

# The *New* Tax System

## Time Line

### 1 January 1999

The 30 per cent, non-means tested private health insurance rebate commenced.

### 22 February 1999

Anti-avoidance and integrity measures already announced commence:

- appropriate taxation of lease assignments;
- prevention of loss multiplication through revenue loss transfers between members of wholly owned groups during the period from 22 February 1999 until the commencement of the unified entity regime on 1 July 2001;
- prevention of artificial losses upon the forgiveness of debts between commonly owned companies where forgiveness occurs during the period from 22 February 1999 until the commencement of the unified entity regime on 1 July 2001.

### 1 April 1999

Fringe benefits reporting measure commenced. Reportable fringe benefits provided in the FBT year ending 31 March 2000 will appear on group certificates for the income year ending 30 June 2000.

### 29 July 1999

First phase of WST abolition with most goods taxed at 32 per cent reduced to 22 per cent.

### 21 September 1999

Treasurer makes first (Stage 1) announcement on Government response to Ralph recommendations.

Improvements to the way in which CGT rollover relief and retirement exemptions is delivered to small business, including:

- improving the operation of the law by merging and rationalising the existing provisions;
- increasing the level of benefits available to small business taxpayers; and
- provide greater flexibility in how small business taxpayers can access the various benefits.

Allowing a write-off for indefeasible rights of use.

Removal of averaging of capital gains.

Replacement of accelerated depreciation.

Removal of assets eligible for depreciation allowances from the capital gains tax regime.

Removal of balancing charge offset.

Removal of the 13 month rule allowing immediate deductibility for advance expenditure (excluding those prepayments to which a taxpayer is irrevocably committed).

Various integrity measures:

- removal of the defects in the continuity of ownership test currently applying to companies' tax losses claimed in respect of an income year ending after 21 September 1999;
- prevention of artificial losses arising from the transfer of loss assets within a company group that is majority owned by an individual or an entity (and their associates) where the transfer occurred from 21 September 1999;
- removal of excess mining deduction rules (with effect from the 1999-2000 income year).

Capital gains tax rates for individuals and superannuation funds reduced so that they pay no more than 24.45 per cent and 10 per cent respectively on nominal capital gains.

Capital losses permitted to be offset against capital gains in the order favouring the taxpayer.

Capital losses to be offset against capital gains net of frozen indexation or the full nominal capital gain before it is reduced to determine the amount included in assessable income.

## 30 September 1999

Indexation of capital gains frozen.

## 1 October 1999

Extension of Family Tax Benefit, Part A for dependent students up to age 25.

## 21 October 1999

First package of legislation on the New *Business* Tax System introduced into Parliament. (Further Bill introduced in 1999 and other legislation to be introduced in 2000.)

## 1 November 1999

Registration for Australian Business Number and GST commences.

## 11 November 1999 (1 pm EST)

Treasurer makes second (Stage 2) announcement on Government response to Ralph recommendations.

Improvement of operation of general anti-avoidance rule (GAAR).

Tightening 13 month rule for advance expenditures under tax shelters.

Denial of tax losses in entities interposed between loss company and ultimate individual owners where change of majority ownership from 11 November 1999.

Application of the same business test to unrealised losses where there is a change in the majority ownership of a company from 11 November 1999.

Transitional relief for rollovers from trust to companies and companies to CIVs (until 1 July 2001).

Extension of scope of 'involuntary disposal' for capital gains tax and depreciable plant balancing charge rollover purposes.

## 22 November 1999

Senate Committee on Finance and Public Administration report *Inquiry into Business Taxation Reform*, tabled in the Senate.

## 10 December 1999

Royal Assent to first package of legislation (six Acts) on the New Business Tax System.

Capital gains tax rollover relief for scrip-for-scrip takeovers.

Improved incentives for venture capital investment.

## 1 April 2000

Second stage of *ANTS* FBT reforms take effect. Reforms involve:

- capping the concessional FBT treatment available to FBT exempt and rebatable employers;
- extending the FBT remote area housing exemption currently available to primary producers; and
- introducing a new GST-inclusive FBT gross up rate to preserve neutrality of treatment between cash salary and fringe benefits following the introduction of the GST.

## 1 July 2000

\$12 billion personal income tax cut, through an increase in tax free threshold, and a cut in all marginal tax rates, except the top rate.

Payment of the aged persons savings bonus and self-funded retirees supplementary bonus to eligible persons.

Family Assistance:

- Extension of Family Tax Initiative and easing of the income test for Family Allowances.
- Simplification of the number of different types of family assistance from 12 to 3.
- Increase in social security and veterans' pensions and allowances and student income support payments and adjustment of income tests.

Commencement of 10 per cent GST and Pay As You Go arrangements, wine equalisation tax, luxury car tax, changes to excise on fuel and alcohol, and tourist refund scheme.

Company tax rate falls to 34 per cent for 2000-2001 year.

Refunding excess imputation credits to resident individuals and superannuation funds for the 2000-2001 year. Commencement of the base broadening measures for life insurers.

Removal of intercorporate dividend rebate on unfranked distributions, except if the distribution is within a wholly owned group (or consolidated group from 1 July 2001).

Introduction of low-value pool for assets costing less than \$1,000, for depreciation purposes.

Tightening extent to which individuals can offset losses from non-commercial activities against income.

New measures to limit avoidance of income tax through alienation of personal services income.

Reduction in holding period for '45-day' rule in respect of dividend streaming and franking credit rules.

State bed taxes to be abolished.

## **21 August 2000**

First monthly Business Activity Statement to be lodged.

## **20 September 2000**

Extension of CGT small business relief by providing an exemption for taxpayers where an active asset has been held continuously for at least 15 years.

## **21 October 2000**

First quarterly Business Activity Statement to be lodged.

## **1 July 2001**

Company tax rate falls to 30 per cent from 2001-02 year and thereafter.

Taxing trusts and co-operatives like companies. Collective investment vehicles benefit through flow-through taxation.

Applying the imputation system to life insurance policyholders.

System of consolidation for groups of companies and trusts, and address value shifting.

Simplified imputation system – early refunds of excess credits for 2001-02 year.

Removal of the exemption (to apply to new products taken out after 30 November 1999) that friendly societies receive on investment income relating to funeral bonds, scholarship funds and income bonds.

Relief for rollovers into companies and fixed trusts, to facilitate restructuring.

Strengthening of thin capitalisation rules.

Introduction of imputation credits of up to 15 per cent in respect of foreign dividend withholding tax. Introduction of foreign dividend account.

Strengthening measures to counter capital gains tax avoidance by non-residents.

Uniform capital allowance system introduced.

New Simplified Tax System for small business commences.

Subject to further consideration by the Government, implementation of the cashflow/tax value approach.

Financial Institutions Duty abolished.

State stamp duties on quotable marketable securities (shares) abolished.

## **Before 1 July 2005**

State debits tax abolished