹²:

- individuals and other withholding taxation;

¹² These three forms of taxation also incorporate capital gains taxation.

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- company income taxation; and
- superannuation taxation.

Under TLM, taxation revenue is accounted for at the time a taxpayer makes a self-assessment or when an assessment of a taxation liability is raised by the relevant authority (such as the Australian Taxation Office).

Tax benchmark variations arising from indirect taxes, natural resource taxes and fringe benefits tax use the Economic Transactions Method (ETM), under which tax revenue is recognised in the reporting period in which the taxpayer earns the income in question.

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