

APPENDIX C: GST REVENUE POLICY DECISIONS

Compulsory third party schemes — alternative global decreasing adjustment methodology

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	6.7	6.7	6.7	6.7

The Government will not proceed with the measure announced in the 2005-06 Budget to allow compulsory third party (CTP) insurers to use a further methodology to calculate decreasing adjustments when settling claims under CTP insurance schemes.

Debt collection enhancement — reducing taxation debt and outstanding superannuation guarantee charge payments

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	5.0	20.0	20.0	20.0

The Government will provide additional funding to the Australian Taxation Office, including \$15.2 million in relation to GST administration, to help reduce the existing stock of taxation debt and outstanding superannuation guarantee charge payments owed by employers. The States have agreed to reimburse the Government for the additional GST administration expense.

The enhanced debt recovery is expected to result in additional GST revenue of \$65 million over four years. Total GST cash collections, including amounts previously recognised as revenue, are expected to increase by \$450 million over four years. These additional collections will be paid to the States.

See also the related expense measure titled *Debt collection enhancement – reducing taxation debt and outstanding superannuation guarantee charge payments* in Budget Paper No. 2 in the Treasury portfolio.

Employee share schemes that provide stapled securities

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-0.1	-0.1	-0.1	-0.1

The Government has extended the GST exemption for services acquired offshore in relation to an employee share scheme, to include employee share schemes that provide stapled securities, with effect from 1 July 2006.

Imported services used to make input taxed supplies are generally subject to the GST 'reverse charge'. A reverse charge means that the Australian recipient of the supply is liable for GST on the imported service, rather than the overseas supplier. The reverse charge does not apply to imported services relating to employee share schemes.

This measure ensures that imported services relating to employee share schemes that provide stapled securities attract the same GST treatment as imported services relating to other employee share schemes.

This measure relates to the 2006-07 Budget measure titled *Employee share schemes – extending current concessions to stapled securities* (Budget Paper No. 2, Budget Measures 2006-07).

Expand the range of goods in inwards duty free stores

Revenue (\$m)

	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-2.0	-2.0	-2.0	-2.0

The Government will relax the current restrictions on the range of goods available for sale in inwards duty free stores. The type of goods available for sale will be limited by size, weight and the value of the duty free passenger concession. The changes will take effect from the date that the applicable customs regulation is amended.

The range of goods currently available for sale in inwards duty free stores is restricted. This measure will allow travellers, on arrival in Australia, to purchase a broader range of goods that are able to be carried as part of their hand luggage, up to a value of \$900.

The measure will increase convenience for inward travellers purchasing duty free goods.

See also the related revenue measure titled *Expand the range of goods in inwards duty free stores* in Budget Paper No. 2 in the Attorney-General's portfolio.

GST car concession for certain injured defence personnel

Revenue (\$m)

	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	-	-	-

The Government has extended the GST-free motor vehicle concession to include everyone who is eligible to receive the Special Rate Disability Pension under the *Military Rehabilitation and Compensation Act 2004*, with effect from 1 July 2004.

This measure enhances the Government's 2004-05 Budget announcement that it would extend the GST-free motor vehicle concession to include severely injured veterans

under the Military Rehabilitation and Compensation Scheme. Before the 2004-05 Budget announcement, only those veterans who had lost (or effectively lost) a leg or both arms, and who were in receipt of a Totally and Permanently Incapacitated Pension under the *Veterans' Entitlements Act 1986*, were entitled to the concession.

GST concessions for the International Criminal Court

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office

The Government will provide the International Criminal Court (ICC) and certain of its officials with GST concessions that are consistent with the Agreement on the Privileges and Immunities of the International Criminal Court. The measure will have effect from the commencement of the Agreement.

Under the Agreement, the ICC is entitled to GST relief on major purchases of goods and services and on property purchases. ICC officials are entitled to certain GST concessions. The GST concessions will not be available to individuals who are Australian nationals or permanent residents.

Increasing the GST registration turnover threshold

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-56.7	-82.9	-87.1	-91.4

The annual turnover thresholds for registration for the GST will be raised to \$75,000 for businesses and to \$150,000 for non-profit bodies, with effect from 1 July 2007.

As a result of this measure, businesses and non-profit bodies with a turnover between the present threshold (\$50,000 or \$100,000) and the proposed threshold (\$75,000 or \$150,000) will no longer be required to register for GST. Those that voluntarily register for GST will have the option of remitting GST annually, rather than quarterly or monthly.

The new thresholds are in line with recommendation 5.38 of *Rethinking Regulation: Report of the Taskforce on Reducing Regulatory Burdens on Business*. See also the related revenue measure titled *Increasing the GST registration turnover threshold* in Budget Paper No. 2 in the Treasury portfolio and the item titled *PAYG instalments paid annually when voluntarily registered for GST*.

This measure is subject to the unanimous agreement of the States.

Increasing the threshold for requiring an approved tax invoice for GST

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-0.9	-1.1	-1.2	-1.3

Businesses will be allowed to claim input tax credits for purchases with a GST-exclusive value of \$75 or less without the need for an approved tax invoice, with effect from 1 July 2007.

To claim an input tax credit, businesses currently have to obtain an approved tax invoice for all purchases with a GST-exclusive value greater than \$50. For purchases with a GST-exclusive value of \$50 or less, the documentation required for income tax purposes is sufficient to claim an input tax credit.

The increase in the threshold for requiring an approved tax invoice to claim an input tax credit to \$75 will reduce business compliance costs.

This measure is subject to the unanimous agreement of the States.

See also the related revenue measure titled *Increasing the threshold for requiring an approved tax invoice for GST* in Budget Paper No. 2 in the Treasury portfolio.

International telecommunications services

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	-	-	-

The Government will ensure that certain international telecommunications services, including global roaming services, will remain GST-free, with effect from 1 July 2000.

The measure will confirm the GST-free status of such supplies and provide certainty to telecommunication providers.

The measure will ensure that Australia's GST treatment of international telecommunications supplies will remain consistent with Australia's obligations under the International Telecommunication Regulations (the Melbourne Agreement).

This measure is subject to the unanimous agreement of the States.

PAYG instalments paid annually when voluntarily registered for GST

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	-35.0	-5.0	-5.0

The Government will align the pay as you go (PAYG) payment and reporting requirements with the annual payment and reporting requirements for taxpayers who are voluntarily registered for GST, with effect from 1 July 2008.

Currently, taxpayers can remit PAYG annually only if they are not registered for GST and they meet other eligibility requirements. This measure will allow taxpayers who voluntarily register for GST, and who report and pay GST on an annual basis, to meet their PAYG obligations on an annual basis, subject to the other eligibility tests. The increased scope for taxpayers to lodge PAYG instalments on an annual basis will encourage some taxpayers that are currently remitting GST on a quarterly basis to shift to an annual basis. The annual GST election has already been agreed to by the States.

The measure will reduce the compliance costs of eligible taxpayers, as they will be able to lodge only one Business Activity Statement per year.

See also the related revenue measure titled *PAYG instalments paid annually when voluntarily registered for GST* in Budget Paper No. 2 in the Treasury portfolio and the item titled *Increasing the GST registration turnover threshold*.

Pharmaceutical concession for certain defence personnel

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-	-	-	-

The Government has allowed drugs, medicines and other pharmaceutical items to be GST-free when supplied on prescription as pharmaceutical benefits under the *Military Rehabilitation and Compensation Act 2004*, with effect from 1 July 2004.

The measure ensures consistency with the GST-free treatment of drugs, medicines and other pharmaceutical items supplied as pharmaceutical benefits under the *Veterans' Entitlements Act 1986*.

Simplified accounting methods — extending availability

Revenue (\$m)	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-1.0	-2.0	-2.0	-2.0

The Commissioner of Taxation will have power to develop simplified accounting methods (SAMs) for all entities with an annual turnover of less than \$2 million that

make mixed supplies – taxable and GST-free – or mixed purchases, with effect from 1 July 2007.

Currently, SAMs are restricted to retailers that sell food and to charities that make GST-free supplies. Under this measure, businesses will be able to approach the Australian Taxation Office to initiate the development of a SAM to simplify their GST calculations and reduce their compliance costs.

This measure is subject to the unanimous agreement of the States.

See also the related revenue measure titled *Simplified accounting methods – extending availability* in Budget Paper No. 2 in the Treasury portfolio.

Tourist Refund Scheme — introducing private providers and enhancements to tax-free shopping

Revenue (\$m)

	2007-08	2008-09	2009-10	2010-11
Australian Taxation Office	-61.0	-65.0	-67.0	-70.0

Proposed changes to the operation of tourist shopping arrangements will be made to enhance their effectiveness by:

- enabling private providers to provide tourist refunds – with approval for refunds and compliance to remain a government function – with effect from 1 February 2008;
- extending the period during which travellers can purchase goods and be eligible to claim a refund of GST and wine equalisation tax through the Tourist Refund Scheme (TRS) from 30 days to 60 days;
- allowing travellers using the TRS to aggregate multiple invoices from single retailers in order to meet the \$300 threshold for TRS claims; and
- extending the period during which travellers can make tax-free purchases through the sealed bag system from 30 days to 60 days.

The changes to the TRS (other than introducing private providers) and to the sealed bag system require the unanimous agreement of the States. These changes will be implemented as soon as practicable after that agreement is received.

See also the related revenue measure titled *Tourist Refund Scheme – introducing private providers and enhancements to tax-free shopping* in Budget Paper No. 2 in the Treasury portfolio.