STATEMENT 4—REVENUE

CONTENTS

4

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PART 1: OVERVIEW

Total budget revenue in 1989–90 is estimated at $95 875m, an increase of 8.9% over 1988–89. This represents an estimated 26.2% of GDP, unchanged from 1988–89 and down from 27.2% in 1987–88.

Total revenue has been reduced by a net $3818m as a result of measures announced since the August 1988 Budget including in the April 1989 Economic Statement and in this budget.

Revenue collections in 1988–89 were $88 027m, $531m or 0.6% higher than the budget estimate and $7199m or 8.9% higher than 1987–88 revenue. Collections from PAYE income tax, the prescribed payments system (PPS), company tax, sales tax, customs duty on imports and petroleum products excise were significantly above the budget estimate, primarily reflecting stronger than expected economic activity. This was partly offset by significant shortfalls in 'other' individual (non-PAYE) income tax, crude oil and LPG excise and non-taxation revenue reflecting various factors largely unrelated to economic conditions.

Revenue measures announced in the 1989–90 Budget are set out in Part 2 of this Statement. The estimates for individual revenue items in 1989–90, together with the 1988–89 outcomes and budget estimates, are set out in Part 3. Longer term trends in revenue are discussed in Part 4. Appendix A contains a brief discussion of the measures in the April 1989 Economic Statement; Appendix B outlines briefly other measures announced since the 1988–89 Budget while Appendix C details revenue information on a longer-run basis.

PART 2: MEASURES

Table 1 sets out the estimated revenue impact in 1989–90 and 1990–91 of:

(i) measures announced in the April 1989 Economic Statement;

(ii) other measures announced since the 1988–89 Budget; and

(iii) measures announced in the 1989–90 Budget.

Details of (i) and (ii) are shown in Appendix A and Appendix B, respectively; the measures in (iii) are described in this part. The costings of earlier measures may differ from those provided at the time of original announcement because of revisions to base and parameter estimates.

Table 1: Revenue Measures

Measure	Estimated Change in Revenue 1989-90	1990-91
	$m	$m
(i) Measures Announced in the April 1989 Economic Statement		
Income Tax -		
Personal income tax rates scale } Concessional rebates }	-4900	-5760
Pensioner rebate	-50	-150
Taxation of foreign source income (a)	-	-
(ii) Other Measures Announced Since the 1988-89 Budget		
Income Tax -		
ACT election expenses	..	..
Beneficiary rebate	..	..
Capital gains tax: long term leases of land and principal residence exemption	*	*
Deductibility of gifts: extensions	*	*
Defence force personnel serving in Namibia	-3	-
Dividend imputation: early balancing company assessments	*	*
Research and development tax concession (b)	-	-
Substantiation rules relating to award transport allowances	*	*
Superannuation tax reform	-70	-63
Taxation of traditional financial securities	*	*
Tax file number: amendments	*	*
Thin capitalisation	*	*
Wholesale Sales Tax -		
Computer software	-30	-35
Containers for marketing alcoholic beverages	-2	-2
Recycled paper	..	..
Shipping containers	..	..
Customs and Excise Duty -		
Coated kraft paper and paperboard duty restored	..	..
Rebate on marine diesel excise	-	-
Sugar tariff arrangements	*	*
Taxation of petroleum products	-8	-3
Transport containers	..	..
Other Measures -		
Conversion of nominated housing advances to grants	-7	-21
Light dues and navigation charges	-	-
Telecommunications applications fees	..	..
Wheat Industry Fund levy	35	35

Measure	Estimated Change in Revenue 1989-90	1990-91
	$m	$m
(iii) Measures Announced in the Budget		
Retirement Income Measures - (c)		
Tax deductions for personal superannuation contributions	-	-
Changes to the administrative arrangements for the reasonable benefit limits	-	-
Improved vesting and preservation standards	-	-
Better integration of the social security and taxation systems	-	-
Tax Treatment of Life Insurance (d)	-	-
Company Tax Collection System (e)	885	150
PAYE Remittances (f)	550	-
General Income Tax Measures -		
Capital gains tax measures	*	*
Deductibility of costs of professional taxation advice and compliance with taxation laws	-	-40
Dividend selection schemes and share based financing arrangements	*	*
Medicare levy exemption	-2	-4
Medicare levy low income thresholds	-10	-35
Provisional tax - quarterly instalments (g)	..	..
Provisional tax uplift factor	-160	-
Removal of seven year loss carry-forward restriction (h)	-	-
Resetting and targeting of beneficiary rebate	-	12
Tax deductions for the quarrying industry (i)	-	-10
Tax exemption for certain clubs	-	*
Tax status of Australian Wool Testing Authority	-	-
Thin capitalisation	*	*
Wholesale Sales Tax -		
Aids to manufacture	-3	-5
Flavoured milk drinks	..	..
Small manufacturer exemptions	-8	-12
Other Measures -		
Application for temporary resident visa	3	3
Compliance/malpractice - quarantine and inspection	1	1
Interest on cash balances with the Reserve Bank (j)	-45	-70
Radiocommunications licence fees	6	10
Therapeutic goods	-	14

.. Less than $0.5m.

* The nature of the measure is such that a reliable estimate cannot be provided.

\- Nil.

(a) The measures generally take effect from the 1990–91 income year and thus have no revenue impact in 1989–90 or 1990–91. Though difficult to determine, the likely direct revenue gain from these measures is broadly estimated at $85m in 1991–92.

(b) The four year extension of the research and development concession has no revenue impact in 1989–90 or 1990–91 but is estimated to cost a total of $800m from 1992–93.

(c) The measure has no revenue impact in 1989–90 or 1990–91. The estimated cost to revenue of the first measure is $200m in 1991–92.

(d) The measure has no revenue impact in 1989–90 or 1990–91. The estimated cost to revenue is $30m in 1991–92 building to $140m by 1993–94.

(e) This measure will reduce outlays on public debt interest by about $22m in 1989–90, $350m in 1990–91 and $330m per annum in subsequent years. The estimated revenue impact of the changes in 1991–92 and subsequent years is nil.

(f) This measure will reduce outlays on public debt interest by $20m in 1989–90, and $70m per annum in subsequent years.

(g) This measure will increase outlays on public debt interest by $20m in 1989–90, $18m in 1990–91 and $15m per annum in subsequent years.

(h) The measure will have an initial revenue cost of $5m in 1998–99, increasing to $20m per annum in subsequent years.

(i) Estimated revenue cost will build to $20m per annum in later years.

(j) This measure will reduce outlays on public debt interest by $50m in 1988–89 and $80m in 1989–90.

MEASURES ANNOUNCED IN THE BUDGET

Retirement Income Measures

The objectives of the Government's retirement incomes policy are to ensure that all Australians have an adequate and secure income in retirement and that those still in the workforce are encouraged to save for their retirement in order to enjoy a higher standard of living and be less dependent on the social security system. The increasing age dependency of the Australian population in prospect in the first part of the next century underlines the importance of moving now to establish a comprehensive and effective retirement incomes policy.

Superannuation is the main form of retirement savings in Australia. Major tax concessions are provided to encourage self-provision by way of superannuation, thereby reducing the burden on future generations in meeting the retirement income requirements of the current workforce.

In May 1988 the Government announced a major reform of the taxation of superannuation which established a soundly based and fair structure of taxation and built on improvements made in the regulatory framework for superannuation since 1983.

The measures outlined below are intended to reinforce existing arrangements by encouraging greater savings for retirement through superannuation; by removing disincentives to retirement savings that arise from the interaction between the taxation and social security systems; and by ensuring that the taxation concessions provided to superannuation are used effectively in providing a higher standard of living in retirement. Taken together with other measures on the outlays side outlined in Statement 3 and in the Retirement Incomes Policy Statement of the Minister for Social Security, these changes will encourage self-provision for retirement.

Tax Deductions for Personal Superannuation Contributions

The annual limit on deductible personal superannuation contributions (currently $3000) is to be substantially modified to improve access to deductible superannuation contributions for self-employed persons and employees with no, or low levels of, employer superannuation support. The new arrangements will apply in respect of superannuation contributions made after 30 June 1990.

Under the new arrangements, self-employed persons and employees without employer superannuation support will be allowed to make deductible superannuation contributions subject to:

- 25% of the excess of contributions to funds over $3000 per annum not being deductible; and
- the total deductible contributions not exceeding the amount necessary to fund benefits at the reasonable benefit limits for the individual concerned.

The requirement in relation to non-deductible contributions is designed to place self-employed persons and employees without employer-sponsored superannuation on the same footing as employees with employer-sponsored superannuation whose contributions will be deductible, under the measure next described, only where there are modest levels of employer support.

Persons who are members of employer-sponsored superannuation schemes (including award schemes) will be allowed to make deductible superannuation contributions in respect of a year of income up to an annual amount specified in Table 2 below.

Table 2: Deductible Contributions Scale for Supported Employees

Level of Employer Superannuation Support *(a)* (% of salary)	Maximum Deduction ($pa)
up to 4.0	3000
over 4.0 to 4.5	2500
over 4.5 to 5.0	2000
over 5.0 to 5.5	1500
over 5.5 to 6.0	1000
over 6.0 to 6.5	500
over 6.5	–

(a) Including notional employer support provided under unfunded arrangements.

For employees, the level of employer support provided will be determined as either:

- for schemes other than defined benefit schemes, the percentage of salary contributed by the employer to the fund concerned in the year; or
- for defined benefit schemes, the amount of employer contributions that would be required to fund the particular scale of retirement benefit for which the person is eligible (irrespective of the actual level of employer contributions made in the year), calculated in accordance with guidelines issued by the Insurance and Superannuation Commission.

To assist employees in determining the maximum deduction they are entitled to, funds will be required to report the amount of employer support to employees each year.

These measures, which are expected to affect about 600 000 people, will encourage superannuation savings by improving access for self-employed persons and employees without employer-sponsored superannuation; by improving access for low to middle income employees who have only modest employer superannuation support; and, importantly, by enhancing the development of industry-wide schemes for which there will now be a sound framework for accommodating any increases in employer-provided award superannuation.

Changes to the Administrative Arrangements for the Reasonable Benefit Limits

As foreshadowed in the May 1988 Economic Statement, the Government is to revise the arrangements for the administration of the reasonable benefit limits (RBL). The changes, to apply from 1 July 1990, will enhance the effectiveness of the RBL as a lifetime limit over the access of individuals to the superannuation tax concessions; make the RBL more generous for low income earners; simplify the funding rules; encourage longer workforce participation; and provide greater incentives to take benefits as pensions or annuities.

Under the new arrangements, superannuation funds will be able to pay out excessive benefits as lump sums without losing their complying status. In future, where an individual receives benefits in excess of his or her RBL, the excess benefit will be taxed at the individual's marginal rate of tax. Benefits provided by rollover vehicles will also be subject to the limits. Providers of concessionally taxed superannuation benefits will be required to report details to the Insurance and Superannuation Commission which will keep a record of benefits received over a person's lifetime. These records will be used to assess whether a benefit received by a person is within the RBL and the tax treatment to apply.

The RBL will no longer be based on a person's salary over the final three years of employment, but instead will be based on the person's highest average salary in any three consecutive years prior to retirement, indexed where benefits are fully preserved to age 65 or taken as a life pension or annuity, or where those aged 55 or more satisfy a workforce participation test. This will encourage preservation, taking of benefits as pensions or annuities and longer workforce participation by allowing a person to wind down his or her workforce participation without any loss of entitlements to benefits. It contrasts with the present arrangements which encourage retirement when a person reaches peak salary, often well before full retirement age.

As well, a minimum RBL—that is, a minimum entitlement to concessionally taxed benefits—will be established based on an indexed 'base salary' (initially $25 000). This will both simplify the administration of the RBL and increase considerably the limits for low income earners.

The attractiveness of pensions and annuities that can be provided by superannuation funds will also be enhanced by:

- increasing the reversionary benefits that can be paid to a surviving spouse or dependants to 85%;
- removing the present 5% limit on the indexation of pensions and annuities and allowing indexation of pensions or annuities to the Consumer Price Index (CPI);
- allowing pensions and annuities to be paid for a guaranteed period, with unused annuity capital being payable to an estate; and
- allowing complying superannuation funds to provide pensions by way of annuities purchased from registered life offices in the name of the member using the rollover of the member's accrued benefit.

In order to qualify for the higher pension RBL, a person must take at least 50% of benefits in pension or annuity form; such pensions or annuities will be required to meet minimum standards to ensure they are genuine retirement income vehicles. A person will be subject to the lump sum RBL in all other cases.

The 20 year qualifying service rule for associated employees is to be removed, consistent with the removal of the present $3000 limit on deductible contributions by

self-employed persons and unsupported employees to superannuation funds. From 1 July 1990, associated persons will generally be subject to the same funding rules as other fund members.

The funding rules for complying superannuation funds will be simplified and, from 1 July 1995, a uniform normal retirement age for funding purposes of 65 years will apply to all funds. Funds that exceed their funding limits will no longer be required to transfer the excess assets back to the employer or to a non-complying fund but, instead, will be required to cease receiving contributions until such time as the funds' assets are again within the funding limit. The funding rules are more flexible and, in particular, will reduce the scope for the build up of unnecessary surpluses. The taxation treatment of amounts repaid to an employer or transferred to non-complying funds is also being changed to recover tax relief gained during the period benefits accrue in a concessionally taxed environment.

Full details of the changes to be made to the administration of the RBL are contained in the separate document released concurrently by the Insurance and Superannuation Commission entitled 'Information Paper: Review of the Administration of the Reasonable Benefit Limits'.

Improved Vesting and Preservation Standards

In order to ensure that the superannuation tax concessions are more effective in providing income in retirement, improved vesting and preservation standards will apply to all employer-financed benefits that accrue from 1 July 1995. In addition to the existing vesting and preservation standards:

- all employer-financed benefits accruing from 1 July 1995, other than those already required to be vested under existing standards, will be subject to a minimum 10 year vesting scale; and
- from 1 July 1995, an amount equal to the level of all employer-financed benefits that are required to be vested under the new vesting standard will also be required to be preserved until retirement on or after age 55.

Improved vesting and preservation of benefits are important elements in enhancing the role of superannuation savings in the provision of retirement income. The Government will therefore monitor the workforce's participation in superannuation and implementation of the new vesting and preservation standards in order to determine the feasibility of further enhancement of vesting and preservation to age 60 after the year 2005.

The Insurance and Superannuation Commission will be consulting with the superannuation industry, employers and unions in the process of the detailed implementation of these improved vesting and preservation standards.

Better Integration of the Social Security and Taxation Systems

The Government will be implementing measures to improve the interaction between the social security system and the tax system for pensioners so as to remove disincentives to individuals undertaking retirement savings and thereby to encourage greater self-provision in retirement.

Many pensioners currently face very high effective marginal tax rates (EMTRs) caused by the combined effects of withdrawal of the pension above the income test free area, marginal income tax rates and withdrawal of the pensioner tax rebate on their non-pension income above the free area. These very high EMTRs not only distort savings and investment behaviour of pensioners and those saving for retirement but also cause resentment, confusion and compliance difficulties for pensioners facing two separate systems of administration.

From 1995, a better integrated system of social security and tax administration will be introduced for age and service pensioners which will remove age and service pensioners from the tax system and make part-rate pensioners subject only to the 50% withdrawal rate on their pension entitlements imposed under the pension income test. This will be achieved by increasing the pensioner rebate to exempt from tax persons in receipt of an age or service pension, with the rebate being withdrawn beyond the pension shade-out range. Under these arrangements, the current high EMTRs faced by pensioners over the withdrawal range of the pension (of up to nearly 77% for a single pensioner) will be reduced to 50%. These substantial prospective reductions in EMTRs will encourage the current workforce to make greater self-provision for retirement income and thus reduce reliance on social security pensions.

This significant reform will reinforce and extend the measures announced in the April 1989 Economic Statement to exempt from tax full-rate pensioners within the income test free areas of $40 per week for single pensioners and $70 per week combined income for married-rate pensioners. To preserve the effect of these measures, the income test free area for the pension will be indexed annually, commencing in the 1991–92 income year.

Tax Treatment of Life Insurance

Following a review of the taxation treatment of life insurance conducted in consultation with industry bodies, expenses incurred by life office companies (that is, excluding friendly societies and other registered organisations, which are eligible for a lower tax rate) in gaining the investment component of life insurance premium income are to be allowed as a taxation deduction, with the deduction to apply in respect of expenses incurred on or after 1 January 1990. No other changes to existing taxation arrangements are proposed as a consequence of the review.

Allowing deductibility to life offices of the expenses incurred in gaining the investment component of premium income achieves broad consistency with the taxation arrangements applying to conceptually equivalent expenses of certain other financial intermediaries. Life insurance is a major source of long-term savings for business investment purposes. The removal of inconsistencies in the taxation treatment of life offices' life insurance business removes an unfair tax burden on such investments, thereby increasing the return on savings in this form.

The deductible proportion of expenses incurred in gaining life insurance premium income will be determined by reference to that proportion of total premium income remaining after subtracting the risk or insurance component. In the interests of consistency, a suitable mortality basis will be specified in the amending legislation; life offices will also be required to have the investment component of premium income on which the claim for a deduction is based certified by the Life Office Actuary. No

deduction will be allowed in respect of the gaining of premium income from exempt policies.

Company Tax Collection System

Companies presently obtain much greater tax deferral benefits than other taxpayers, benefits equivalent to an interest free loan from the Commonwealth of the deferred tax. Companies benefit from deferring the payment of tax until after, rather than during, the income year; from being able to spread such payments over that following year; and from basing the first three quarterly payments on income of two years prior to the year of tax. In comparison, tax instalments of wage and salary earners are for, and based on, actual income earned in a pay period. Provisional tax payments of other non-company taxpayers are for current year income and are based on uplifted prior year income.

A new tax collection system for companies, complying superannuation funds, complying approved deposit funds and pooled superannuation trusts will therefore apply in respect of their 1989–90 and subsequent years of income. Since these entities are required to pay tax in the year following the year of income, the new arrangements will first affect tax payments in their 1990–91 financial year (or substituted year in the case of early balancing companies). The changes will alter the timing of payments within the financial year of affected taxpayers but not the total amount payable. The bring-forward of payments within the year will reduce the tax deferral available to these taxpayers compared to individuals, thereby enhancing the equity of the taxation system. It will generate a significant reduction in Commonwealth outlays by reducing public debt interest.

The amended collection system will consist of a single instalment of tax, due by the 15th day of the first month after the end of the year of income (or substituted accounting period of early balancing companies, with 15 January being the earliest due date), equal to 85% of the notional tax amount or 85% of the taxpayer's estimate of actual tax liability. The balance of tax owing will be due by the 15th day of the ninth month following the end of the income year (or substituted accounting period of early balancing companies, with 15 September being the earliest due date). Companies which balance after 30 June in lieu of that date will continue to be treated as if they balance on 30 June.

The notional tax amount will continue to be determined by applying the tax rate applicable to the year of income to the preceding year's taxable income. The option to estimate actual tax liability will replace the current provisions allowing companies whose actual tax liability is less than the notional tax amount to vary their instalments. Penalties modelled on those currently applicable when the taxpayer varies instalments will apply where the actual tax liability is underestimated by more than 10%.

The current exclusion of liability for instalments is retained where notional tax is less than $1000. The total amount of tax owing by companies in this situation will be due by the 15th day of the ninth month following the end of the income year (or substituted accounting period of early balancing companies).

To enhance the efficient operation of the tax collection system, changes consistent with a system of self-assessment will also be made. Rather than having the Commissioner of Taxation inform companies of their instalments by service of notices, and the balance of tax owing by issue of assessments, such taxpayers will be required to determine their instalments on the basis of notional tax or their estimate of actual tax, and to make their own calculation of their balancing payment. A notice of assessment would still be issued and would provide for further payments or refunds in appropriate cases.

The following examples illustrate the new arrangements.

- A company balancing on 30 June 1990, in respect of its 1989–90 income year, will be required to pay an instalment of tax by 15 July 1990. The instalment will be 85% of the company's notional tax (based on taxable income of the 1988–89 income year) or, if the company so elects, 85% of its estimate of the tax payable for the 1989–90 income year. The balance of tax will be payable by 15 March 1991.
- A company with a substituted accounting period balancing on 31 December 1989, in lieu of the following 30 June, will be required to pay its initial instalment by 15 January 1990 and its balance of tax by 15 September 1990.
- A company balancing on 30 June 1990 in respect of its 1989–90 income year in which it derived taxable income, but which paid no tax in that year because it had no taxable income in 1988–89, will be required to calculate and pay by 15 March 1991 the full amount of tax due on its 1989–90 income.

To ensure that the appropriate instalment payments are not avoided, the Commissioner of Taxation will be authorised to determine that the instalment payable be based on the notional tax amount, rather than the taxpayer's own estimate, or to adjust the amount of the instalment to an amount not exceeding 85% of the notional tax amount if, in the opinion of the Commissioner, the company or its associates have engaged in a scheme designed with the sole or dominant purpose of reducing the level of the instalment. If the amount of the instalment paid by the company is less than the amount so determined by the Commissioner of Taxation, penalties will apply in respect of the difference.

The requirement for a single instalment of tax, in lieu of the existing system requiring three instalments prior to the payment of the balance, will bring forward from 1990–91 to 1989–90 revenue of $885m from early balancing companies. The requirement for an earlier payment of the self-assessed balance of tax will bring forward $150m of revenue from 1991–92 to 1990–91. The bring-forward of the instalment and balancing payment dates within the taxpayer's tax year will result in ongoing savings in public debt interest outlays of about $330m in each year from 1990–91.

PAYE Remittances

From 1 December 1989, group remitters with annual PAYE remittances exceeding $5m (and companies that are members of a wholly owned group with aggregate annual remittances exceeding $5m) will be required to remit twice monthly—on the 7th and 21st of each month—tax instalment deductions made from wages and salaries.

This change is the first step towards PAYE remittance arrangements aimed at moving larger group employers to a bi-monthly system and small employers, comprising the majority of remitters, to a less frequent payments system than at present and, possibly, at discontinuing the tax stamps system.

The change brings forward into the 1989–90 income year two weeks' PAYE collections, lifting revenue by some $550m.

The reduction in the payment deferral benefits achieved by the closer matching of remittances to collections will result in estimated public debt interest savings of $20m in 1989–90 and $70m in 1990–91 and later years.

General Income Tax Measures

Capital Gains Tax Measures

The Government has decided to make a number of amendments to the capital gains tax (CGT) provisions. These amendments do not encompass any fundamental changes in the design of the CGT. Rather, they represent a fine tuning of the provisions that the Government believes necessary having monitored the functioning of the tax over its initial four years of operation. The following is a summary description of these amendments. Further details of the amendments are contained in the Treasurer's related Press Release of 15 August 1989.

(i) Deemed Disposals of Assets

In a number of specific circumstances, transactions in relation to underlying assets acquired before 20 September 1985 are deemed by the CGT provisions to involve the disposal of a separate asset acquired immediately before the disposal takes place. These circumstances include the grant of a lease, the grant of an option and the grant of a right to use or exploit an asset, or an agreement to forfeit or surrender a right (for example, a restrictive covenant). These measures were not fully detailed until the CGT legislation was introduced into Parliament on 22 May 1986. The Government has decided to amend the law to exclude from CGT certain transactions occurring before 23 May 1986 (rather than 20 September 1985) in these circumstances.

(ii) Securities Lending Arrangements (Scrip Lending)

Taxpayers engaged in certain securities lending arrangements will be allowed relief from income (including capital gains) tax provided that the security returned is the very same security as that originally lent or a security identical to that originally lent. This change will be applied from the time amending legislation is introduced.

(iii) Effect of Tax-Free Distributions on Cost Base of Shares and Units in Unit Trusts

A tax-free distribution in respect of a unit in a unit trust or a share in a company results in a reduction in the taxpayer's cost base for the unit or share for capital gains tax purposes. Under present CGT provisions, where the tax-free distribution occurs within 12 months of the acquisition of the unit or share, the unindexed cost base is reduced, so that indexation benefits up to that point are denied.

For distributions on or after 16 August 1989, the reduction in the cost base will be applied to the indexed cost base when the distribution is made, provided that, at the time of subsequent disposal, the units or shares have been held for at least 12 months.

(iv) Business Reorganisations

Based on the principle that reorganisations of ownership arrangements which entail no change in the effective beneficial ownership of assets by a taxpayer should entail no adverse CGT consequences, the Government will amend the taxation law so that:

- with effect from 20 September 1985, rollover relief is extended to taxpayers:
  - (i) on conversion of various home unit ownership schemes (for example, company title) to strata title;
  - (ii) whose interests in incorporated associations are converted into shares in companies; and
- with effect from 16 August 1989, where a pre-CGT asset that is not a taxable Australian asset is transferred to a non-resident group company, in determining the application of anti-avoidance provision Section 160ZZT of the *Income Tax Assessment Act 1936*, the asset will be taken to be a pre-CGT asset.

(v) Treatment of Convertible Notes

The CGT provisions are to be amended to ensure that where shares acquired as a result of the conversion of a convertible note are disposed of, the CGT provisions only apply to gains and losses on the shares which arise after conversion. This amendment will eliminate the possibility of double taxation (and the possibility of duplication of losses) created by the amendments to the basis of taxation of traditional securities acquired after 10 May 1989. The amendment will apply in respect of gains on shares disposed of after 10 May 1989 and in respect of losses on shares disposed of on or after 16 August 1989.

(vi) Principal Residence Exemption

As a result of a review of certain operational aspects of the Principal Residence Exemption (PRE), that exemption is to be available where taxpayers:

- build a dwelling upon vacant land and use that dwelling as their sole or principal residence for a continuous period of (at least) three months before disposal (the residency requirement had previously been 12 months);
- die during the period after the commencement of construction of a new home but prior to fulfilling the full residency requirement; or
- erect a dwelling on land acquired before 20 September 1985, or construct a new dwelling following the demolition of an existing dwelling, or complete a partially constructed dwelling.

Further, the provisions relating to the PRE are to be amended to:

- allow the PRE to apply in respect of a period of absence from the principal residence (of up to four years) where the taxpayer dies during that period;
- allow a discretion for the Commissioner of Taxation to accept late elections from taxpayers (including beneficiaries/trustees) for the four year temporary absence concession;

- take into account the use of a dwelling (as a principal residence) by a beneficiary during the relevant period where a disposal occurs within 12 months of the deceased's date of death;
- extend the availability of the PRE in certain situations where homes are occupied by beneficiaries of trust estates for periods while title to the home continues to vest in the trustee; and
- correct two minor technical deficiencies in the PRE provisions relating to the availability of the PRE for beneficiaries.

These amendments are in accordance with established policy in providing an exemption for a principal residence. The amendments address situations where the law would otherwise have operated harshly. As a result, the amendments generally will be backdated to apply to properties acquired on or after 20 September 1985. The detailed terms and conditions of these amendments are provided in the Treasurer's related Press Release of 15 August 1989.

(vii) Anti-Avoidance Amendments

Following investigation of certain loopholes in the CGT, the Government is to introduce a range of measures to eliminate undue tax advantages. These measures do not extend the scope of the CGT and accord with established CGT principles. The measures, in summary, are set out below.

- Certain Non-Arm's Length Transactions—For acquisitions of assets where there is no corresponding disposal for CGT purposes (for example, share issue), the consideration for the asset is to be taken as the lesser of the actual consideration paid or the market value of the asset acquired with indexation of the cost base calculated by reference to the time at which amounts are paid. This provision will apply to assets disposed of on or after 16 August 1989.
- Disposal of Certain Assets—On or after 16 August 1989, where an asset is disposed of, but there is no corresponding acquisition for CGT purposes (for example, cancellation of a share), the market value of the asset can be substituted for the disposal proceeds.
- Disposals of Shares or Interest in an Entity—In respect of disposals on or after 16 August 1989, the provisions dealing with the disposal of an interest in an interposed entity are to be extended to include a reference to an entity that is a company or a trust estate which, within the period of 5 years commencing on or after 20 September 1985 and prior to the disposal of the relevant shares or interests, had been a private company or a private trust estate.
- Transfer of Capital Losses—The transfer of a capital loss realised on the disposal of an asset acquired on or after 20 September 1985 is to be limited to the amount of the cost base of the interests held, directly or indirectly, by group companies in the company transferring the loss. Where a capital loss is transferred to another company in the group, the cost base, reduced cost base and indexed cost base of interests held directly or indirectly by group companies in the transferee company that were acquired on or after 20 September 1985 will be reduced accordingly. These provisions will apply to losses transferred on or after 16 August 1989.

- Rollover Relief—The rules affecting rollover relief in relation to company reorganisations are to be tightened. Where an asset is transferred from a person to a wholly owned company or between companies in a corporate group on or after 16 August 1989, rollover relief will be limited to a case where:

  — the consideration in respect of the transfer of the asset consists solely of shares in the transferee company (and the assumption of any liabilities attributable to the asset); and

  — the market value of such consideration equals the net market value of the transferred asset.

  Where an asset is transferred between companies within a corporate group:

  (i) if the transferred asset was acquired before 20 September 1985, the shares are taken to have been acquired before that time;

  (ii) if the transferred asset was acquired on or after 20 September 1985, the asset's cost base, indexed cost base and reduced cost base (less any liability assumed) are transferred to the shares;

  (iii) if the issuing of shares to the transferor company is prohibited by law (for example, a subsidiary cannot own shares in a parent), consideration in the form of securities of the transferee company is acceptable (subject to the same CGT rules—that is, cost base, market value and CGT status—that would apply to shares issued in other situations); and

  (iv) no rollover relief is allowed in relation to loss assets (that is, assets that have a market value less than the reduced cost base).

  Rollover relief is also available where a subsidiary group company distributes an asset to its parent company where no consideration is received for the transfer. In these cases, the cost bases of the shares in the subsidiary will be proportionately reduced by the cost bases of the asset transferred if it was acquired on or after 20 September 1985 or by the market value of the asset transferred if it was acquired before that time (less any liability assumed).

- Although not an anti-avoidance measure, an associated amendment will apply where an asset is a right or option to acquire shares or further options of a wholly owned subsidiary company and is issued for no consideration to parent company shareholders (or convertible noteholders). The change will operate so that the deemed date of acquisition of the asset and the cost base treatment of the asset (or of shares or options acquired upon the exercise of the asset) will be the same as if the subsidiary company had issued the right or option to its own shareholders. This measure will apply to rights and options issued on or after 16 August 1989.

eductibility of Costs of Professional Taxation Advice and Compliance with Taxation aws

From 1 July 1989, expenditure incurred by a taxpayer in complying with all ustralian tax laws (including attending to the requirements of an audit by the Australian axation Office of the taxpayer's affairs) will be deductible for income tax purposes. The osts of preparing and prosecuting an objection or appeal against a determination made

under an Australian tax law, and in seeking tax advice on the taxpayer's business and financial dealings, will also be deductible.

The allowable expenditure will be confined to payments to registered tax agents, or to solicitors or barristers who are exempt from the requirement to register as tax agents, but will include expenditure incurred where the relevant services are provided by employees of the taxpayer.

Deductions will not be allowed for expenditure incurred in connection with an offence against any tax law, or for expenditure of capital or of a capital nature other than by way of depreciation. Also, deductions will not be allowed where the expenditure relates to a non-income earning activity or asset.

Any deductible costs that are recovered will be assessable income in the income year of receipt.

Dividend Selection Schemes and Share Based Financing Arrangements

Following a review of various arrangements which have emerged since the introduction of the dividend imputation system, the Government has decided to amend the tax law to address dividend selection and share based financing arrangements.

A variety of structures has been developed to accommodate dividend selection arrangements. Under one form of arrangement shareholders are offered the choice of receiving distributions in the form of franked dividends or as bonus shares paid from the company's share premium account. The issue of shares from the share premium account has been treated as a restructuring of capital and, therefore, has not been regarded as the payment of a dividend. Shareholders with no use for franking credits could elect to receive bonus shares paid from the share premium account in lieu of franked dividends.

The other common form of dividend selection involves arrangements where shareholders have been able to select a dividend from different companies within the company group. This may have involved, for example, stapled stock where shareholders investing in a company group were issued with shares not only in a holding company, but also in one or more subsidiaries or associates of the group. These shares were 'stapled' together and could not be traded separately, the general purpose of such arrangements being to allow shareholders an election as to whether dividends are paid from the parent or from a nominated stapled entity. In practice, one arm of the staple would offer a franked dividend, while the other would offer an unfranked dividend. A variety of other structures has also been developed for these purposes, but the common feature of all such schemes is that shareholders could select the source of their dividends in order to achieve the best possible tax result.

To remove the Australian tax benefits associated with dividend selection schemes, the new measures will require that the dividend franking account of a company paying a dividend be debited in respect of all dividends paid, from whatever source, under a dividend selection scheme of which the company's dividends form part. The company's franking account will be debited at the maximum (domestic) franking rate of any dividends available under the scheme.

In addition, bonus shares paid from a share premium account will be deemed as dividends for dividend franking purposes unless the bonus shares are distributed pro rata to all shareholders on a non-renounceable basis. The amount of dividend deemed to have been paid by the issue of bonus shares under a dividend selection plan will be calculated by multiplying the number of shares upon which an election to receive the bonus shares has been made by the amount of the dividend to which shares not participating in the scheme are entitled.

In order to give time for companies to adjust their arrangements, and for legislation to be enacted, these changes will apply in respect of dividends paid on or after 1 July 1990.

These amendments will not prevent companies from introducing dividend selection schemes designed to allow, for example, non-resident shareholders in an Australian company to obtain the benefit of imputation credits provided in their country of residence, but the ability of such schemes to exploit the Australian imputation system will be removed.

Franking credits can also be used in financing schemes through the use of preference shares (or similar schemes) on which franked dividends are paid. Such schemes are attractive to tax-loss or otherwise non-taxable borrowers, unable to access the interest deductions associated with a standard financing arrangement, but possessing franking credits surplus to their present requirements.

Under these schemes, a borrower could issue (say) redeemable preference shares to a financier; the financier would subsequently receive, in lieu of taxable interest, dividend income free of tax by virtue of the intercorporate dividend rebate and would be able to credit its franking account with the franking credits attached to the dividend; in practice, most of the tax benefits would be arbitraged to the borrower in the form of concessional-rate finance.

To combat such arrangements, dividends paid in respect of shares issued, under share based financing arrangements, on or after 16 August 1989, or under share based financing arrangements entered into on or after 16 August 1989 will be precluded from being frankable dividends. This will prevent franking credits and franking rebates arising in relation to these dividends. The meaning of 'financing arrangements' for this purpose will be the same as that applying in Section 46D of the *Income Tax Assessment Act 1936*. This will also effectively extend the scope of Section 46D to deny the intercorporate dividend rebate in respect of all dividends paid under share based financing arrangements. In addition, such dividends, by virtue of not being franked dividends, will be subject to dividend withholding tax when paid to non-residents.

Medicare Levy Exemption

From 1 July 1989, a person who is personally exempt from the Medicare levy will no longer be required to pay a half levy in respect of a non-exempt dependant where that dependant is subject to the levy on separate income.

Medicare Levy Low Income Thresholds

The low income thresholds for Medicare levy purposes will be increased to $10 300 for individual taxpayers and $17 360 for married couples and sole parents in 1989–90. The additional threshold for children will remain at $2100.

Pensioner Rebate

Details of the levels of pensioner tax rebates and related arrangements to apply in 1989–90 as a result of the policy announced in the April 1989 Economic Statement are set out in Appendix A.

Provisional Tax—Quarterly Instalments

In response to a review of the quarterly instalment system of paying provisional tax, the Government has decided to raise the threshold for general exemption from $5000 to $8000. This change will apply to provisional tax payable in 1989–90 and subsequent income years. As a result, some 130 000 of the existing 320 000 instalment taxpayers will instead pay provisional tax annually, including 45 000 taxpayers aged over 60 years.

In addition, where income tax payable for an income year is less than the provisional tax credit of that year, the excess credit will not be offset against a quarterly instalment of provisional tax unless the instalment is due for payment. This change will apply from the time of Assent to the amending legislation.

Provisional Tax Uplift Factor

To take account of expected growth in incomes, provisional taxpayers' incomes for the previous year have, since 1980–81, been increased by a standard percentage to obtain notional current year incomes on which to base the calculation of provisional tax payments. The standard percentage applied in 1988–89 was 12%; an uplift factor of 10% will apply in 1989–90, reflecting an anticipated slowing in income growth of provisional taxpayers. The 1989–90 rates scale will be applied to notional incomes calculated in that way.

Provisional taxpayers retain the option of self-assessment (that is, providing an estimate of their income for the current year which is then used in calculating their provisional tax payment). The provisional tax payment of those who self-assess will be derived by applying the 1989–90 rates scale to their estimates of 1989–90 income.

Removal of Seven Year Loss Carry-forward Restriction

Consistent with the Government's policy of addressing taxation distortions, the seven year loss carry-forward restriction will be removed in respect of all taxation losses, including film losses, incurred in the 1989–90 and subsequent income years. Unlimited carry-forward will apply to such losses.

Resetting and Targeting of Beneficiary Rebate

A rebate is available for taxpayers receiving Australian unemployment, sickness or special benefits, a Job Search Allowance, a Formal Training Allowance or certain Commonwealth education allowances to ensure that persons wholly or mainly dependent on those taxable benefits do not bear income tax.

From the 1989–90 income year, the rebate level will be set on an age-related basis reflecting the different benefit levels that apply to single beneficiaries of the age groups: under 18 years, 18–20 years, 21 years and over and, where in receipt of a benefit for six months or more, 60–64 years. The separate rebate level for married beneficiaries will continue to apply. Thus, regardless of age or marital status, application of the new rebate structure will ensure that all full-rate beneficiaries without non-benefit income will continue to be exempt from tax. The maximum rebate will be reduced, as previously, at the rate of 12.5 cents for each dollar of taxable income in excess of the taxable income thresholds implied by the full-rate, full-year benefit.

Also from the 1989–90 income year, the levels of rebate will be set, following the release of the CPI figures for the December quarter of each year, by regulation based on policy guidelines prescribed in legislation. The table below sets out, for 1989–90, estimated rebate levels and associated taxable income thresholds. As the full-rate, full-year benefit to under 18 year old beneficiaries is currently below the income tax threshold of $5100, no rebate is required.

Table 3: Estimated 1989–90 Beneficiary Rebate Levels ($pa)

Beneficiary *Status*	Rebate Level	Income Threshold *(a)* (1)	Income Threshold *(b)* (2)
Single			
under 18 years	–	n.a.	n.a.
18-20 years	70	5430	5990
21+ years	330	6670	9310
60-64 years *(c)*	340	6710	9430
Married	450	12000	15600

(a) Income Threshold (1) is the maximum taxable income at which the beneficiary is eligible for the full rebate.
(b) Income Threshold (2) is the taxable income at which the rebate is fully extinguished.
(c) From June 1990 single beneficiaries aged 60–64 years in receipt of a benefit for six months or more will be entitled to the higher, pensioner level of benefit.

Tax Deductions for the Quarrying Industry

Quarrying operations are to be included in the mining provisions of the *Income Tax Assessment Act 1936*. Those provisions provide write-off for certain classes of capital expenditures such as exploration, site preparation, certain items of infrastructure and for transport facilities used in transporting minerals from a site. The new arrangements will apply to all allowable capital expenditure incurred on or after 16 August 1989. The provisions will apply to quarrying on the same basis as for mining except that:

- capital expenditure on housing and welfare facilities for employees will not be deductible under these provisions. Quarries are typically located near urban areas where the housing can be expected to maintain value unrelated to the life of the quarry. There is hence no basis to accord concessional write-off; and

- the statutory maximum write-off period under both Divisions 10 and 10AAA will be set at 20 years. Quarrying operations are generally undertaken on extensive deposits which typically have a longer life than most mines. This longevity is appropriately reflected in a longer maximum write-off period. Expenditures on quarries with a life shorter than 20 years will be eligible for write-off over the life of the quarry.

The inclusion of quarrying in the mining provisions recognises the many similarities between quarrying and mining—they involve the exploration for, and exploitation of, a wasting asset and, in many instances, use similar production methods and techniques—as justifying similar taxation treatment. All prescribed mining operations eligible for deductions under the existing provisions will remain so eligible.

Tax Exemption for Certain Clubs

All non-profit clubs, societies and associations established for the promotion or encouragement of a sport or game are to be exempt from income tax. This extends the previous exemption which had applied only to clubs, societies or associations promoting athletic games or sports in which human beings were the sole participants and to animal racing clubs. The new arrangements address many anomalies that had resulted from tax exempt status being based on such arbitrary criteria as what constitutes athletic and whether human beings are the sole participants in the activity. As a result of the changes, sporting clubs such as motor cycle clubs and pony clubs will have the same tax status as other sporting clubs. The extended exemption is to apply with effect from the 1989–90 income year.

Clubs, societies and associations will continue to be taxable where their activities go beyond the promotion or encouragement of sports or games, for example, where the provision of social facilities, entertainment and the like is more than merely incidental to sport promotion.

Non-profit community service organisations such as Lions and Rotary are also to be exempted from tax with effect from the 1989–90 year of income. Although such organisations have rarely been subject to tax in the past, and are unlikely to have a taxable income, the specific provision will remove any uncertainties in this area.

Tax Status of the Australian Wool Testing Authority

Consistent with the Government's reforms of government business enterprises directed at greater economic efficiency and a level playing field, the current exemption from taxation of income accorded to the Australian Wool Testing Authority will be removed with effect from 1 July 1990.

Thin Capitalisation

The exclusion of Australian-owned non-resident companies from the definition of 'foreign controller' for the purposes of the thin capitalisation rules in Division 16F of the *Income Tax Assessment Act 1936* will be removed with effect from 1 July 1990.

Wholesale Sales Tax

Aids to Manufacture

The Government has reviewed the application of the aids to manufacture (ATM) provisions of the sales tax law, which exempt from tax equipment and materials for use in specified processes in the manufacture of goods. The review identified that anomalies arise under the ATM provisions where persons engaged to perform certain tasks on a manufacturer's behalf are not entitled to exemption on equipment and materials even if the manufacturer would have been so entitled. Broadly, it is proposed to amend the sales tax law to exempt goods for use exclusively by any person in:

(i) packaging or labelling goods (but not for delivery);

(ii) testing or checking the quality or specifications of goods;

(iii) disposing of waste substances;

(iv) transporting goods within manufacturing premises;

(v) storing goods within manufacturing premises; or

(vi) operating, applying, cleaning or sterilising ATM;

on behalf of manufacturers in relation to goods which are processed or treated in manufacturing operations. The changes will operate from the date of introduction of the legislation, which is expected to be in the Budget 1989 sittings of the Parliament.

Flavoured Milk Drinks

The Government has decided to reduce from 95% to 90% the minimum milk content requirement that flavoured milk drinks must meet in order to be taxed at the concessional sales tax rate of 10%. This follows a review of industry claims that, in meeting the 95% requirement, producers of flavoured milk drinks have had to bear additional production costs. The change will operate from 16 August 1989.

Small Manufacturer Exemptions

The sales tax law is to be amended to increase:

- from \$12 000 to \$50 000 the threshold amount of average annual sales by a manufacturer above which goods manufactured become taxable; and
- from \$250 to \$1000 the threshold amount of sales tax liability of a manufacturer above which goods manufactured by that person become taxable.

The new thresholds are double those necessary to compensate for growth in retail prices since the thresholds were last adjusted in 1979. As a result, some 12 000 small manufacturers (16% of the total) will no longer need to register and to lodge returns.

These changes will operate from the date of introduction of the legislation, which is expected to be in the Budget 1989 sittings of the Parliament.

Other Measures

Application for Temporary Resident Visa

A fee of \$30 will apply from 1 September 1989 for processing of applications for various temporary resident visa categories.

Compliance/Malpractice—Quarantine and Inspection

Fees will be charged to recover part of the cost involved in detecting and dealing with malpractice relating to breaches of relevant quarantine legislation.

Interest on Cash Balances with the Reserve Bank

As part of a program of running leaner cash balances and reducing short-term debt issue, interest earnings on the Commonwealth's cash balances held with the Reserve Bank will fall in 1989–90 and 1990–91. This decline in interest earned will be more than offset by the interest savings from reduced debt issue.

Radiocommunications Licence Fees

Radiocommunications licence fees will increase by 7.5% from 1 December 1989 and will be indexed to the CPI in future years.

Therapeutic Goods

Under a revised therapeutic goods scheme with effect from 1 July 1990, 50% of the cost of the Therapeutic Goods Program is to be recovered by fees and charges on industry.

PART 3: REVENUE ESTIMATES AND OUTCOMES

The following table sets out the 1988–89 Budget estimates and outcomes and the revenue estimates for 1989–90.

Table 4: Revenue Estimates

	1988-89			1989-90		
	Estimate	Actual	Change on 1987-88	Estimate	Change on 1988-89	
	$m	$m	%	$m	$m	%
Taxation Revenue -						
Income Tax -						
Individuals -						
Gross PAYE *(a) (c)*	37950	39106	17.2	41220	2114	5.4
Refunds *(c)*	2710	2550	6.2	2980	430	16.9
Net PAYE *(a)*	35240	36556	18.1	38240	1684	4.6
Other *(a) (b)*	8850	7352	-6.7	8835	1483	20.2
Medicare Levy (c)	2315	2320	11.5	2595	275	11.9
Prescribed Payments System *(d)*	1175	1308	36.6	1650	342	26.1
Total Individuals *(b)*	47580	47536	13.5	51320	3784	8.0
Companies *(b)*	10200	10265	16.6	11360	1095	10.7
Superannuation Funds	-	7	n.a.	885	878	n.a.
Withholding Tax	700	737	10.5	850	113	15.4
Fringe Benefits Tax	1000	990	12.4	1120	130	13.2
Total Income Tax	59480	59535	14.0	65535	6000	10.1
Sales Tax	8630	9402	24.6	10500	1098	11.7
Excise Duty -						
Crude Oil & LPG	1383	1188	-42.2	1352	164	13.8
Petroleum Products	5050	5163	6.8	5645	482	9.3
Other	2217	2252	-19.0	2267	15	0.7
Customs Duty -						
Imports	3540	3753	3.3	4030	277	7.4
Coal Exports	52	50	-1.3	52	2	4.5
Debits Tax	360	358	8.6	390	32	8.9
Other Taxes, Fees and Fines	1606	1551	8.0	1554	3	0.2
Total Taxation Revenue	82318	83252	11.2	91325	8073	9.7
Non-Tax Revenue -						
Interest	3662	3751	2.3	3431	-320	-8.5
Dividends and Other	1517	1024	-54.8	1120	96	9.4
Total Non-Tax Revenue	5179	4775	-19.5	4550	-225	-4.7
TOTAL REVENUE	87496	88027	8.9	95875	7848	8.9

(a) Excludes an estimated amount for Medicare levy, which is listed separately.
(b) Includes tax on realised capital gains *directly attributable to the capital gains tax* provisions introduced as part of the 1985 tax reform package.
(c) Medicare levy is not separately identified at the point of collection and these figures are therefore estimates.
(d) Includes in 1988-89 an estimated $113m collected from companies under the Prescribed Payments System.
(c) In 1989-90, repayments to the Higher Education Contribution Scheme estimated at $10m will be collected in the gross PAYE taxation head, and transferred directly to the Higher Education Trust Fund. This appropriation is classified as an offset to a revenue, leaving the gross PAYE taxation head unaffected in aggregate.

TAXATION REVENUE

Total taxation revenue in 1988–89 increased by 11.2% and is forecast to increase by 9.7% in 1989–90. *The ratio of tax revenue to* GDP *fell from* 25.2% in 1987–88 to 24.8% in 1988–89 and is expected to rise to 25.0% in 1989–90.

Individuals

Income tax from individuals is collected in a number of ways. Wage and salary earners and some other individuals pay tax through the course of the financial year in the form of PAYE instalment deductions made by their employers from wages or salaries. To the extent that there is any over-deduction during the year, PAYE taxpayers receive refunds on the basis of their final assessments which are lodged after the end of the financial year. Most non-PAYE taxpaying individuals are provisional taxpayers who pay tax either once a year (mainly between March and May) or, if their tax liabilities are more significant, quarterly. Participants in the prescribed payments system are an exception. They pay a fixed percentage of their work-related payments at source through the course of the financial year.

The ratio of revenue collected from individuals to total revenue is expected to continue to trend upward in 1989–90 despite the large tax cuts during that year. This reflects continued strong employment and income growth, and the continued weakness in revenue from non-tax sources. (After falling by 19.5% in 1988–89, non-tax revenue is projected to decline a further 4.7% this year; see below.)

PAYE Instalment Deductions

Gross PAYE collections (net of the Medicare levy) in 1988–89 were $39 106m, 3.0% above the budget estimate. The major factors underlying this outcome were stronger than expected growth in the number of wage and salary earners in employment and somewhat faster increases in average earnings. It is estimated that employment (wage and salary earners) grew by 4³/4% compared with a budget-time estimate of 2³/4% and that average weekly earnings (National Accounts basis, excluding superannuation) grew by 6¹/4% compared with a budget-time estimate of 5³/4%.

Gross PAYE collections (net of the Medicare levy) in 1989–90 are estimated at $41 220m, an increase of 5.4% compared with an increase in 1988–89 of 17.2%.

The 1989–90 gross PAYE estimate is based on expected employment growth for wages and salary earners of 3¹/4% and an increase in average weekly earnings (National Accounts basis, excluding superannuation) of about 6¹/2%. The estimate reflects the effect on collections of the 1 July 1989 tax cuts (see Table 1), the bring-forward of PAYE remittances (see Part 2), actual collections in July 1989 and the shifting of some income in 1989–90 (and consequent tax liability) from the 'other' individual income tax head to the company tax head, as a result of decisions by some individuals to incorporate their business activities. This will increase gross PAYE collections by increasing the number of wage and salary employees.

PAYE Refunds

Refunds to PAYE taxpayers relate to tax instalments deducted from salary and wage income earned in the previous financial year against income tax assessments made for those years.

PAYE refunds (net of the Medicare levy) of $2550m were 5.9% lower than the budget estimate, reflecting a greater than expected effect on refunds in 1988–89 of the additional payday in 1987–88, and the continuing impact of substantiation on employment-related expenses.

Refunds in 1989–90 are estimated to be $2980m, an increase of 16.9% on 1988–89. The 1988 tax amnesty, by bringing more income to account, is expected to add to refunds; this will decrease net collections in 1989–90 because, on average, tax already paid exceeds outstanding tax liability identified through the amnesty.

Other Individuals

Most revenue received in this category is from provisional taxpayers. These are individuals who have, in the previous financial year, received $1000 or more from sources other than salary and wages. Taxpayers with a tax liability of over $8000 in the previous financial year (increased from $5000 in this Budget) are normally required to pay provisional tax by quarterly instalments (in September, December, March and June). Other provisional taxpayers usually make one payment in March/April. Other revenue received under this category includes amounts received from non-provisionals and from previous years' assessments.

Current year provisional tax liability is determined by increasing the previous year's assessed income by the prescribed uplift factor—set at 10% for 1989–90—to allow for the expected increase in incomes. The provisional tax liability is combined with any balance on assessment of the previous year's tax liability to determine current year tax payments.

Net collections from other individuals (excluding the Medicare levy) totalled $7352m in 1988–89, a substantial shortfall ($1498m or 16.9%) on the budget estimate of $8850m. The major factors underlying this shortfall were:

- weaker than expected growth in interest income resulting from an apparent shift in the composition of investment portfolios away from interest bearing financial assets towards insurance company and friendly society bonds;
- a higher than expected level of incorporation;
- a larger than anticipated impact of dividend imputation;
- a higher than expected level of refunds relating to tax paid under other heads of revenue; and
- some slippage of revenue into the early months of 1989–90 because of processing delays as a result of the tax amnesty and revised working arrangements flowing from the Office Structures Implementation in the Tax Office.

Other individual collections in 1989–90 are estimated to be $8835m, an increase of 20.2% on 1988–89. This forecast increase reflects strong income growth in 1988–89, an estimated much lower revenue cost of dividend imputation than was the case in 1988–89, some recoupment of 1988–89 revenue delayed into 1989–90 and a small net positive revenue impact of measures announced in the May 1988 Economic Statement. Growth has been reduced, however, by the tax cuts, the continued impact of incorporation and the lower provisional tax uplift factor (see Part 2).

Medicare Levy

Individuals pay the Medicare levy at a rate of 1.25% of their taxable income above specified income thresholds (see Part 2).

Estimated collections from the Medicare levy in 1988–89 were $2320m, $5m higher than forecast at budget time. This comprised $1960m from PAYE taxpayers ($2140m gross PAYE less $180m refunds) and $360m from other individuals.

Collections in 1989–90 are estimated to reach $2595m, $2130m from PAYE taxpayers ($2330m gross PAYE less $200m refunds) and $465m from other individuals.

Prescribed Payments System

Prescribed payments system (PPS) collections derive from withholding, at source, taxation on payments for prescribed labour and services in certain industries, including the building and transport industries. The tax liability is paid to the Tax Office in the month following payment.

In 1988–89, PPS collections totalled $1308m, 11.3% above the budget estimate. The higher than forecast collections reflected stronger than anticipated incomes in the building industry.

Collections from the prescribed payments system in 1989–90 are estimated at $1650m, an increase of 26.1% on 1988–89. With the nominal value of building activity expected to grow much less than last year, the increase in collections largely reflects an increase in the PPS tax rate from 15% to 20% from 1 July 1989.

Companies

Companies' tax liability is assessed as a fixed percentage of their taxable income. In broad terms, taxable income is the total income of a company minus allowable deductions such as for wages paid to employees, sales tax payments or allowances for depreciation. The company tax rate was 49% for the 1987–88 income year but was reduced to 39% from the 1988–89 income year.

The tax liability of companies, unlike individuals, is payable in the year following the year in which income was derived. The new arrangements which apply to payment of tax liabilities from companies' 1989–90 income year are set out in Part 2.

Company tax collections amounted to $10 265m in 1988–89, $65m or 0.6% more than the budget estimate. The small overrun reflected slightly higher income growth, higher collections from new companies and higher collections from foreign tax credits than estimated at budget time, partly offset by lower than expected audit collections and some slippage of collections into 1989–90.

Company income tax is forecast at $11 360m in 1989–90. The increase over 1988–89 reflects the reduction in the company tax rate from 49% to 39% from the 1988–89 income year, slightly more than offset by the very strong growth in company incomes in that year and continued growth in the number of new companies, partly reflecting the trend of some individuals to incorporate their business activities in 1988–89. It also reflects the impact in 1989–90 of the new company tax collection arrangements announced in this Budget (see Part 2).

Approximately $60m of the estimate relates to collections from complying superannuation fund business of life assurance companies which will be collected under the company head of revenue. An offsetting adjustment has been made to superannuation fund collections.

Capital Gains Tax

A capital gains tax applies to assets acquired after 19 September 1985, and covers (with some exemptions) real gains on disposal of assets. Collections from the tax are included in the 'individuals' and 'companies' revenue heads.

Collections from the capital gains tax grew strongly in 1988–89, totalling $281m, or $181m above the budget estimate and three times the level of 1987–88 collections.

- $126m was collected from individuals, with over three quarters coming from individuals with taxable income over $35 000. The bulk of the individuals' liabilities related to sales of shares and real estate, and distributions from partnerships and trusts.
- $155m was collected from companies, with two thirds coming from companies with taxable incomes over $2m. Most of the liability related to sales of shares and real estate.

Summary details are set out in Table 5.

Table 5 : Capital Gains Tax for 1988–89 (Income Year 1987–88)

Asset type	No. of Taxpayers	Capital Gain	Tax Paid
		$m	$m
Individuals			
Shares	42659	192	78
Real Estate	6167	52	18
Partnership and Trust	13070	70	25
Others *(a)*	2557	15	5
Sub Total	64453	328	126
Companies			
Shares	1930	236	116
Real Estate	281	62	30
Others *(a)*	210	19	9
Sub Total	2421	317	155
TOTAL	66874	645	281

(a) For individuals this includes personal use assets and other property; for companies it includes other property and distributions from partnership and trust.

The estimate for capital gains tax collections in 1989–90 is $500m, $260m relating to collections from individuals and $240m to collections from companies. The figures for 1989–90 include collections previously under Section 26AAA of the *Income Tax Assessment Act 1936* and now under the capital gains tax provisions of this Act.

Superannuation Funds

Changes to the taxation arrangements for superannuation funds were announced in the May 1988 Economic Statement, with effect from 1 July 1988. Such funds are now taxed at the concessional rate of 15% with payments made according to the arrangements for company tax.

Tax liability applies to investment income of, and contributions to, complying superannuation funds, including both public (Federal, State and local) and private funds, approved deposit funds, pooled superannuation trusts and the superannuation business of life insurance companies, friendly societies and other registered organisations including State government insurance offices. The taxable income of these entities, including contributions by employers and deductible contributions made under personal superannuation schemes, are now taxed at 15%.

Revenue from this source is estimated at $885m in 1989–90, compared with the original estimate of $980m. The original estimate was reduced by $70m as a result of the amendment relating to fixed-interest approved deposit funds and a further $60m as a result of the transfer of collections from life assurance companies to the company head of revenue. The estimate has been increased by $10m as a result of a transfer of non-complying superannuation business from other individuals and by $25m as a result of the new tax measure relating to the payment of tax liabilities by companies in general.

Withholding Tax

In total, withholding tax collections were $737m in 1988–89, 10.5% above 1987–88 collections and 5.2% greater than the budget estimate. The estimate for 1989–90 is $850m, which is an increase of 15.4% on 1988–89.

Interest Withholding Tax

Interest withholding tax is imposed on interest derived by non-residents from Australian sources. In 1988–89, collections amounted to $638m, 18.1% higher than in 1987–88 and 7.7% greater than the budget estimate. The increase was the result of higher than expected domestic interest rates and a fall in the $A.

In 1989–90, collections are estimated to be $750m, an increase of 17.5% on 1988–89, reflecting higher domestic interest rates, on average, than last year and a lower $A.

Dividend Withholding Tax

Dividend withholding tax is imposed on unfranked dividends paid to non-residents by Australian companies unless the non-residents carry on business or have permanent establishments in Australia. In 1988–89 collections were $97m, 22.0% lower than collections in 1987–88 and close to the budget estimate of $105m.

Collections are forecast to be $99m in 1989–90, largely unchanged from last year.

Mining Withholding Tax

Mining withholding tax, which amounted to only $1m in 1988–89, is paid to Aboriginal groups for the use of Aboriginal land for mineral exploration and mining. In 1989–90 collections are again estimated at $1m.

Fringe Benefits Tax

Fringe benefits tax (FBT) applies to a range of benefits provided by employers to their employees. The FBT rate is currently 49% but, as announced in the April 1989 Economic Statement, it will be reduced to 47% for the FBT year commencing 1 April 1990. This reduction will impact on 1990–91 collections.

Collections in 1988–89 were $990m, very close to the budget estimate of $1000m and an increase of 12.4% on 1987–88. The table below disaggregates collections by type of benefit, showing the taxable amount and tax collected.

Table 6: 1988-89 Fringe Benefits Tax by Type of Benefit

	1987-88		1988-89			
Type of Benefit	Taxable Amount	Tax Collected	Taxable Amount	Tax Collected	Change on 1987-88	Per cent of Total
	$m	$m	$m	$m	%	%
Motor Vehicles -						
Statutory Formula Method	834	421	893	479	13.8	48.4
Log Book Method	38	19	35	19	-1.9	1.9
Low Interest Loans	286	144	266	142	-1.2	14.4
Expense Payments	229	115	240	128	11.3	13.0
Housing	155	78	151	81	3.3	8.2
Other (a)	205	103	242	140	36.2	14.2
TOTAL	1747	881	1826	990	12.4	100.0

(a) Includes board, living-away-from-home allowances, airline transport, property (goods), debt waiver, entertainment, other benefits and audit collections.

Revenue in 1989–90 is estimated at $1120m, 13.2% above 1988–89 collections, reflecting continuing solid growth in employment and wages and supplements, and an increase in the statutory rate for low interest loans.

Sales Tax

Sales tax is imposed on a range of goods manufactured in, and imported into, Australia. It is levied at the last wholesale point on the wholesale sales value of the goods, at rates of 10%, 20% and 30%.

In 1988–89, revenue amounted to $9402m, 24.6% higher than in 1987–88 and 8.9% higher than the budget estimate. While part of this growth reflected the introduction of a 20% sales tax on beer which was previously exempt, strong sales of motor vehicles and investment goods contributed more to the increase.

The estimate for collections in 1989–90 is $10 500m, an increase of 11.7% on 1988–89, reflecting much slower and more even growth in sales of consumption and investment goods subject to sales tax.

Table 7: Sales Tax by Rate Class

Rate Class		1988-89 Actual	1989-90 Estimate	Change on 1988-89	
		$m	$m	$m	%
10%		1200	1350	150	12.5
20%		6687	7425	738	11.0
30%		1058	1185	127	12.0
Not allocated by rate	(a)	480	540	60	12.5
TOTAL	(b)	9425	10500	1075	11.4
	(c)	9402	10500	1098	11.7

(a) These collections cannot be allocated readily to a particular rate class. They include amounts collected on imports at point of entry as well as an amount for recoveries in respect of audit activity.
(b) Before allowance for the payment of a $23m refund to Telecom in December 1988. It is not possible to allocate this refund to a particular rate class.
(c) After allowance for the payment of the refund to Telecom.

Estimated collections of sales tax on goods falling within specified rate classes for 1988–89 and 1989–90 are set out in Table 7 above.

Excise Duty

Total collections of excise duty in 1988–89 were $8603m, 11.0% below the 1987–88 outcome. In 1989–90, collections are estimated at $9264m. The main components for the two years are shown in Table 8 below.

Table 8: Excise Duty

	1988-89			1989-90		
	Estimate	Actual	Change on 1987-88	Estimate	Change on 1988-89	
	$m	$m	%	$m	$m	%
Crude Oil and LPG	1383	1188	-42.2	1352	164	13.8
Petroleum Products (a)	5050	5163	6.8	5645	482	9.3
Total Petroleum	6433	6351	-7.8	6997	646	10.2
Other Excise (b) -						
Beer	857	910	-38.8	826	-84	-9.2
Potable Spirits	156	161	10.6	177	16	9.7
Tobacco Products	1176	1151	4.1	1236	85	7.4
Other (c)	28	30	-25.5	28	-2	-5.3
Total Other Excise	2217	2252	-19.0	2267	15	0.7
TOTAL	8650	8603	-11.0	9264	661	7.7

(a) Includes motor spirit, diesel fuel (net of rebates), aviation gasoline, fuel oil, heating oil and kerosene. The figures are net of refunds/drawbacks on petroleum products to eligible users.
(b) The break-up of other excise between beer, potable spirits and tobacco products is an estimate only.
(c) Includes the coal excise duty and refunds/drawbacks.

Crude Oil and LPG Levies

Excise is levied on the production of crude oil and LPG. For crude oil, excise is collected from particular Bass Strait oil fields at various rates depending on the annual level of production and the date of discovery of the field. Details are set out in Table 9 below. LPG excise is levied on naturally occurring LPG from particular fields at a rate of 60% of the excess of the weighted average of domestic and export prices over $147 per tonne. As foreshadowed by the Government in June 1987, a review of the current arrangements was announced in May 1989 with an expected completion date of June 1990.

Table 9: Excise Rates on Crude Oil Production as of 1 July 1989

Annual Production Range Megalitres	Average Daily Production Rate kbd	Excise Rates (d) (% of Bass Strait Prices) "Old" Oil (a) Marginal	"Old" Oil (a) Average (e)	"Intermediate" Oil (b) Marginal	"Intermediate" Oil (b) Average (e)	"New" Oil (c) Marginal	"New" Oil (c) Average (e)
0-50	0-0.87	0	0	0	0	0	0
50-100	0.87-1.72	5	2.50	0	0	0	0
100-200	1.72-3.44	15	8.75	0	0	0	0
200-300	3.44-5.17	20	12.50	0	0	0	0
300-400	5.17-6.90	40	19.38	15	3.75	0	0
400-500	6.90-8.62	70	29.50	30	9.00	0	0
500-600	8.62-10.35	75	37.08	50	15.83	10	1.67
600-700	10.35-12.07	75	42.50	55	21.43	20	4.29
700-800	12.07-13.79	75	46.56	55	25.63	30	7.50
800+	13.79+	75	n.a.	55	n.a.	35	n.a.

(a) 'Old' oil areas are: Halibut, Kingfish A and B, Barracouta, Mackerel, South Mackerel, West Kingfish, Cobia, Marlin, Snapper, Tuna and Flounder (all currently producing).
(b) Bream (currently producing); Perch, Dolphin and Turrum (not yet producing) are subject to the 'intermediate' excise rate.
(c) 'New' oil areas include: West Kingfish, Fortescue, Snapper, Tuna, and Flounder (all producing); Whiting, Tarwhine and Seahorse (expected to be producing in 1989-90); and Whiptail (not yet producing).
(d) The first 30 million barrels of crude oil from new projects in Bass Strait and on the North West Shelf which commenced production from 1 July 1987 will be exempt from excise. For a medium-sized Bass Strait field producing, say, 13 kbd of 'new' oil, excise would not be paid until about the seventh year of production, after which a top marginal rate of 30% would apply (average rate about 6%).
(e) Average excise rates at the top of each production range.

Revenue from the crude oil and LPG excises in 1988–89 totalled $1188m (comprising $1176m in crude oil excise and $12m in LPG excise), $195m lower than the budget estimate and the fourth consecutive decline in collections. There were periods of very low prices in late 1988 resulting in substantial cutbacks in production. There were also a number of technical and industrial problems which depressed output from the Bass Strait oil fields, resulting in annual average Bass Strait production of 322 thousand barrels per day (kbd) compared with the 386 kbd assumed at budget time. Prices recovered in the second half of the financial year, with the estimated average price for 1988–89 as a whole being $A19.34 per barrel, slightly above the budget estimate of $A19.02 per barrel.

Revenue from crude oil and LPG excises in 1989–90 is estimated at $1352m, 13.8% above 1988–89 and reversing the downward trend of recent years. The crude oil excise

estimate assumes an oil price of $A23 per barrel, well above the 1988–89 average, and Bass Strait production of 330 kbd, 2.5% above 1988–89. LPG excise collections are expected to be nil, based on the assumption of an average price (domestic and exports) of $140 per tonne.

Excise Indexation

The rates of duty for the main excisable commodities (with the exception of crude oil, LPG and coal) are adjusted each August and February in line with half-yearly CPI movements. The rates of duty applying from 5 February 1989 and from 1 August 1989 are shown in Table 10.

Table 10: Excise Rates

	Rates applying from - 5 February 1989 $	1 August 1989 $
Petroleum Products (per litre)		
Motor Spirit	0.22391	0.23152
Diesel Gross	0.22391	0.23152
Rebate Primary Producers	0.22391	0.23152
Mining	0.20003	0.20764
Other	0.17048	0.17628
Aviation Gasoline	0.23805	0.24614
Fuel Oil	0.04644	0.04802
Heating Oil	0.04644	0.04802
Kerosenes	0.04644	0.04802
Beer (per litre of alcohol over 1.15 per cent)	12.17	12.58
Potable Spirits (per litre of alcohol)		
Brandy	24.20	25.02
General Rate for Other Spirits	28.35	29.31
Spirits nei and Liqueurs nei	29.11	30.10
Tobacco Products (per kg of tobacco)	44.94	46.47
Coal Excise (per tonne)	0.25	0.25

Petroleum Products Excise

Excise from refined petroleum products was $5163m in 1988–89, 6.8% above 1987–88 and 2.2% greater than the budget estimate, owing mainly to a higher than expected indexation increase on 5 February 1989. Clearances were slightly above the budget estimate.

Collections in 1989–90 are expected to be $5645m, 9.3% higher than in 1988–89 reflecting an expected modest growth in clearances of motor spirit and diesel fuel and the CPI indexation of excise rates.

Other Excise Duty

Other excise revenue is derived from beer, potable spirits, tobacco products and coal at rates shown in Table 10 above.

In the 1988–89 Budget, the Government announced a new single rate excise on beer based on alcoholic content, which involved an estimated loss to revenue of around $730m in 1988–89 and a further $865m in 1989–90.

Revenue from other excises in total amounted to $2252m in 1988–89, 1.6% higher than the budget estimate but 19.0% lower than the 1987–88 outcome reflecting, in the main, the introduction of the new excise structure for beer. Clearances of beer grew by 3.6%, influenced by the price advantage induced by the lower excise arrangements.

Revenue from other excises in 1989–90 is estimated to be $2267m—a slight increase on the 1988–89 outcome. This reflects a forecast fall in cigarette clearances and the first full year effect of the lower excise rate for beer, offset by a slight increase in beer clearances, as well as a small rise in clearances of spirits.

Customs Duty

Imports

Ad valorem tariffs are applied to many categories of imports. Customs duty revenue is affected by the $A price of imports (and, hence, the exchange rate) and the composition of imports between goods with high and low tariff rates.

The multitude of tariff rates is gradually being reduced in number and level as the program of tariff reform, announced in the May 1988 Economic Statement, is implemented. Generally this means that tariffs in excess of 15% will be phased down to 15% and tariffs between 10% and 15% will be phased down to 10% by 1992. Separate arrangements have been implemented for the textiles, clothing and footwear and passenger motor vehicle industries.

Customs duty collections in 1988–89 amounted to $3753m, 6.0% higher than the budget estimate and 3.3% higher than the 1987–88 outcome. This reflected the stronger than anticipated growth in import volumes over the year, partly offset by a lower than envisaged average duty rate, reflecting a higher proportion of investment-related imports which are generally dutiable at lower rates.

Endogenous imports are expected to rise moderately in nominal terms in 1989–90 while the underlying year-average implied rate of duty is expected to fall again, continuing the downward trend of recent years that can be seen in Chart 1 below. Revenue from customs duty is estimated at $4030m, 7.4% higher than the 1988–89 outcome.

Coal Exports

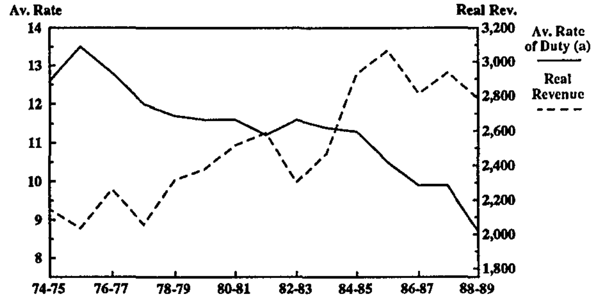
Exports of high quality Australian coking coal are taxed at $3.50 per tonne. Coal exports duty in 1988–89 amounted to $50m based on dutiable exports of 14.3m tonnes. Coal exports duty for 1989–90 is estimated at $52m.

Debits Tax

Collections in 1988–89 were $358m, 8.6% above the Budget estimate. Collections in 1989–90 are estimated to be $390m.

CHART 1. AVERAGE RATE OF DUTY AND REAL REVENUE FROM CUSTOMS DUTY ON IMPORTS

1974-75 TO 1989-90



Other Taxes, Fees and Fines

Revenue from Other Taxes, Fees and Fines in 1989–90 is estimated at $1554m, largely unchanged from 1988-89.

The outcome for 1988–89 and the estimates for 1989–90 are set out in Table 11.

Table 11: Other Taxes Fees and Fines

	1988-89 Actual	1989-90 Estimate	Change on 1988-89	
	$m	$m	$m	%
Primary Industry Levies	778	782	4	0.5
Primary Industry Charges	63	74	11	17.6
Broadcasting and Television Station Licence Fees	110	271	161	146.1
Radiocommunications Licence Fees	50	55	6	11.6
Stevedoring Industry Collections	28	27	-1	-2.9
Departure Tax	38	42	4	9.8
Passport Fees	53	62	9	17.9
Patents, Trademarks and Design Fees	36	40	4	10.5
Immigration Fees and Charges	40	54	15	36.8
Court Fees and Fines	10	15	5	43.9
Light Dues and Navigation Charges	42	43	..	..
ACT Taxes and Charges	233	-	-233	n.a.
Other	67	89	22	32.8
TOTAL	1547	1554	7	0.4

The major components of this category are primary industry levies, primary industry charges, broadcasting and television station licence fees and 'other' items. In 1989-90 ACT Taxes and Charges are included for the first time in this category. A brief comment on these items for 1989–90 compared with 1988-89 follows; the remaining items under this general heading show no significant change.

Primary Industry Levies

Primary industry levies are paid to industry trust accounts or to statutory marketing authorities to fund their administration, market support, product promotion and research activities.

Total revenue from these sources for 1989–90 is estimated at $782m, up $4m on 1988–89. The main developments are:

- the introduction of new wheat marketing arrangements on 1 July 1989 whereby the wheat tax was replaced by a new wheat industry levy, with collections estimated at $45m in 1989–90;
- a decrease of $18m in dairy produce levy collections largely reflecting the abolition of that part of the levy which finances supplementary market support; and
- a decrease of $17m in livestock levy collections owing to a reduction in levy rates following a decision by the Australian Meat and Livestock Corporation to reduce levy contributions for chemical residue testing and computer assisted livestock marketing.

Primary Industry Charges

These charges are levied to recover part of the cost of export inspection, domestic meat inspection and livestock health export certification undertaken by the Australian Quarantine and Inspection Service (AQIS) and by the States on behalf of the AQIS, and the monitoring of chemical residue levels in agricultural and pastoral products.

Total revenue from these sources is estimated at $74m, an increase of $11m over 1988–89, which mainly reflects the full year effect of moving to 60% cost recovery for quarantine and inspection services and introduction of 50% cost recovery for agricultural and veterinary chemical activity.

Broadcasting and Television Station Licence Fees

Licence fees are levied by the Commonwealth on a progressive basis on the annual gross earnings of commercial radio and television stations.

Total revenue from these sources in 1989–90 is estimated at $271m, $161m above 1988–89. The increase stems largely from the $138m expected to be raised during 1989–90 under Stage 1 of the Government's National Metropolitan Radio Plan, announced in August 1988. A further $12m is expected to be generated as a result of current projections of further growth in the annual gross earnings of most commercial radio and television stations.

ACT Taxes and Charges

As a result of ACT self-government in May 1989, the Commonwealth no longer collects ACT Taxes and Charges. Details of the ACT Budget are published separately by the ACT Government.

Other

Total revenue from these sources for 1989–90 is estimated at $89m, an increase of $22m on 1988–89, mainly as a result of an increase in the proceeds from sale of assets confiscated under the *Proceeds of Crime Act*; a higher loan guarantee levy as a result of increased borrowings by authorities and increased bond store licence fee collections for 1989–90.

NON-TAXATION REVENUE

Non-taxation revenue comprises interest paid to the Commonwealth Government from sources outside the budget sector and dividends and miscellaneous revenue from Government-owned enterprises.

Table 12: Non–Taxation Revenue

	1988-89 Actual	1989-90 Estimate	Change on 1988-89	
Interest -	$m	$m	$m	%
States, NT and ACT	2527	2507	-20	-0.8
Non-Budget Authorities:				
Australian Telecommunications and Postal Corporations	638	480	-158	-24.8
Australian National Railways Commission	8	4	-3	-40.4
Civil Aviation Authority	16	17	1	4.0
Federal Airports Corporation	47	48	1	1.6
Pipeline Authority	28	26	-3	-8.9
Snowy Mountains Hydro-Electric Authority	75	76	1	1.2
Commonwealth Cash Balances with RBA	231	185	-46	-19.7
Other	181	88	-93	-51.6
Total Interest	3751	3431	-320	-8.5
Dividends and Other -				
Transport and Communications Business Enterprises *(a)*	70	384	314	445.2
Commonwealth Banking Corporation	123	110	-13	-10.4
Australian Industry Development Corporation	-	9	9	n.a.
Reserve Bank of Australia	503	440	-63	-12.6
Royal Australian Mint	234	55	-179	-76.5
Petroleum Royalties	61	91	30	49.2
Other	32	31	-1	-4.5
Total Dividends and Other	1024	1120	96	9.4
TOTAL	4775	4550	-225	-4.7

(a) Includes AUSSAT Pty Ltd, Australian Airlines Ltd, Australian Postal Corporation, Australian Shipping Commission, Australian Telecommunications Corporation, Civil Aviation Authority, Federal Airports Corporation, Overseas Telecommunications Commission and Qantas Airways Limited.

In 1988–89, non-taxation revenue totalled $4775m, $404m or 7.8% below the budget estimate and, as a proportion of revenue, the lowest on record.

In 1989–90 collections are estimated at $4550m, 4.7% down on last year and continuing the downward trend of recent years.

Details are set out in Table 12.

Interest Revenue

Interest Revenue from the States, NT and ACT

Interest revenue from the States and Territories is estimated to total $2507m in 1989–90, a reduction of $20m.

The Commonwealth receives interest payments from the six States in respect of advances made to them under the State Governments' Loan Council Program and from the NT in respect of advances made under similar general purpose capital assistance arrangements. The Commonwealth also receives interest from the ACT on debts assumed upon self-government. These debts largely reflect past Commonwealth payments for ACT infrastructure.

No new general purpose capital advances have been taken up by the States since 1986–87. The estimated decrease in interest payments from the States of $23m in 1989–90 reflects the reduced stock of debt to be rolled over in 1989–90 offsetting the full-year effect of higher average coupon rates on the debt issued in 1988–89 to replace maturing debt and the interest on ACT debt.

Australian Telecommunications and Postal Corporations

The fall in interest payments from Telecom and Australia Post in 1989-90 mainly reflects the one-off conversion in 1989–90 of debt to equity in each corporation. The conversion, involving a total of some $1.1 billion of outstanding Commonwealth loans, is intended to provide for the first time an equity base for both corporations. This new, commercially-oriented, financial structure is more appropriate in the new environment in which these enterprises will operate. Reductions in interest revenue to the Commonwealth resulting from the conversion of debt to equity will be at least offset by the dividends which Telecom and Australia Post are required to commence paying to the Commonwealth in 1989–90. Commencing in 1989–90, ten annual debt repayments will be made by Telecom as its remaining Commonwealth debt is refinanced through private sector borrowings.

Other Interest

The main factor contributing to the $93m reduction under this category in 1989–90 is the transfer of the mortgage management function of the Defence Service Homes Corporation from the budget sector to the Westpac Banking Corporation. The sale involves a $55m reduction in revenue to the Commonwealth from interest payments on home mortgages between 1988–89 and 1989–90. Further details of this sale are set out in Statement 3, *5 Housing and Community Amenities* and *9D Asset Sales.*

Dividends and Other

Transport and Communications Business Enterprises

Consistent with dividend determination arrangements established under the 1988 reform packages for Transport and Communications enterprises, the global figure of $384m for 1989–90 is an estimate only and is without prejudice to the eventual dividend to be settled with each of the enterprises concerned after the finalisation of their accounts for the 1988–89 financial year.

The increase in estimated dividends in 1989–90 mainly reflects the inclusion for the first time of dividends from Telecom and Australia Post in respect of the conversion of debt to equity described above. It also includes dividends from AUSSAT Pty Ltd, the Civil Aviation Authority and the Federal Airports Corporation, and the deferral of the OTC's 1988–89 dividend payment to 1989–90.

The Commonwealth Banking Corporation

Total dividend payments from the Commonwealth Banking Corporation are expected to be $110m in 1989–90, $13m less than in 1988–89. This comprises an estimated payment of $105m from the Commonwealth Bank of Australia and its subsidiary, the Commonwealth Savings Bank, and an estimated $5m payment from the 1988–89 profits of the Commonwealth Development Bank.

Australian Industry Development Corporation (AIDC)

The AIDC was restructured in July 1988 with a publicly listed subsidiary company being established to conduct the Corporation's commercial operations. No payment was made in 1988–89 following the Government's decision to reinvest its dividend in the AIDC to strengthen the equity base of the Corporation.

The estimated dividend payment in 1989–90 is $9m.

The Reserve Bank of Australia

Payments by the Reserve Bank of Australia to the Commonwealth in 1988–89 totalled $503m, consisting of a final payment of $486m from the Bank's earnings for 1987–88 and a final payment of $18m out of the capital and reserves of the Rural Credits Department which has been wound up. No interim payment was made by the Bank in respect of its 1988–89 earnings; an amount of $400m had been included in the budget estimate.

Total payments from the Reserve Bank to the Commonwealth in 1989–90 are estimated at $440m, $63m less than in 1988–89. The *Reserve Bank Act 1959* requires the Reserve Bank to pay its net earnings to the Commonwealth after provisions for contingencies and appropriations to reserves. The 1989–90 figure represents a final payment of $140m from earnings of the Bank in 1988–89, after transfer of $277m to provisions and reserves, and an anticipated interim payment by the Bank in June 1990 of $300m in respect of its 1989–90 earnings.

Royal Australian Mint

Revenue from the Royal Australian Mint relates to seignorage on circulating coin production and profits from the sale of numismatic coins.

The lower than expected result for 1988–89 of $234m principally reflected the need to repurchase $50m surplus coin stocks from the Reserve Bank.

The expected decrease in revenue in 1989–90 to $55m largely reflects the drop in seignorage on the $2 coin as the new coin is established in circulation.

Petroleum Royalties

Petroleum royalties include the Commonwealth's share of the income from the resource rent royalty paid in respect of oil production from Barrow Island, as well as offshore petroleum royalties.

In 1988–89 revenue amounted to $61m, 48.1% lower than in 1987–88 and 22.7% lower than the budget estimate. The shortfall was the result of lower production than estimated at budget time.

The estimated rise in petroleum royalties of $30m to $91m in 1989–90 reflects the impact of higher assumed crude oil prices, and higher production estimates.

PART 4: LONGER TERM TRENDS

Table 13 below shows that the average nominal increase in revenue over the past five years was a little below the average of the three previous five year periods. Although in real terms the average increase in revenue was somewhat stronger than in the two previous five year periods, the real rate of increase in revenue has been declining consistently since 1984–85.

Table 13: Aggregate Revenue

	Taxation Revenue		Non-Taxation Revenue		Total Revenue			Proportion of GDP		
	Change on Previous Period		Change on Previous Period			Change on Previous Period				
	Nominal	Real(a)	Nominal	Real(a)		Nominal	Real(a)	Tax	Non-Tax	Total
	%	%	%	%	$m	%	%	%	%	%
5 Year Averages:										
1959-60 to 1963-64	7.5	4.5	11.1	7.9		7.9	4.9	17.9	2.5	20.3
1964-65 to 1968-69	11.2	7.1	8.2	4.2		10.8	6.7	19.1	2.5	21.6
1969-70 to 1973-74	14.5	6.3	9.0	1.2		14.0	5.8	20.0	2.3	22.4
1974-75 to 1978-79	16.6	3.3	16.5	3.2		16.6	3.3	22.3	2.0	24.3
1979-80 to 1983-84	13.8	3.5	12.1	2.0		13.7	3.4	23.5	2.0	25.5
1984-85 to 1988-89	13.1	5.3	3.3	-3.8		12.4	4.7	24.9	2.1	27.0
Yearly Figures:										
1979-80	17.1	6.6	-2.0	-10.8	29798	15.4	5.0	22.5	1.8	24.3
1980-81	19.0	7.5	13.2	2.2	35326	18.6	7.1	23.5	1.8	25.3
1981-82	16.1	4.3	15.8	4.0	41020	16.1	4.3	24.3	1.9	26.2
1982-83	8.2	-2.6	21.5	9.4	44765	9.1	-1.7	24.1	2.1	26.2
1983-84	9.1	2.1	13.4	6.2	48979	9.4	2.5	23.3	2.1	25.5
1984-85	18.1	11.5	12.6	6.3	57621	17.6	11.1	24.8	2.1	26.9
1985-86	11.2	3.9	27.1	18.8	64809	12.5	5.1	24.7	2.4	27.2
1986-87	12.5	4.7	12.0	4.3	72864	12.4	4.7	25.2	2.5	27.7
1987-88	12.9	5.1	-8.9	-15.2	80828	10.9	3.3	25.2	2.0	27.2
1988-89	*11.2*	*1.7*	*-19.5*	*-26.4*	88027	8.9	-0.4	24.8	*1.4*	26.2
1989-90	9.7	3.2	-4.7	-10.4	95875	8.9	2.5	25.0	1.2	26.2

(a) Nominal increase deflated by movements in the non-farm GDP deflator.

Revenue as a proportion of GDP reached an historical peak of 27.7% in 1986–87, having increased steadily over the previous twenty-five years. Since then the revenue to GDP ratio has fallen to 26.2% in 1988–89 and is expected to remain at that level in 1989–90.

During the past several years, the Commonwealth's revenue base has been significantly repaired and restructured, improving the coverage and fairness of the taxation system. The broadening of the tax base, along with the Commonwealth's concerted efforts to reduce outlays as a proportion of GDP, has permitted discretionary reductions in tax rates at the same time as the budget balance has been shifted very substantially from deficit to surplus. These discretionary changes and the sharp non-discretionary decline in crude oil and LPG excise revenues (which fell from 8.8% of total revenue in 1980–81 to an estimated 1.4% in 1989–90) reduced the tax revenue to GDP ratio to about 25% in 1988–89 and 1989–90, the same as the average for the last five years. This represents a break from the upward trend in this ratio apparent for the quarter century to the mid-1980s.

There has also been a substantial decline in revenue from non-taxation sources on account of a sharp decline in payments by the Reserve Bank to the Commonwealth since 1987–88, and of a lower rate of growth in interest payments received from the States. As a result, the non-taxation revenue to GDP ratio is expected to reach an historically low level of 1.2% of GDP in 1989–90.

Chart 2 and Appendix C, Table C.III show the major categories of revenue expressed as proportions of total revenue. Appendix C also provides, by revenue head, tables covering current price data and growth of revenue in real terms for each year since 1979–80.

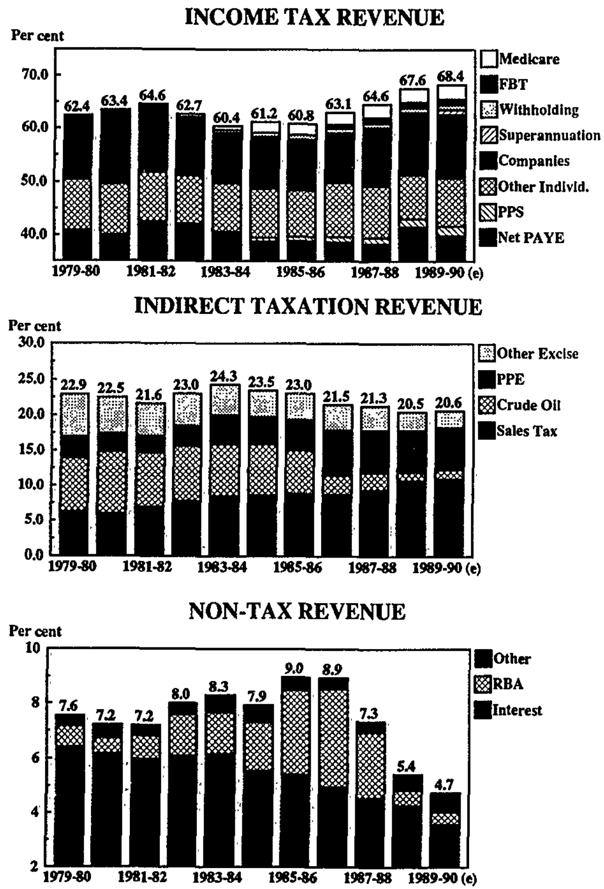
TAXATION REVENUE

Income Tax

Income tax revenue accounts for two-thirds of all revenue. Over the past five years, there has been an increase in the share of income tax revenue to total revenue. This reflected, in the main, the very buoyant state of the economy (with above-trend employment growth and a sustained recovery in corporate profitability), the repair of the income tax system (notably, the fringe benefits tax and expenses substantiation, capital gains tax, the prescribed payments system, and the improved income tax assessment and compliance systems of the Tax Office) and the weakness in non-taxation revenue.

- The increase in the tax burden on individuals (average tax rates) that occurs as nominal incomes increase because of the progressive structure of the personal income tax system (commonly referred to as 'fiscal drag') has been more than offset over the past five years as a result of discretionary changes made to the personal income tax rates scale. Following the cuts in personal income tax rates from 1 July 1989, taxpayers as a whole will be paying less tax in 1989–90 than would have been the case if the tax rates scale in place in 1983–84 had been fully indexed for inflation.
- While discretionary reductions in personal income tax have thus offset the tax take from the higher average tax rate imposed as a result of rising nominal incomes, the strength of employment growth (averaging $3^1/4$% over the five year period to 1988–89, compared with a twenty year average growth of 2%) and the weakness of non-taxation and crude oil excise revenues, have been sufficient to increase the share of revenue coming from individuals.
- The share of company tax collections to total revenue fell significantly between the late 1960s and the mid-1980s. It has recovered significantly in recent years, largely reflecting a period of sustained economic growth. The corporate gross operating surplus share over the last five years, on average, has been higher than during the previous decade. This has contributed to the strength of company income tax collections over the last two years, despite the increased cost of investment incentive measures. In 1989–90, the very large increase in corporate incomes (in 1988–89) and the change in company tax collection arrangements will

CHART 2. COMPOSITION OF REVENUE 1979-80/1989-90
PERCENTAGE OF TOTAL REVENUE



more than offset the impact of the reduction in the corporate tax rate, resulting in a small rise in the corporate share of total revenue.

- The growth in revenue collections from the Medicare levy, the prescribed payments systems, the capital gains tax, and the fringe benefits tax accounts for over half of the increase in the income tax to GDP ratio for the most recent five year period (1983–84 to 1988–89).

Other Taxation Revenue

The bulk of other taxation revenue is derived from sales tax, excises and customs duty. There has been no marked overall trend in this aggregate as a proportion of revenue over the past fifteen years although there have been significant changes in the importance of individual components.

The proportion of collections from the wholesale sales tax has increased substantially during the 1980s as a result of base broadening, discretionary rate changes and the impact of currency depreciation on the price level of goods subject to tax, relative to other goods.

Excises fall into two broad categories—those on the production of crude oil and LPG and those on clearances of final products (petroleum products, and alcoholic and tobacco products).

- Revenue from crude oil and LPG excise—which is essentially a form of resource rent tax—peaked in 1980–81 at nearly 9% of total revenue, and declined moderately to 1985–86 before dropping sharply to its current level of about $1^1/2$%. A reduction in world oil prices together with lower production of, and reduced maximum excise rates for, Bass Strait crude oil contributed to the decline.
- Revenue collections from excise on petroleum products declined during the late 1970s and early 1980s as increases in the specific duty rates failed to keep pace with inflation. The introduction of twice-yearly indexation of excise rates in 1983, and discretionary rate changes from March 1986 to December 1987, reversed this trend. In January 1988 the system of discretionary increases in petroleum products excise to offset the revenue effects of volatile crude oil prices was discontinued, and the excise on aviation turbine fuel was abolished in July 1988; these developments have contributed to a further small decline.
- Revenue from excises on alcoholic and tobacco products (known collectively as 'other excises') has declined steadily as a proportion of revenue during the 1980s. While the rate of decline was attenuated by the introduction of automatic indexation in 1983, the decline reflects the low growth, and in some cases decline, in clearances of these products, and the rationalisation of excise arrangements for beer introduced in the 1988–89 Budget.

Revenue from customs duty has declined from 5.6% of revenue during the last half of the 1970s to 4.7% over the five years to 1988–89. This reflects the decline in the duty rate mentioned in Part 3, which has partly offset the growth in dutiable imports.

NON-TAXATION REVENUE

The decline in the share of non-tax revenue that occurred during the 1960s and 1970s was halted in the first half of the 1980s as a result of sharply increased payments to the Commonwealth from the Reserve Bank, flowing from large increases in its profits. In both 1987–88 and 1988–89 profits declined substantially, contributing importantly to the overall fall in the share of non-tax revenue to total revenue; a further fall is likely in 1989–90.

The importance of the major contributor to non-taxation revenue—interest received—is also likely to decline further this year, with the absolute level of revenue under this head estimated to fall. The major reason for this is the reduction in the loan funds to the States over recent years.

APPENDIX A: REVENUE MEASURES ANNOUNCED IN THE APRIL 1989 ECONOMIC STATEMENT

Income Tax

Personal Income Tax Rates Scale

As foreshadowed by the Treasurer on 12 April 1989, the personal income tax rates scale was amended with effect from 1 July 1989. The new rates scale is set out in Table A.I below.

Table A.I: New Personal Income Tax Rates Scale

Income Range ($ per annum)	Marginal Tax Rate (cents per dollar) Previous	Current
0 - 5100	0	0
5100 - 12600	24	21
12600 - 17650	29	21
17650 - 19500	29	29
19500 - 20600	40	29
20600 - 35000	40	39
35000 - 50000	49	47
Over 50000	49	49

As from 1 January 1990, the top marginal rate will reduce to 47%, resulting in an average top marginal rate of 48% in 1989–90.

As a consequence of changes to the personal income tax rates scale, a number of other rates of tax also have been varied. These include the withholding tax rate where a tax file number is not quoted, the rate of tax on the unearned income of minors and the rates applying to various entities, all of which are aligned to the top marginal rate. The fringe benefits tax (FBT) rate will be reduced to 47% for the FBT year commencing 1 April 1990. The rates scale applicable to non-resident individuals and trust estates will comprise the existing 29% rate on taxable income up to $20 600 and the new rates scale applicable to resident individuals on taxable income in excess of $20 600.

Concessional Rebates

For 1989–90, the concessional rebates for dependants and the sole parent rebate have been increased to the levels set out in Table A.II.

Commencing in 1990–91, these rebates will be indexed annually based on the increase in the CPI to the preceding March quarter.

Table A.II: New Concessional Rebate Levels

Rebate	Maximum Rebate Level $
Dependent Spouse	
No Children	1000
With Children	1200
Sole Parent	940
Daughter - Housekeeper	
No Children	1000
With Children	1200
Invalid Relative	450
Parent or Parent-in-law	900
Housekeeper	
No Children	1000
With Children	1200

Pensioner Rebate

The Treasurer announced that the maximum pensioner rebate would be raised to a level sufficient to exempt from tax repatriation and social security pensioners with non-pension incomes up to the income test-free area of $40 per week for single pensioners and combined income of $70 per week for married couples. This will be achieved, for married couples, in 1989–90 and, for single pensioners, in 1990–91, with rebates increased sufficiently in 1989–90 to exempt from tax a single pensioner with $25 per week non-pension income. Based on current estimates, the necessary rebate levels for 1989–90 are provisionally put at $650, $520 and $760 for single, married-rate and married pensioners unable to live together due to illness, respectively. Actual rebate levels and shade-out thresholds will be announced once the December quarter CPI figure is known.

The rebate will continue to shade out at a rate of 12.5 cents for each dollar of taxable income in excess of the implied thresholds (currently estimated at $8190 for single pensioners, $7570 for married-rate pensioners and $8710 for married pensioners unable to live together due to illness). For married pensioners any unused portion of their rebate and shade-out threshold will be transferred to their spouse except where their spouse is a social security beneficiary. For 1989–90, this will mean that a married pensioner couple with a combined taxable income of around $15 140 or less ($17 420 or less in the case of a married pensioner couple separated owing to illness) will not pay tax.

Pensioners who qualify for a full or part rebate will continue to be exempt from provisional tax.

The 1988–89 income tax returns do not contain all the details needed to identify the categories of pensioners to which the 1989–90 rebates are to apply. Accordingly, the Commissioner of Taxation will implement interim arrangements to determine whether to levy provisional tax on pensioners for the 1989–90 income year. Under these arrangements, provisional tax for 1989–90 will not be raised where any pensioner's 1988–89 taxable income is less than $11 992.

When 1989–90 provisional tax notices commence to be issued towards the end of this calendar year, pensioners entitled to exemption from provisional tax on the basis of the new rebate rules outlined above will be given the opportunity to have any provisional tax that has been raised reduced to nil.

Taxation of Foreign Source Income

Following consultation with interested parties on proposals contained in 'Taxation of Foreign Source Income—A Consultative Document', released as part of the May 1988 Economic Statement, the Treasurer announced the final design of new measures for taxing such income derived from foreign companies, trusts and other arrangements. The new measures have two broad features:

- most income sheltered in low-tax countries through foreign companies controlled by Australian residents and through trusts will be taxed in Australia on an accruals basis; and
- most income derived from non-portfolio interests in companies resident in comparable-tax countries will be exempt both from the accruals tax and from tax on dividends paid to Australian corporate shareholders.

The new arrangements will generally take effect from the 1990–91 income year and are not expected to generate revenue until 1991–92. (A comprehensive discussion of these measures and design changes from the earlier proposals may be found in 'Taxation of Foreign Source Income—An Information Paper, April 1989'.)

APPENDIX B: OTHER REVENUE MEASURES ANNOUNCED SINCE THE 1988–89 BUDGET

Income Tax

ACT Election Expenses

The Government introduced amending legislation on 31 May 1989 to allow a deduction for expenses incurred in contesting an election for membership of the Legislative Assembly for the Australian Capital Territory. The amendment will apply for expenditure incurred in the 1988–89 and subsequent income years.

Beneficiary Rebate

Legislation was amended to increase the beneficiary rebate for single beneficiaries and recipients of certain Commonwealth education allowances from $260 to $262 in 1988–89, in order to ensure that persons wholly dependent on specified Commonwealth benefits or allowances do not pay income tax.

The rebate begins to shade out where 1988–89 taxable income exceeds $6192 and is extinguished at $8288.

Capital Gains Tax: Long Term Leases of Land and Principal Residence Exemption

On 16 November 1988, the Treasurer announced amendments to the capital gains tax (CGT) provisions of the *Income Tax Assessment Act 1936* in relation to the treatment of premiums received on long term leases of land. As a result, where a taxpayer grants a long term (more than fifty years) lease or sublease of land after 16 November 1988, the taxpayer is able to elect to have the CGT provisions apply to the transaction on the basis that the grant of the lease is a disposal of the underlying asset.

On 22 November 1988, the Treasurer announced the principal residence exemption would be extended so that no person will be liable to capital gains tax on the disposal of an asset that is a licence or right to occupy a unit in a retirement village that was his or her principal residence. The amendment applies from 20 September 1985.

Deductibility of Gifts: Extensions

The Treasurer announced that gifts to the following bodies would qualify as deductible donations (for gifts of $2 or more) where made on or after the date of announcement, unless otherwise indicated.

- Announced on 10 October 1988: Melbourne Overseas Mission Fund.
- Announced on 16 December 1988: Funds set up in Australia exclusively for the relief of persons affected by the earthquake in Northern Soviet Armenia on 8 December 1988 (for gifts made before 1 July 1989).
- Announced on 11 January 1989: Dr Graham's Homes Association Overseas Aid Fund.
- Announced on 31 January 1989: For Those Who Have Less—Action Aid Aust. Ltd. Special Overseas Aid Fund (previously known as For Those Who Have Less—Special Overseas Aid Fund).

- Announced on 10 May 1989: Australia Ireland Fund.
- Announced on 8 August 1989: Building funds for hostels that provide residential accommodation for school students from rural areas in respect of gifts made on or after 7 April 1989.

Defence Force Personnel Serving in Namibia

The Prime Minister announced on 6 March 1989 that the pay and allowances received by Defence Force personnel while assigned to duty in Namibia, as part of the United Nations Transitional Assistance Group, will be exempt from income tax. The exemption applies from 18 February 1989. Legislation to give effect to this announcement was introduced into the Parliament on 31 May 1989.

Dividend Imputation: Early Balancing Company Assessments

On 18 January 1989, the Acting Treasurer announced amendments to the income tax law relating to the imputation system of company taxation as it applies to early balancing company assessments. The amendment provides that where a company received its assessment of tax for a year of income during that year, the company tax rate to be applied in calculating the franking credit is the general company tax rate for the year of tax in which the assessment is served. It applies to company assessments for 1988–89 and later years of income issued on or after the date of announcement.

Research and Development Tax Concession

As part of the strategy contained in the Government's Science Statement of 8 May 1989, the tax concession for investment by companies in research and development (R&D) activities was extended for four years. The concession, which provides for deductibility of eligible R&D expenditures at a rate of 150%, had been scheduled to terminate at 30 June 1991. It will now continue at a rate of 150% until 30 June 1993 and, thereafter, at a rate of 125% until 30 June 1995. From 1 July 1995, eligible expenditures will be deductible at the rate of 100%.

Substantiation Rules Relating to Award Transport Allowances

On 28 April 1989, the Treasurer announced alterations to the provisions for substantiation of award transport allowances.

Previously, a taxpayer in receipt of an allowance paid under an industrial award for fares or other transport costs (award transport allowances) did not need to substantiate claims for deductible expenses against that allowance provided that:

- the amount payable under the award had not increased since 29 October 1986; and
- the amount claimed was not more than the allowance paid.

These provisions have now been altered so that no substantiation is required where the claim is up to the amount of the allowance as it stood at 29 October 1986, even if the allowance has increased since that date.

If, however, the taxpayer claims in excess of the amount payable at 29 October 1986, then the taxpayer must substantiate all deductions claimed against the allowance.

The amended provisions apply from the tax year which commenced on 1 July 1988. The amendment does not apply to car expense reimbursement payments.

Taxpayers remain subject to traditional tests of eligibility for deduction.

Superannuation Tax Reform

Legislation implementing the Government's reform of the taxation arrangements for superannuation was passed by the Parliament on 15 June 1989 with one amendment to the Bills introduced by the Treasurer on 30 November 1988 and 4 May 1989. The amendment exempts from tax that part of the income of a prescribed 'fixed interest approved deposit fund' (ADF) (that is, a complying ADF which derives at least 90% of its income as interest) that relates to the 25 May 1988 balances of depositors who had rolled over retirement benefits into the ADF on or before 25 May 1988 and who were aged 55 or over at that date (50 years where the benefit was paid as a consequence of redundancy, invalidity or under a bona fide early retirement scheme). Eligible depositors who had withdrawn some or all of their 25 May 1988 balances will be allowed until 31 August 1989 to redeposit in order to qualify for the exemption. To be entitled to the exemption, the ADF must pass on the benefit it provides to the eligible depositors whom the exemption is intended to protect.

The legislation incorporated the following previously announced amendments to the original May 1988 Economic Statement proposals:

- Contribution Tax Transfers and Pooled Superannuation Trusts—On 20 June 1988, the Treasurer announced that complying superannuation funds and complying ADFs would be allowed to transfer the tax liability on taxable contributions they receive to a life insurance company or registered organisation in which they invest as well as to certain pooled superannuation trusts (PSTs). To be allowed to accept contributions tax liabilities from a complying superannuation fund or ADF, a PST will be required to meet certain requirements concerning the ownership of its units and to elect to be taxed on a similar basis as a superannuation fund. Where the PST meets these requirements:
  - — the trustee will be taxed at the superannuation fund rate of tax;
  - — any amounts it distributes will be exempt from tax in the hands of unitholders that are complying superannuation funds, complying ADFs or other PSTs; and
  - — unitholders that are complying superannuation funds, complying ADFs or other PSTs will not be liable to capital gains tax on the disposal of their units.
- Premiums for Death and Disability Cover—On 1 July 1988, the Treasurer announced that complying superannuation funds would be allowed a tax deduction for the cost of providing death or disability benefits for dependants of a member of the fund.
- Funding of Past Superannuation Obligations—On 11 August 1988, the Treasurer announced that otherwise taxable contributions would not be taxed if they were made to cover a liability of a superannuation fund that was already in existence at 30 June 1988.

- Payment of Benefits Through Superannuation Funds—On 11 August 1988, the Treasurer also announced that where benefits are paid through a superannuation fund and are wholly or partly funded by a once-off contribution, the fund may elect to have the contribution treated as non-taxable. Where this election is taken, people who receive benefits from the fund will not qualify for the reduced rates of tax for lump sum payments or the special rebate for superannuation pensions paid from a taxable fund to the extent that the particular benefit is attributable to the non-taxable contributions.

Taxation of Traditional Financial Securities

The Government introduced amending legislation on 10 May 1989 for the taxation of traditional financial securities (not being securities issued at a discount to which the accruals provisions of Division 16E of Part III of the *Income Tax Assessment Act 1936* apply).

Under the previous law, certain gains and losses on the disposal or redemption of traditional securities were dealt with under the capital gains and capital losses provisions, whereas gains and losses on the disposal or redemption of traditional securities acquired after 10 May 1989 will be dealt with under the general income tax law.

Tax File Number: Amendments

Legislation to give effect to a tax file numbering system was passed by the Parliament on 22 November 1988. The terms of the legislation differed from the original announcement in the following major respects:

- There will be no phasing in of the use of the tax file number when making investments; tax file numbers will be required for all new accounts opened on or after 1 July 1991.
- The consequences of non-quotation have been altered such that a withholding tax will apply at the top marginal rate of personal taxation plus the Medicare levy.
- The quotation of the tax file number will apply to pre-existing investment in shares in public companies at 1 July 1991.
- In the case of shares, the withholding sanction will apply on a pro rata basis to the extent that any dividend is not a franked dividend.
- Exemption from quoting the tax file number will apply to accounts with banks, building societies and credit unions in existence at 1 July 1991 that earn less than $120 per annum in interest.
- Persons in receipt of any part of an age, invalid or other Department of Social Security pension or a service pension will not need to quote the tax file number to operate bank or similar accounts, buy shares or have dealings with other financial institutions. This exemption does not apply to unemployment and sickness benefit recipients.
- Children under 16 years of age will not need to quote a tax file number where interest income is less than $420 per annum. However, file number rules apply for dividend income.

- Higher Education Contribution Scheme payments made through the tax system will require the quotation of a tax file number.

Thin Capitalisation

On 30 March 1989, the Treasurer announced amendments to the thin capitalisation rules in Division 16F of the *Income Tax Assessment Act 1936*. The amendments will provide relief from the rules in a number of ordinary commercial circumstances.

Wholesale Sales Tax

Computer Software

In the 1988–89 Budget, the Government announced the removal of sales tax on computer software developed for sale or licensing to a single user and the imposition of sales tax on computer software developed for two or more users that is transferred electronically. Following a further review, the Government concluded that the Bills to give effect to the Budget announcement would not adequately address the problems associated with applying sales tax to computer software. It announced that tax liability for all computer software other than firmware would be removed from 23 December 1988. Legislation was introduced into the Parliament on 31 May 1989.

Containers for Marketing Alcoholic Beverages

On 13 February 1989, the Treasurer announced that the Government would amend the sales tax law to ensure that only bottles that are for repeated use in marketing alcoholic beverages qualify for exemption from tax on their initial acquisition by a brewer or wholesaler of such beverages. The necessary legislation, which was introduced into the Parliament on 31 May 1989, extends parallel treatment to beer kegs. The amendments apply from 24 August 1988 in the case of kegs and from 14 February 1989 for other containers.

Recycled Paper

On 20 July 1989, the Prime Minister announced in his Statement on the Environment that the Government would exempt from sales tax certain printing and writing paper, tissue and toilet paper and paper bags where these goods are made from wholly recycled paper. The change will operate after the date of introduction of the legislation, which is expected to be in the Budget 1989 sittings of the Parliament.

Shipping Containers

On 25 January 1989, the Government announced that shipping containers would be exempt from sales tax, with effect from the date of announcement, where they are for repeated use on ships to transport cargo. Legislation was introduced into the Parliament on 31 May 1989.

Customs and Excise Duty

Coated Kraft Paper and Paperboard

The Government announced on 27 April 1989 that the duty rate for coated kraft paper and paperboard be restored to 15% after inadvertently being reduced in the 1988 May Economic Statement to 10%.

Rebate on Marine Diesel Excise

As part of the Shipping Reform Package, the shipping industry will receive a rebate of the hypothecated component of marine diesel excise from 1 July 1992.

Sugar Tariff Arrangements

From 1 July 1989 the embargo on sugar imports will be lifted and a tariff of $115 per tonne imposed. The tariff will be phased down to $70 per tonne by July 1992.

Taxation of Petroleum Products

On 3 March 1989, the Government announced the following changes to the excise and customs duty arrangements applying to petroleum products:

- removal of customs duty on imported Liquid Petroleum Gas (LPG) from 1 July 1989 (to align it with the excise-free status of domestic LPG);
- to address avoidance practices, amendment to the duty structure to ensure that duty is paid in accordance with the stated end-use of petroleum products (announced to come into effect on 1 July 1989 but delayed pending negotiations with the oil industry); and
- various changes to the Diesel Fuel Rebate Scheme to improve administration and to correct anomalies in the coverage of activities eligible for rebate.

Transport Containers

On 25 January 1989, the Government announced that imports of all transport containers transferable between modes of transport would be duty free from the date of announcement.

Other Measures

Conversion of Nominated Housing Advances to Grants

In 1989–90, the advances component of the State Governments' Loan Council Program and the related general purpose capital advances to the NT, which was nominated by the States to be provided as concessional loans for public housing in 1988–89, is to be replaced by grants under the Commonwealth State Housing Agreement. Forgone interest repayments resulting from this measure are shown in Table 1. Forgone principal repayments are classified to outlays (see Statement 3).

Light Dues and Navigation Charges

Light dues are levied on the shipping industry to recover the cost of providing marine navigational aids. To improve the equity of the system, the rate at which dues are levied

will change from a single rate of 53 cents per net registered ton, to a sliding scale of charges ranging from 63 cents down to 33 cents per net registered ton as total tonnage increases.

Telecommunications Applications Fees

This item covers fees for various licences and other permits issued by the newly established Australian Telecommunications Authority.

Wheat Industry Fund Levy

With the introduction of new wheat marketing arrangements on 1 July 1989, the wheat tax has been replaced by a new wheat industry levy. The new levy will comprise 2.5% of the net sales value of wheat, of which 2 percentage points will be applied to a Wheat Industry Fund. The fund will be used to support the trading activities of the Australian Wheat Board in the domestic wheat market. The Commonwealth will also guarantee borrowings by the Australian Wheat Board to fund such commercial operations. Further details are provided in Statement 3, *7B Industry Assistance and Development*.

Appendix C: Revenue Statistics – 1979-80 to 1989-90

Table C.I: Commonwealth Government Budget Revenue ($m)

	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
TAXATION REVENUE											
Income Tax											
Individuals											
Gross PAYE	13287	15291	18836	20812	22024	24403	27575	30657	33359	39106	41220
Less Refunds	1127	1170	1418	1971	2402	2072	2385	2520	2402	2550	2980
Net PAYE	12160	14121	17417	18840	19621	22331	25189	28136	30957	36556	38240
Other	2872	3411	3787	4101	4454	5322	5673	7444	7880	7352	8835
Medicare Levy	-	-	-	-	365	1223	1335	1715	2080	2320	2595
Prescribed Payments System	-	-	-	-	251	412	515	765	958	1308	1650
Total Income Tax on Individuals	15032	17532	21204	22942	24691	29287	32713	38061	41875	47536	51320
Companies	3406	4695	5053	4829	4563	5564	6111	6714	8801	10265	11360
Superannuation	8	11	20	25	21	14	22	13	11	7	885
Withholding Tax	141	161	205	259	305	404	562	639	667	737	850
Fringe Benefits Tax	-	-	-	-	-	-	-	535	881	990	1120
Total Income Tax	18588	22399	26482	28054	29580	35270	39408	45962	52234	59535	65535
Sales Tax	1865	2102	2854	3490	4165	4966	5728	6348	7547	9402	10500
Excise Duty											
Crude Oil and LPG	2270	3108	3163	3486	3650	4202	4019	2062	2056	1188	1352
Petroleum Products	905	925	970	1293	1973	2207	2813	4666	4833	5163	5645
Other Excise Duty	1789	1799	1860	2028	2110	2145	2373	2557	2778	2252	2267
Total Excise Duty	4964	5832	5993	6807	7733	8554	9205	9284	9668	8603	9264
Customs Duty											
Imports	1538	1800	2060	2036	2329	2927	3282	3237	3632	3753	4030
Coal Exports	91	85	97	66	66	60	57	52	50	50	52
Total Customs Duty	1629	1884	2156	2102	2395	2987	3339	3288	3683	3803	4082
Debits Tax	-	-	-	30	183	189	202	261	330	358	390
Other Taxes, Fees and Fines											
Primary Industry Charges	20	20	20	25	25	59	51	55	59	63	74
Primary Industry Levies	278	353	314	369	421	531	512	577	691	778	782
Broadcasting and Television Licence Fees	18	21	31	40	48	59	69	77	86	110	271
Other Taxes, Fees and Fines nec	134	108	148	178	267	314	341	324	362	367	426
ACT Taxes and Charges	53	60	71	88	100	120	143	177	239	233	-
Total Other Taxes, Fees and Fines	503	562	585	700	861	1082	1116	1211	1436	1551	1554
TOTAL TAXATION REVENUE	27548	32780	38071	41183	44917	53048	58999	66354	74897	83252	91325

Table C.I: Commonwealth Government Budget Revenue ($m) – continued

	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
NON-TAX REVENUE											
Interest Received											
From Other Governments											
On General Purpose Advances	1091	1270	1441	1619	1736	1904	1991	2073	2107	2082	2059
On Housing Agreements	176	183	189	197	212	228	245	265	289	303	308
On Other Specific	111	119	114	124	137	98	97	91	85	141	140
ACT Loan Council	-	-	-	-	-	-	-	-	-	-	-
Total Interest from Other Governments	1378	1572	1744	1940	2085	2230	2333	2429	2481	2527	2507
From Non-Budget Authorities											
Australian National Railways	18	16	18	15	12	14	7	8	8	8	4
Snowy Mountains Hydro-electric Authority	47	49	55	57	57	61	66	72	73	75	76
Pipeline Authority	27	29	31	33	35	34	34	33	30	28	26
Telecom and Postal Corporations	328	331	397	484	610	665	705	667	654	638	480
Civil Aviation Authority	-	-	-	-	-	-	-	-	-	16	17
Federal Airports Corporation	-	-	-	-	-	-	-	-	22	47	48
Other Non-Budget Authorities	17	11	8	8	6	6	4	-	-	-	14
Total Interest from Non-Budget Authorities	437	436	509	598	720	780	816	779	787	812	665
Defence Service Homes	-30	49	52	60	66	69	71	75	76	56	-
ACT Housing	22	25	25	28	28	29	27	28	27	22	8
From Public Financial Enterprises	33	37	35	27	38	6	55	44	47	1	1
Commonwealth Cash *Balances – Reserve Bank*	33	28	15	14	24	21	128	187	184	231	185
Other Interest Received	40	34	69	62	52	66	83	72	65	103	65
Total Interest Received	1914	2181	2449	2731	3014	3200	3513	3614	3667	3751	3431
Dividends and Other											
From Public Trading Enterprises	7	6	11	0	1	8	26	20	48	70	384
From Public Financial Enterprises											
Reserve Bank of Australia	226	198	345	663	746	1014	1985	2601	1959	503	440
Commonwealth Banking Corporation	36	42	39	34	46	39	23	100	68	123	110
Australian Industry Development Corporation	-	-	-	-	-	8	8	9	11	-	9
Other Financial Enterprises	-	-	0	0	0	0	0	0	-	-	-
From Petroleum Royalties	43	55	52	68	85	97	169	103	117	61	91
From Royal Australian Mint	9	47	33	52	133	175	37	7	26	234	55
Other (incl revenue nec)	15	18	20	35	39	33	50	55	36	32	31
Total Dividends and Other	337	366	501	852	1049	1373	2298	2896	2265	1024	1120
TOTAL NON-TAX REVENUE	2250	2546	2950	3582	4063	4573	5811	6510	5932	4775	4550
TOTAL REVENUE	29798	35326	41020	44765	48980	57622	64810	72864	80829	88027	95875

Table C.II: Real Rate of Change in Commonwealth Government Budget Revenue Items (%) (a)

	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
TAXATION REVENUE											
Income Tax											
Individuals											
Gross PAYE	5.7	4.0	10.6	-0.5	-0.9	4.6	5.6	3.5	1.3	7.2	-0.8
Less Refunds	-1.4	-6.2	8.9	25.1	14.1	-18.6	7.6	-1.6	-11.3	-2.9	9.9
Net PAYE	6.5	4.9	10.8	-2.6	-2.5	7.4	5.4	4.0	2.4	8.0	-1.6
Other	8.9	7.3	-0.3	-2.5	1.7	12.8	-0.4	22.2	-1.4	-14.7	13.0
Medicare Levy	n.a.	n.a.	n.a.	n.a.	n.a.	216.3	2.0	19.6	12.9	2.0	5.2
Prescribed Payments System	n.a.	n.a.	n.a.	n.a.	n.a.	55.1	16.9	38.4	16.5	24.9	18.7
Total Income Tax on Individuals	6.9	5.4	8.6	-2.6	0.8	12.0	4.4	8.3	2.4	3.8	1.6
Companies	2.1	24.5	-3.3	-13.9	-11.5	15.1	2.6	2.3	22.0	6.7	4.1
Superannuation	16.2	32.0	59.9	14.5	-21.3	-36.7	44.6	-44.3	-23.9	-36.5	n.a.
Withholding Tax	12.6	3.0	14.5	13.7	10.3	24.9	30.0	5.9	-2.9	1.1	8.6
Fringe Benefits Tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	53.2	2.8	6.5
Total Income Tax	6.0	8.9	6.2	-4.6	-1.3	12.6	4.4	8.6	5.8	4.3	3.6
Sales Tax	-4.1	1.9	22.0	10.1	11.7	12.6	7.8	3.2	10.7	14.0	5.1
Excise Duty											
Crude Oil and LPG	68.4	23.7	-8.6	-0.8	-1.9	8.7	-10.6	-52.2	-7.1	-47.1	7.0
Petroleum Products	-9.4	-7.7	-5.8	20.0	42.9	5.6	19.1	54.4	-3.5	-2.3	2.9
Other Excise Duty	-4.6	-9.1	-7.1	-1.8	-2.6	-4.0	3.4	0.3	1.2	-25.9	-5.3
Total Excise Duty	17.5	6.2	-7.7	2.3	6.4	4.4	0.6	-6.1	-3.0	-18.6	1.3
Customs Duty											
Imports	2.7	5.7	2.8	-11.0	7.1	18.6	4.8	-8.2	4.5	-5.5	1.0
Coal Exports	-11.7	-15.5	2.4	-38.3	-6.5	-14.5	-10.6	-16.3	-8.8	-9.7	-1.7
Total Customs Duty	1.8	4.5	2.8	-12.2	6.7	17.7	4.5	-8.3	4.3	-5.5	1.0
Debits Tax	n.a.	n.a.	n.a.	n.a.	478.3	-2.1	-0.3	20.2	17.7	-0.6	2.4
Other Taxes, Fees and Fines											
Primary Industry Charges	*381.3*	-8.2	*-10.1*	*8.9*	-6.4	*125.1*	-19.1	1.0	-1.0	-2.2	10.6
Primary Industry Levies	-10.5	14.5	-20.0	5.6	7.0	18.9	-9.8	5.0	11.4	3.1	-5.4
Broadcasting and Television Licence Fees	13.3	7.1	29.3	17.6	12.1	14.7	9.5	3.9	4.1	17.4	131.5
Other Taxes, Fees and Fines nec	-16.2	-27.4	23.7	8.4	40.0	11.3	1.4	-11.4	4.0	-7.3	9.3
ACT Taxes and Charges	-4.6	3.5	5.6	12.1	5.9	13.2	12.0	14.9	25.7	-10.8	-100.0
Total Other Taxes, Fees and Fines	-7.9	1.0	-6.6	7.8	15.1	18.7	-3.6	1.0	10.5	-1.2	-5.8
TOTAL TAXATION REVENUE	6.6	7.5	4.3	-2.6	2.1	11.5	3.9	4.7	5.1	1.7	3.2

Table C.II: Real Rate of Change in Commonwealth Government Budget Revenue Items (%) – continued

	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
NON-TAX REVENUE											
Interest Received											
From Other Governments											
On General Purpose Advances	-2.5	5.2	1.9	1.1	0.4	3.5	-2.3	-3.0	-5.4	-9.6	-7.0
On Housing Agreements	-3.0	-6.2	-7.2	-5.9	0.5	1.3	0.8	0.6	1.6	-4.2	-4.4
On Other Specific	5.6	-3.3	-13.9	-1.4	3.0	-32.2	-8.0	-12.0	-13.3	52.0	-7.1
ACT Loan Council	-	-	-	-	-	-	-	-	-	-	-
Total Interest from Other Governments	-2.0	3.1	-0.3	0.2	0.6	1.0	-2.2	-3.0	-4.9	-6.9	-6.7
From Non-Budget Authorities											
Australian National Railways	-37.2	-20.5	2.0	-22.8	-26.9	8.6	-52.2	4.6	-11.0	-9.7	-43.9
Snowy Mountains Hydro-electric Authority	-9.2	-5.3	0.4	-6.7	-6.4	0.0	2.0	0.9	-5.9	-5.5	-4.8
Pipeline Authority	-2.8	-3.6	-5.4	-2.7	-1.5	-8.3	-6.4	-9.3	-14.2	-14.7	-14.3
Telecom and Postal Corporations	-8.6	-9.0	8.0	9.8	18.0	2.9	-0.9	-12.0	-8.6	-10.8	-29.2
Civil Aviation Authority	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-2.1
Federal Airports Corporation	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	96.1	-4.4
Other Non-Budget Authorities	-40.2	-42.3	-35.9	-7.4	-29.1	2.4	-41.1	n.a.	n.a.	n.a.	n.a.
Total Interest from Non-Budget Authorities	-11.8	-10.0	4.9	5.8	12.8	2.3	-2.2	-11.1	-6.0	-5.5	-23.0
Defence Service Homes	-136.4	-250.2	-5.9	4.1	3.2	-1.8	-3.1	-2.0	-5.1	-33.5	n.a.
ACT Housing	-14.3	1.9	-9.9	3.4	-6.4	-4.4	-11.0	-5.2	-9.8	-25.0	-66.3
From Public Financial Enterprises	31.9	1.4	-15.0	-30.2	30.8	-84.5	710.4	-25.6	0.4	-98.5	-5.9
Commonwealth Cash Balances – Reserve Bank	9.6	-25.0	-52.0	-12.6	57.9	-18.8	474.5	36.0	-8.6	14.9	-24.5
Other Interest Received	-10.6	-22.2	82.5	-19.2	-22.5	20.6	17.6	-19.5	-16.2	45.5	-40.7
Total Interest Received	-9.2	3.0	0.9	0.4	3.3	0.2	2.6	-4.2	-5.5	-6.4	-14.0
Dividends and Other											
From Public Trading Enterprises	-34.5	-13.7	53.5	-96.7	84.9	796.7	217.9	-25.4	117.3	35.1	412.9
From Public Financial Enterprises											
Reserve Bank of Australia	-21.6	-21.1	56.7	73.1	5.4	28.3	83.0	22.0	-29.9	-76.5	-17.8
Commonwealth Banking Corporation	15.4	5.0	-15.6	-22.8	27.6	-19.4	-45.7	312.9	-36.7	64.3	-15.7
Australian Industry Development Corporation	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-3.4	2.5	14.8	n.a.	n.a.
Other Financial Enterprises	n.a.	n.a.	n.a.	-10.0	-6.4	-5.6	40.2	-6.9	n.a.	n.a.	n.a.
From Petroleum Royalties	40.7	13.8	-13.9	17.4	17.1	7.7	62.5	-43.4	6.1	-52.5	40.3
From Royal Australian Mint	-69.5	374.0	-36.4	40.3	139.0	24.5	-80.2	-81.8	235.6	722.2	-77.9
Other (incl revenue nec)	-38.7	6.9	-2.6	57.6	5.1	-19.2	40.4	3.1	-39.6	-18.4	-10.2
Total Dividends and Other	-19.0	-1.9	23.0	53.2	15.3	23.6	56.4	17.4	-27.2	-58.7	2.9
TOTAL NON-TAX REVENUE	-10.8	2.2	4.0	9.4	6.2	6.3	18.8	4.3	-15.2	-26.4	-10.4
TOTAL REVENUE	5.0	7.1	4.3	-1.7	2.5	11.1	5.1	4.7	3.3	-0.4	2.5

(a) Nominal increase deflated by movements in the non-farm GDP deflator.

Table C.III: Major Categories of Revenue as Proportions of Total Revenue (per cent)

	Taxation Revenue										Non-Taxation Revenue		
	Income Tax (a)			Other Taxation Revenue									
				Excises (c)									
	Individuals	Companies	Total (b)	Crude Oil and LPG	Refined Petroleum Products	Total Liquid Fuel	Other (c)	Sales Tax	Total Other Tax (d)	Interest	Dividends and Other	Total Non-Tax Revenue (e)
Averages: 1959-60 to 1963-64	33.0	16.7	50.0		16.6			10.0	37.8	n.a.	n.a.	12.2
: 1964-65 to 1968-69	37.5	15.9	53.8		15.2			7.8	34.6	10.5	0.2	11.6
: 1969-70 to 1973-74	42.1	16.5	59.3		13.2			7.9	30.2	9.5	0.3	10.5
: 1974-75 to 1978-79	50.5	13.4	64.4		12.4			7.4	27.2	7.4	0.9	8.3
: 1979-80 to 1983-84	50.7	11.4	62.7	7.9	3.0	10.9	4.9	7.1	29.7	6.2	1.5	7.6
: 1984-85 to 1988-89	51.8	10.2	63.5	4.0	5.3	9.3	3.4	9.2	28.8	4.9	2.8	7.7
1979-80	50.4	11.4	62.4	7.6	3.0	10.7	6.0	6.3	30.1	6.4	1.1	7.6
1980-81	49.6	13.3	63.4	8.8	2.6	11.4	5.1	6.0	29.4	6.2	1.0	7.2
1981-82	51.7	12.3	64.6	7.7	2.4	10.1	4.5	7.0	28.3	6.0	1.2	7.2
1982-83	51.2	10.8	62.7	7.8	2.9	10.7	4.5	7.8	29.3	6.1	1.9	8.0
1983-84	50.4	9.3	60.4	7.5	4.0	11.5	4.3	8.5	31.3	6.2	2.1	8.3
1984-85	50.8	9.7	61.2	7.3	3.8	11.1	3.7	8.6	30.9	5.6	2.4	7.9
1985-86	50.4	9.4	60.8	6.2	4.3	10.5	3.7	8.8	30.2	5.4	3.5	9.0
1986-87	52.2	9.2	63.1	2.8	6.4	9.2	3.5	8.7	28.0	5.0	4.0	8.9
1987-88	51.7	10.9	64.6	2.5	6.0	8.5	3.4	9.3	28.0	4.5	2.8	7.3
1988-89	53.9	11.7	67.6	1.4	5.9	7.2	2.6	10.7	26.9	4.3	1.2	5.4
1989-90	53.4	11.8	68.4	1.4	5.9	7.3	2.4	11.0	26.9	3.6	1.2	4.7

(a) The 'Individuals' category comprises net PAYE, other individuals income tax, Medicare levy collections (from 1983-84) and collections under the prescribed payments system which have been apportioned to individuals (from 1983-84). 'Companies' includes company tax collections and collections from the prescribed payments system which have been apportioned to companies (from 1983-84).

(b) As well as collections from individuals and companies, total income tax includes collections from superannuation funds, withholding tax revenue (from 1960-61) and fringe benefits benefits tax revenue (from 1986-87).

(c) The 'other' category includes excise from beer, potable spirits and tobacco. A more detailed breakup - for 1988-89 and 1989-90 - is shown in Table 8 of this Statement.

(d) As well as excises and sales tax, other taxation revenue includes customs duty on imports and coal exports; other taxes, fees and fines (including estate, gift and stamp duties); ACT taxes and charges (1959-60 to 1988-89); payroll tax (1959-60 to 1976-77); and debits tax (from 1982-83).

(e) As well as interest and dividends, total non-tax revenue includes revenue from the National Debt Sinking Fund (1959-60 to 1963-64), and net increases in other balances of the Commonwealth Trust Fund (1959-60 to 1964-65).