



**EMBARGO** Budget. Not for release before 7.30 pm AEST, 13 May 1997.

## 1997-98 BUDGET — MAJOR REVENUE MEASURES

The Government has announced tonight measures which deliver tax relief on savings, protect the revenue base (including by reducing the opportunities for aggressive tax minimising behaviour), and build on the Government's commitment to reduce compliance costs for small business by streamlining withholding tax arrangements.

A separate press release *Savings: Choice and Incentive* provides an overview of the Government's savings and retirement incomes initiatives. Other press releases I have issued tonight provide details of a number of measures specifically targeted at revenue protection, including removing scope for schemes designed to circumvent the spirit of existing tax arrangements. Abuse of the tax system through minimisation and avoidance undermines both the equity and revenue base of the system.

When combined, the measures which have been announced tonight represent a major strategy to deliver on the Government's commitments to act to protect the revenue base and to ensure that the tax system continues to be made more efficient and equitable.

The Government will continue to take legislative action to close-off tax minimisation schemes as they are identified. In addition, the Australian Taxation Office (ATO) will continue to undertake extensive compliance enforcement work, including pursuing matters through the courts, to maintain the integrity of the tax system.

The Government has also announced major changes to *Withholding Tax Arrangements* for business in the Budget which will improve the overall integrity of the tax system and provide major compliance cost reductions for many small businesses.

The measures aimed at base protection include:

- *Trust Losses;*
- *Taxation of Trusts;*
- *Limited Partnerships;*
- *Taxation of Distributions Disguised as Loans from Private Companies;*
- *Measures to Prevent Dividend Streaming;*
- *Measures to Prevent Trading in Franking Credits;*
- *Tax Exempt Entities which Become Taxable — Notional Depreciation;*
- *Taxation of Foreign Source Income;*

- *Passive Income of Life and General Insurance Companies;*
- *Interaction of Controlled Foreign Company Measures and Capital Gains Tax Provisions; and*
- *Wholesale Sales Tax — Change in Temporary Importation Provisions.*

Separate press releases have also been released by:

- the Attorney-General on the provision of additional resources to the National Crime Authority to combat fraud against the Commonwealth, in particular, serious cases of tax evasion; and
- the Minister for Small Business and Consumer Affairs on measures by the Australian Customs Service to prevent illegal blending and direct substitution of petroleum products.

In addition to the measures detailed above which, in some cases, involve the modification of existing concessions in the tax system to protect the tax base, the Government has also tonight announced a number of measures relating to new or existing tax expenditures. The Government has previously indicated that all tax expenditures will be subject to ongoing monitoring and evaluation to determine that they remain relevant to meeting the Government's priorities. These measures include:

- *Tax Deductibility for Constitutional Convention Election Expenses;*
- *Conversion of the Commonwealth Rebate for Apprentice Full-Time Training Tax Expenditure to Outlays; and*
- *Introduction of the Infrastructure Borrowings Tax Rebate.*

Other measures announced in the Budget which are the subject of separate press releases include:

- *Medicare Low Income Thresholds - 1997-98;*
- *Provisional Tax Exemption for Pensioners;*
- *Deductibility of Donations to the National Nurses Memorial Trust;*
- *Small Business Deregulation Taskforce — Pay as You Go Proposal;*
- *Hire Purchase Arrangements — Balancing Adjustment on Disposal;*
- *Demutualisations of Non-Insurance Organisations— Development of a Generic Tax Framework; and*
- *Capital Gains Tax Cost Base Provisions.*

The Government has also announced in the Budget that the International Olympic Committee will be exempt from tax on its Australian sourced income.

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