

# APPENDIX B: TAX EXPENDITURE AND CONCESSIONS STATEMENT

## B.1: DETAILED ESTIMATES OF TAX EXPENDITURES

### CONTRACTS AND CONVEYANCES DUTY

The benchmark is defined as the conveyance of property (whether residential or commercial) where a real change in beneficial ownership occurs. The benchmark tax rate is defined against marginal rates of tax varying from 1.25 to 5.5 percent.

**Table B.1: Contracts and Conveyances Duty**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>First Home Plus</b>			
Under the First Home Plus scheme all first home buyers receive a full exemption from contracts and conveyances stamp duty where the property is valued up to \$200,000 (\$95,000 for vacant land) in the metropolitan area and up to \$175,000 (\$80,000 for vacant land) elsewhere in NSW. The exemption phases out as property value increases. Group self-build schemes are also eligible.	123	162	147
<b>Transfer of residences between spouses</b>			
An exemption is granted for property conveyed between spouses or de facto partners, subject to the property being jointly held after transfer.	11	13	11
<b>Transfers of matrimonial property consequent upon divorce</b>			
An exemption is granted for conveyances between parties under the <i>Family Law Act 1975</i> (Cth) or partnership property under the <i>Property (Relationships) Act 1984</i> .	29	35	35
<b>Intergenerational rural transfers</b>			
An exemption is granted for transfers of rural land used for primary production between generations, and between siblings, to facilitate young family members taking over family farms.	8	9	8

**Table B.1: Contracts and Conveyances Duty (cont)**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Property conveyed to benevolent institutions</b>	5	9	8
<b>Corporate reconstructions</b>			
An exemption is given for corporate reconstructions provided certain qualifying criteria are satisfied.	562	485	432
<b>Transfer of property from companies and trusts to individuals</b>			
Exemption for conveyances of a principal place of residence from a corporation or a special trust to certain individuals or conveyance of any land owned as at 31 December 1986 by a special trust from the trust to certain persons.	19	16	14
<b>Property conveyed for poverty relief or education</b>	n.a.	n.a.	n.a.
<b>'Off the plan' purchases</b>			
Duty may be deferred for purchases of real estate until completion of the sale or 12 months after the contract.	n.a.	n.a.	n.a.

*n.a. Not available*

#### *Minor Tax Expenditures (< \$1 million)*

- ◆ A person who has sold his or her property to a local government council because the home was built on flood-prone land and has then purchased another home may pay duty on the contract by instalments over a five-year period.
- ◆ From 23 June 1999, a discount of 50 percent was offered to those participating in the (now discontinued) first home purchase instalment option, if they chose to pay the remaining instalments as a lump sum.
- ◆ A credit of duty previously paid is applied to amalgamations of certain Western Lands leases.
- ◆ Concessional duty of \$10 is payable for transfers of poker machine permits where there is no change in beneficial ownership.

The following are exempt:

- ◆ conveyances back to a former bankrupt by trustee of his or her estate;
- ◆ transfers by way of mortgage or discharge of mortgage of old system titled properties;
- ◆ conveyances relating to the property of the estate of a deceased person;
- ◆ certain purchases of manufactured relocatable homes (caravans);
- ◆ land resumed by operation of a Commonwealth Act where the Crown in right of the Commonwealth is the person upon whom liability of duty would otherwise be imposed. If land is subsequently transferred back to the person who was entitled to the land immediately before the resumption, the instrument of transfer is also exempted from duty provided that no compensation has been paid in respect of the resumption;
- ◆ conveyances where public hospitals are the liable party;
- ◆ instruments executed by or on behalf of a council or county council under the *Local Government Act 1993*, not connected with a trading undertaking;
- ◆ conveyances executed for the purpose of amalgamation or dissolution of clubs or the formation of a new club under Section 17A of the *Registered Clubs Act 1976*;
- ◆ instruments executed by or on behalf of agencies within the meaning of the Convention on the Privileges and Immunities of the Specialised Agencies approved by the General Assembly of the United Nations in 1947;
- ◆ conveyances between associations of employees or employers registered under the *Industrial Relations Act 1988 (Cth)* for the purpose of amalgamation;
- ◆ NSW Aboriginal Land Council (ALC), Regional ALC, and Local ALC;
- ◆ conveyance of property between licensed insurers, and between the WorkCover Authority and licensed insurers, under the *Workers Compensation Acts of 1926 and 1987 (NSW)*;
- ◆ purchase of their principal place of residence by tenants of the Department of Housing, the Community Housing Program administered by the Department of Housing and the Aboriginal Housing Office;

- ◆ transfers of property made for the purpose of complying with the Commonwealth regulatory regime for managed investments, and other transfers by or as a consequence of a statute;
- ◆ transfers of property in a statutory trust as a result of an order under Section 66G of the *Conveyancing Act 1919*; and
- ◆ transfer of a liquor licence in certain circumstances under Sections 41, 42 or 61 of the *Liquor Act 1982*.

## GENERAL INSURANCE DUTY

The benchmark is defined as all premiums for general insurance policies, except those for reinsurance (which is exempt because taxing reinsurance would amount to taxing the same risk twice). The benchmark tax rate is 5 percent of premium paid for contracts or renewals that take effect on or after 1 August 2002; 10 percent of premium paid for contracts or renewals that took effect between 1 October 2000 and 31 July 2002; and 11.5 percent for contracts that took effect before 1 October 2000.

**Table B.2: General Insurance Duty**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Concessional rates for motor vehicle, aviation, disability income, occupational indemnity, crop and livestock</b>			
Before 1 August 2002, a concessional rate of 5 percent applies to certain categories of insurance including motor vehicle (excluding compulsory third party (the 'green slip')), aviation, disability income and occupational indemnity. Crop and livestock insurance is taxed at 2.5 percent.	138	149	27
<b>Exemption for third party motor vehicle personal injury insurance as per the <i>Motor Vehicle Act 1988</i></b>			
Third party motor vehicle personal injury insurance (the 'green slip') is exempt from stamp duty.	147	165	107

**Table B.2: General Insurance Duty (cont)**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Marine and cargo insurance</b>			
Exemption for marine insurance covering hulls of commercial ships and the cargo carried by land, sea or by air.	11	12	8
<b>Exemption for Workcover premiums</b>	206	206	127
<b>HIH policyholders</b>			
From 15 March 2001, for three months, policies taken out to replace policies formerly held with the voluntarily liquidated HIH Insurance are exempt from duty.	15	...	...

**Minor Tax Expenditures (< \$1 million)**

The following are exempt:

- ◆ insurance by non-profit charities, benevolent, philanthropic and patriotic organisations;
- ◆ insurance by Aboriginal Land Councils and non-commercial ventures of local councils;
- ◆ insurance covering mortgages acquired for issuing mortgage backed securities;
- ◆ separate policies covering loss by fire of labourer's tools;
- ◆ redundancy insurance in respect of housing that does not exceed \$124,000;
- ◆ insurance covering only property of the Crown.

**LIFE INSURANCE DUTY**

The benchmark is defined as all products (or part thereof) where the sum assured offered by life insurance companies provides for a payment in the event of death or injury from natural causes of the person insured or upon survival to a specified age. The benchmark tax rate is 10 cents per \$200 where the sum assured is less than \$2,000 and \$1 plus 20 cents per \$200 or part thereof where the sum assured is greater than \$2,000.

**Table B.3: Life Insurance Duty**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Superannuation</b>			
An exemption is granted to all superannuation other than that offered by life companies to an individual.	44	48	52
<b>Annuities</b>			
An exemption is provided to annuities.	11	12	13

**MORTGAGE DUTY**

The benchmark is defined as all secured loans that affect property in New South Wales. The benchmark tax rate is \$5 up to \$16,000 plus \$4 per \$1,000 or part thereof on the excess.

**Table B.4: Mortgage Duty**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Refinanced loans where the borrower and the security for the loan remain the same</b>			
A mortgage that secures the amount of the balance outstanding under an earlier mortgage granted for the same borrower over the same or substantially the same property is exempt. Any additional amount above the previously secured amount is liable for duty.	39	50	63
<b>First home purchase mortgage covered by First Home Plus (or First Home Purchase Scheme)</b>			
Mortgages given to assist the financing of a first home purchase eligible under the First Home Plus scheme (or before 1 July 2000 the First Home Purchase Scheme) are exempt from duty up to certain loan values, phasing out as value increases.	8	10	9
<b>Additional advances up to \$10,000 in any 12 month period</b>			
No duty is charged on additional loans secured under a mortgage if the additional loans do not exceed \$10,000 in any 12 month period, not being the 12 month period following the making of the initial loan.	1	1	1
<b>Mortgage-backed securities</b>			
An exemption is given for financial institutions using pooled mortgages from their lending assets as security for borrowing funds.	n.a.	n.a.	n.a.

**Table B.4 Mortgage Duty (cont)**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Loan-backed securities</b>			
Securities issued backed by cash flow from loans (secured and unsecured) are exempted from duty.	n.a.	n.a.	n.a.
<b>Fund raisings by finance companies through debenture issues</b>			
A concession is given to companies whose sole or principal business is to provide finance to the public. Debentures issued, trust deeds and mortgages executed by "financial corporations" as defined in the legislation are not liable to duty. However, the trust deed is stamped as a Declaration of a Trust.	n.a.	n.a.	n.a.
<b>Consumer credit contract</b>			
Mortgages securing amounts under a consumer credit contract, where the amount financed is \$35,000 or less are exempt from duty.	n.a.	n.a.	n.a.
<b>Mortgage-backed securities</b>			
An instrument executed for the purpose of creating, issuing or marketing mortgage-backed securities are exempt from duty.	n.a.	n.a.	n.a.

**Minor Tax Expenditures (< \$1 million)**

The following are exempt:

- ◆ mortgages created solely for the purpose of providing security in accordance with a condition imposed on the grant of bail in criminal proceedings;
- ◆ the refinancing of a loan following divorce or the break up of a de facto relationship;
- ◆ mortgages given by Federal or State/Territory governments or public statutory body;
- ◆ any mortgage made or given to the WorkCover Authority;
- ◆ mortgages given by a council or county council under the *Local Government Act 1993*;
- ◆ mortgages given by institutions for the relief of poverty and promotion of education;

- ◆ mortgages to institutions of charitable or benevolent nature, or for the promotion of the interest of Aborigines;
- ◆ NSW Aboriginal Land Council (ALC), Regional ALC and Local ALC;
- ◆ offshore banking units (as defined in the *Income Tax Assessment Act 1936 (Cth)*) where a loan is executed for offshore parties;
- ◆ mortgages given by tenants of the Department of Housing, the Aboriginal Housing Office or from the Community Housing Program who, in purchasing the real property, obtain not less than 25 percent of the beneficial ownership of land and who intend to use the land as their principal place of residence;
- ◆ mortgages granted by a non-profit organisation in conjunction with a lease not subject to duty, the purpose of which is to provide accommodation to an aged or disabled person;
- ◆ mortgages by public hospitals;
- ◆ mortgages under the *Liens on Crops and Wool and Stock Mortgage Act 1898*;
- ◆ agencies within the meaning of the Convention on the Privileges and Immunities of the Specialised Agencies approved by the General Assembly of the United Nations in 1947;
- ◆ mortgages by clearing houses of the Sydney Futures Exchange and Australian Options Market that do not secure an advance.

## **MARKETABLE SECURITIES DUTY**

For 2000-01, the benchmark is defined as the turnover (sale price  $\times$  quantity traded) of shares traded on the Sydney operations of the Australian Stock Exchange (listed) or of shares of a company registered in New South Wales, with the exception of lending of shares, American Depository Shares (ADS) and American Depository Receipts (relating to ADS). The benchmark tax rate is 15 cents per \$100 or part thereof for both buyer and seller for on-market transactions; and 30 cents per \$100 or part thereof for off-market transactions in listed companies, and 60 cents per \$100 or part thereof for transactions in unlisted companies, with the purchaser paying all the duty for off-market transactions.

From 1 July 2001, marketable securities duty on the transfer of shares and securities quoted on the Australian Stock Exchange or a recognised stock exchange was abolished as part of national tax reform.

**Table B.5: Marketable Securities Duty**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Principal trading</b>			
A concessional rate of duty of 0.25 cents per \$100 or part thereof applies to traders trading on their own behalf.	367	7	...
<b>Papua New Guinea and New Zealand companies</b>			
A concessional rate of duty of 0.25 cents per \$100 or part thereof applies to trading in securities of companies incorporated in Papua New Guinea or New Zealand.	6	<1	...

**Minor Tax Expenditures (< \$1 million)**

The following transfers are exempt:

- ◆ share buy-backs by NSW companies;
- ◆ mining companies whose operations relate solely to New South Wales;
- ◆ transfers to parties outside a marriage where the transfer is pursuant to an order of the Family Court of Australia; and
- ◆ certain transfers of shares by superannuation funds to a Pooled Superannuation Fund.

**MOTOR VEHICLE REGISTRATION DUTY**

The benchmark taxable activity is defined as the purchase of a new vehicle and the subsequent transfer of the vehicle. The benchmark tax rate is \$3 per \$100 or part thereof for vehicles valued to \$45,000 and \$1,350 plus \$5 per \$100 or part thereof for passenger vehicles valued above \$45,000.

**Table B.6: Motor Vehicle Registration Duty**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Local councils</b>			
An exemption is granted for the transfer of registration into the name of a local council, not being for a trading undertaking.	5	6	6
<b>Transfer of ownership after divorce or a breakdown of a defacto relationship</b>			
An exemption is granted for the transfer of registration into the name of one of the parties to a divorce or separation in a de facto relationship.	1	1	2
<b>Transfer of ownership of a deceased registered owner</b>			
An exemption is granted for the transfer of registration to the legal personal representative of a deceased registered owner or the person beneficially entitled to the vehicle in the estate.	3	3	3
<b>New demonstrator motor vehicle</b>			
An exemption is granted for the registration of a motor vehicle to a licensed motor dealer or wholesaler under the <i>Motor Dealers Act 1974 (NSW)</i> .	41	44	47
<b>Extreme Disablement Adjustment and other Disabled War Veterans</b>			
An exemption is provided to war veterans in receipt of a totally and permanently incapacitated (TPI) pension, veterans in receipt of an extreme disablement adjustment pension, an intermediate service pension or 70 percent or higher of the disability pension from the Department of Veterans Affairs.	4	4	4

***Minor Tax Expenditures (< \$1 million)***

The following are exempt:

- ◆ all vehicles registered by non-profit charitable, benevolent, philanthropic or patriotic organisations;
- ◆ vehicles specially constructed for ambulance or mine rescue work;
- ◆ conveyances weighing less than 250 kg used for transporting invalids;
- ◆ rural lands protection boards; and

- ◆ Aboriginal Land Councils within the meaning of the *Aboriginal Land Rights Act 1983 (NSW)*.

## FINANCIAL INSTITUTIONS DUTY

Financial institutions duty (FID) was abolished from 1 July 2001 as part of national tax reform. For 2000-01 and 2001-02, when some revenue was received related to transactions that occurred before FID was abolished, the benchmark is defined as all receipts to financial institutions except for receipts to internal and working accounts, clearing and settlement accounts. The benchmark tax rate was 0.06 percent, subject to a cap of \$1,200 per transaction.

**Table B.7: Financial Institutions Duty**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Non business activities of government departments</b>			
Departments of Commonwealth, State and Territory and Local Governments, other than those whose sole or principal function is to carry on an activity in the nature of a business, are exempt.	25-50	2-4	...
<b>Direct crediting of social security and veteran affairs pensions</b>			
The direct crediting of pensions from the Department of Social Security and the Department of Veteran Affairs are exempt.	11	...	...
<b>Charitable, educational and religious bodies are exempt</b>			
	3	...	...
<b>Public and non-profit hospitals are exempt</b>			
	5	...	...
<b>Offshore Banking Units</b>			
An exemption is provided in relation to offshore banking activity within the meaning of Section 121D of the <i>Income Tax Assessment Act 1936 (Cth)</i> .	n.a.	n.a.	n.a.

### *Minor Tax Expenditures (< \$1 million)*

The following are exempt:

- ◆ payments to a farm management account as a result of the transfer by the Commonwealth Department of Agriculture, Forestry and Fisheries of an amount held in an income equalisation account or a farm management bond;
- ◆ centralised data processing operations of companies;

- ◆ receipts from the sale of goods other than under a credit contract, hiring arrangement or lease;
- ◆ initial receipt by a trustee company of the assets of a deceased person;
- ◆ licensed foreign exchange dealers;
- ◆ the initial issue of mortgage-backed securities;
- ◆ Association of Credit Unions Ltd, Association of Central Credit Unions Ltd and Co-operative Federation of NSW Ltd;
- ◆ duty paid under corresponding Act from another State;
- ◆ Aboriginal Land Councils;
- ◆ building society transfer of engagements and amalgamation;
- ◆ bill rollovers (reimbursement by a customer);
- ◆ home loan repayments by veterans;
- ◆ accounts of banks with other banks;
- ◆ transfers of receipts of workers compensation insurers;
- ◆ transfers between exempt accounts;
- ◆ deposits of trust money with the Australian Stock Exchange Ltd by members;
- ◆ Flemington Markets Commercial Services Co-operative Ltd (farm produce) and Newcastle Markets;
- ◆ scrip lending;
- ◆ account of Combined Financial Processing Pty Ltd;
- ◆ Australian Olympic Committee Incorporated and the New South Wales Olympic Council Incorporated in relation to the Sydney 2000 Games from 1 January 1996;
- ◆ Sydney Organising Committee for the Olympic Games and the Sydney Paralympic Organising Committee Ltd;
- ◆ amalgamation of credit unions, with effect from 20 November 1996;

- ◆ private charitable trusts from 29 March 1996;
- ◆ certain public trading enterprises and government businesses;
- ◆ direct credits of First Home Owner Scheme grants; and
- ◆ clearing or market settlement accounts of Transgrid, the International Air Transport Association, the ASX and ASX Clearing House Electronic Subregister System.

## **HIRE OF GOODS DUTY**

The benchmark for 2000-01 is defined as all short-term consumer hiring and other non-finance rentals greater than \$6,000 per month, and equipment financing arrangements, including hire purchase arrangements. From 1 July 2001, the monthly duty free threshold for the hire of ordinary goods was increased to \$14,000. The benchmark tax rate is 0.75 percent for equipment financing arrangements, and 1.5 percent for other hires, with a maximum of \$10,000 tax payable for any single arrangement.

There are no major tax expenditures.

### *Minor Tax Expenditures (< \$1 million)*

The following are exempt:

- ◆ prosthetic items;
- ◆ invalid aids;
- ◆ “wet hires” (where equipment is hired with an operator);
- ◆ motor vehicles subleased by an employee to an employer;
- ◆ gas, water and electricity meters;
- ◆ arrangements between related bodies corporate;
- ◆ certain arrangements in relation to aircraft, ships and vessels;
- ◆ arrangements for the use of goods by a public hospital;
- ◆ a credit contract within the meaning of the Consumer Credit (New South Wales) Code;

- ◆ books;
- ◆ hire of goods as part of a franchise arrangement; and
- ◆ where the use of goods is incidental and ancillary to the provision of a service.

## LEASE DUTY

For 2000-01, the benchmark is defined as any lease of real property and franchise agreements with a total rental cost greater than \$3,000 a year in New South Wales. From 1 July 2001, the threshold was increased to \$20,000 a year, and franchise agreements were excluded from the duty base. (The exclusion of franchise agreements has been taken as a redefinition of the tax base, rather than the addition of a new tax expenditure.) The benchmark tax rate is 35 cents per \$100 of total rent.

**Table B.8: Lease Duty**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Exemption for residential leases</b>			
A residential lease under which a person has a right to occupy any premise as a place of residence for a term not exceeding five years is exempt.	6	0	0

### *Minor Tax Expenditures (< \$1 million)*

The following are exempt:

- ◆ leases on a movable dwelling site (essentially referring to sites in caravan parks and relocatable home parks);
- ◆ leases of accommodation for aged and disabled persons;
- ◆ leases executed by a public hospital;
- ◆ leases executed by an Aboriginal Land Council; and
- ◆ leases of premises to the Home Care Service of New South Wales.

## PAYROLL TAX

The tax benchmark is defined as aggregate annual gross remuneration paid by a single or group taxpayer in excess of a threshold of \$600,000. The benchmark tax rate is 6.4 percent from 1 July 1999 to 31 December 2000, 6.2 percent from 1 January 2001 to 30 June 2002 and 6 percent from 1 July 2002. From 1 July 2002, payroll tax concessions relating to fringe benefits and certain termination payments will be removed.

**Table B.9: Payroll Tax**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Public hospitals and Area Health Services</b>			
An exemption is granted for remuneration paid by a public hospital or an area health service to a person while engaged in work of a kind ordinarily performed in connection with the conduct of these organisations.	286	296	306
<b>Schools and colleges</b>			
An exemption is granted for remuneration paid by a school or college (other than a technical school or a technical college) that is not for profit and which provides education at or below, but not above, the secondary level of education to a person while engaged in work of a kind ordinarily performed in connection with the conduct of these organisations.	61	65	69
<b>Religious institutions</b>			
An exemption is granted for remuneration paid by a religious institution to a person while engaged in work of a kind ordinarily performed in the conduct of these institutions.	7	8	8
<b>Charitable institutions</b>			
An exemption is granted for remuneration paid by a charitable, benevolent, philanthropic or patriotic institution (other than an instrumentality of the State) to a person while engaged in work of a charitable, benevolent, philanthropic or patriotic nature.	22	23	24
<b>Local councils</b>			
An exemption is granted for remuneration paid by a council or county council, except in connection with a number of trading undertakings, including the operation of an abattoir or public food market, parking station, cemetery, crematorium, hostel, coal mine or transport service, the supply and distribution of coal and the supply of building materials.	102	106	110

**Table B.9: Payroll Tax (cont)**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Private hospitals and nursing homes</b>			
An exemption is granted for remuneration paid by a non-profit hospital to a person in respect of time when the person is engaged in work of a kind ordinarily performed in connection with the conduct of hospitals.	10	10	10
<b>Home Care Service</b>			
From July 1998 an exemption has been provided for the salaries paid to employees of the Home Care Service.	9	9	9
<b>Apprentices</b>			
From 1 July 2002, wages paid to apprentices are exempt from payroll tax. Before that, an exemption was provided for employees under the group apprenticeship scheme or a group traineeship scheme approved by the Department of Industrial Relations; and employers of apprentices were only required to include in their calculations of 'taxable wages' 25 percent of wages paid to first year apprentices, 50 percent of the wages paid to second year apprentices and 75 percent of the wages paid to third year apprentices.	6	6	15
<b>Certain Termination Payments</b>			
Termination payments made in relation to leave accrued prior to 1 January 1990 are exempt from payroll tax.	<5	<5	<5
<b>Fringe benefits</b>			
Payroll tax is applied to the pre-grossed-up value of fringe benefits, rather than the grossed-up value used in Commonwealth legislation to ensure wage/salary income and fringe benefits to employees receive similar income tax treatment.	85	85	7
<b>Redundancy payments</b>			
Redundancy payments that do not represent accrued benefits, lump sum superannuation and ex-gratia payments are not subject to payroll tax.	32	32	3

### *Minor Tax Expenditures (< \$1 million)*

The following are exempt:

- ◆ wages paid to an employee who is on leave from employment by reason of service in the Defence Forces;
- ◆ wages paid to persons employed under the Community Development Employment Project administered by the Aboriginal and Torres Strait Islander Commission;
- ◆ wages paid by the Australian-American Educational Foundation;
- ◆ wages paid to members of the official staff by a consular or other non-diplomatic representative of another country or by a Trade Commissioner representing in Australia any other part of Her Majesty's dominions;
- ◆ wages paid by the Governor of a State;
- ◆ wages paid to employees while the employees are providing assistance to the State Emergency Services; and
- ◆ wages that are exempt from income tax under Section 23(z) of the *Income Tax Assessment Act 1936 (Cth)* being income derived by way of scholarship or other educational assistance received by a full-time student at a tertiary educational institution.

### **LAND TAX**

The benchmark tax base for land tax is defined as the unimproved capital value of all land owned (as defined in the *Land Tax Management Act 1956 (NSW)*) at 31 December by a person or organisation other than the Commonwealth or NSW Governments which: (i) for owner-occupied residences, is above the threshold for principal places of residences for that year; (ii) for non-concessional companies and special trusts, the total aggregate land values; and (iii) for any other land owners, the aggregate land owned has an unimproved capital value above the threshold for that year. The benchmark tax rate is 1.7 percent.

**Table B.10: Land Tax**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Boarding houses for low-income persons</b>			
An exemption is granted for land used by boarding houses which meet approved guidelines, principally that the rent charged is less than the amount prescribed by the Office of State Revenue.	3	3	3
<b>Land used for primary production</b>			
An exemption is granted for land used for primary production. Hobby farms do not meet the requirement for land used for primary production and therefore do not fall within this exemption.	229	245	250
<b>State-owned corporations and public trading enterprises</b>			
Certain public trading enterprises are exempt from land tax.	50	58	61
<b>Racing clubs</b>			
An exemption is granted for land owned by or held in trust for any club for promoting or controlling horse racing, trotting or greyhound racing which is used primarily for the purposes of the meetings of the above.	4	4	5
<b>Employer and employee organisations</b>			
An exemption is granted for land owned by or held in trust for employer and employee organisations for that part that it is not used for a commercial activity open to members of the public.	2	2	2
<b>Cooperatives</b>			
An exemption is granted for land owned by a co-operative whose objectives are listed under the <i>Co-operatives Act 1992 (NSW)</i> and whose objectives are listed in Section 7 of that Act.	6	6	6
<b>Public cemeteries and crematoriums</b>			
An exemption is granted for any land used as a public cemetery or crematorium.	7	8	8
<b>Retirement villages</b>			
An exemption is given for land owned and used by retirement villages.	53	56	58

**Table B.10: Land Tax (cont)**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Child care centres</b>			
An exemption is granted for land used as a residential child care centre licensed under the <i>Children (Care and Protection) Act 1987 (NSW)</i> or a school registered under the <i>Education Reform Act 1900 (NSW)</i> .	2	2	2
<b>Public hospitals and Area Health Services</b>			
An exemption is granted for land used by a public hospital (including nursing homes) or Area Health Service.	11	12	13
<b>Early Payment Discount</b>			
A discount of 1.5 percent on land tax payable is available where the taxpayer pays the whole amount within 30 days after issue of the notice of assessment.	6	7	8
<b>Agricultural showgrounds</b>			
An exemption is granted for land used and occupied for the purpose of holding agricultural shows, or shows of a like nature and owned by, or held in trust for, a society which is established for the purpose of holding such shows not for the pecuniary profit of its members and primarily uses its funds for the holding of such shows.	n.a.	n.a.	n.a.
<b>Friendly societies</b>			
An exemption is granted for any society registered under the <i>Friendly Societies Act 1989 (NSW)</i> .	n.a.	n.a.	n.a.
<b>Religious societies</b>			
An exemption is provided for land owned by or in a trust for a religious society if the society is carried on solely for religious, charitable or educational purposes.	n.a.	n.a.	n.a.
<b>Non-profit societies, clubs and associations</b>			
An exemption is provided where a building (or part thereof) is occupied by a society, club or association not carried on for pecuniary profit.	n.a.	n.a.	n.a.
<b>Charitable and educational institutions</b>			
An exemption is provided for land owned by or in a trust for a charitable or educational institution if the institution is carried on solely for charitable or educational purposes and not for pecuniary profit.	n.a.	n.a.	n.a.

**Table B.10: Land Tax (cont)**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Public gardens, recreation grounds and reserves</b>			
An exemption is provided for land used as a public garden, public recreation ground or public reserve.	n.a.	n.a.	n.a.
<b>Sporting clubs</b>			
An exemption is provided for land owned by or in a trust for any club or body of persons where the land is used primarily for the purpose of a game or sport and not used for pecuniary profit of the members of that club or body.	n.a.	n.a.	n.a.
<b>Sydney Light Rail</b>			
An exemption is provided in respect of the land occupied by the Sydney Light Railway.	n.a.	n.a.	n.a.
<b>Land owned and used by a local council</b>	n.a.	n.a.	n.a.

***Minor Tax Expenditures (< \$1 million)***

- ◆ Concessions for land subject to heritage orders.

The following are exempt:

- ◆ low cost accommodation within 5 km of GPO;
- ◆ Marketing and Pastures Protection Boards;
- ◆ Aboriginal Land Councils;
- ◆ new rental residential accommodation for five years;
- ◆ victims of fire, storm, earthquakes, accidents or malicious damage;
- ◆ community land development;
- ◆ unoccupied flood-labile land;
- ◆ land used for maintaining endangered animals;
- ◆ land leased for use as a fire brigade, police, ambulance or mines rescue station; and
- ◆ land owned by RSL (NSW Branch), Anzac House.

## DEBITS TAX

Debits tax was abolished in New South Wales from 1 January 2002. For 2000-01 and 2001-02, the benchmark is defined as all accounts with cheque drawing facilities. The benchmark rate of tax varies from 30 cents to \$4.00 depending on the value of the debit.

**Table B.11: Debits Tax**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Non-business activities of government departments</b>			
The non-business activities of departments of Commonwealth, State and Territory and Local Governments are exempt.	10-20	6-12	...
<b>Public benevolent and religious bodies</b>			
Debits from cheque linked accounts of public, religious and non-profit organisations having as one of their objects a charitable, benevolent, philanthropic or patriotic purpose are exempt.	2-4	1-2	...
<b>Schools, colleges and non-profit making universities</b>			
Debits from the cheque linked accounts of schools, colleges and non-profit universities are exempt.	1-2	<1	...

### *Minor Tax Expenditures (< \$1 million)*

The following are exempt:

- ◆ public and private hospitals as defined under the Act;
- ◆ named public trading enterprises and government businesses;
- ◆ foreign governments;
- ◆ Governor and Governor-General;
- ◆ debits for the payment of income tax on natural resources for non-residents (Section 221 YHZC(1A) of the *Income Tax Act (1936) (Cth)*);
- ◆ debits of Sydney Organising Committee for the Olympic Games and the Sydney Paralympic Organising Committee Ltd;

- ◆ the market settlements fund operated by Transgrid; and
- ◆ offshore banking units within the meaning of Section 121D of the *Income Tax Assessment Act 1936 (Cth)*.

## VEHICLE WEIGHT TAX

The benchmark is defined as all vehicles intended for on-road use with the exception of Commonwealth Government vehicles, which for constitutional reasons cannot form part of the tax base. The benchmark tax rate is as defined in the *Motor Vehicles Taxation Act 1988 (NSW)* for private and business vehicles.

**Table B.12: Vehicle Weight Tax**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Selected social security recipients</b>			
An exemption is granted in respect to any motor vehicle owned by holders of pensioner concession cards, Department of Veteran Affairs (DVA) TPI cards and DVA Gold War Widow's cards. Those pensioners must use the vehicle substantially for non-business purposes.	96	101	106
<b>Primary producers</b>			
Primary producer concessions include, for motor vehicles not greater than 4.5 tonnes of gross vehicle mass, private rates rather than business rates for cars and station wagons and 55 percent of business rates for trucks, tractors and trailers.	16	17	18
<b>Roadwork equipment – including local government</b>			
An exemption is granted to any motor vehicle or plough, bulldozer, mechanical scoop or shovel, road grader, road roller or similar machinery that is owned by a local council within the meaning of the <i>Local Government Act 1993</i> and which is used for the purposes of road construction, road maintenance, road repair, removal of garbage or night soil, bush fire fighting, civil defence work or to any roller, lawn mower or similar machinery used solely or principally for the rolling or maintenance of tennis courts, cricket pitches, lawns or pathways.	5	5	5

**Table B.12: Vehicle Weight Tax (cont)**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Bush fire or civil defence work</b>			
Any motor vehicle (other than Government owned) that is used for or in connection with civil defence work or in connection with fire fighting work is exempt from weight tax.	1	1	2
<b>General purpose plant</b>			
Concessions are provided for machines that cannot carry any load other than tools and accessories necessary for the operation of the vehicle.	5	5	5

**Minor Tax Expenditures (< \$1 million)**

- ◆ A concessional rate of 55 percent of business rates (or 30 percent if outside the Sydney metropolitan area, Newcastle or Wollongong districts) is applied to any motor vehicle that is used solely or principally as a tow truck.
- ◆ A concession is provided for mobile cranes.
- ◆ A concessional rate of tax is applied to any motor vehicle that is owned by a rural land protection board and is used solely for the carrying out of the functions of the board.

The following are exempt:

- ◆ all vehicles registered by non-profit charitable, benevolent, philanthropic or patriotic organisations;
- ◆ any motor vehicle that is used principally as an ambulance;
- ◆ motor vehicles that are designed for people with disabilities;
- ◆ motor vehicles used by the State Emergency Services; and
- ◆ any motor vehicle on which a trader's plate is being used in accordance with the *Traffic Act 1909 (NSW)* or the regulations under that Act.

## DRIVERS' LICENCES

The benchmark is considered to be the licensing of all persons to drive a vehicle in New South Wales on public roads. The benchmark tax rates in 2001-02 were \$36 for a one-year licence, \$87 for a three-year licence and \$117 for a five-year licence. From 1 July 2000 a new licensing scheme was implemented for new drivers – they are required to pass through three licensing stages before obtaining an unrestricted drivers' licence.

**Table B.13: Drivers' Licences**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Selected social security recipients</b>			
An exemption is granted to any licence holder who also holds a pensioner concession card, Department of Veteran Affairs (DVA) TPI card, or DVA Gold War Widows Card and who can provide evidence that their income is below a certain level or can provide a DVA letter regarding their disability rate. The vehicle owned by the licence holder must be used substantially for social or domestic purposes.	23	17	15

## VEHICLE TRANSFER FEES

The benchmark is considered to be all transfers of previously registered vehicles. From 1 July 2000 the benchmark rate is \$21 for individuals and motor dealers.

### *Minor Tax Expenditures (< \$1 million)*

The following are exempt:

- ◆ consignees;
- ◆ beneficiaries under wills;
- ◆ executors and administrators of deceased estates;
- ◆ vehicles awarded in court decisions;
- ◆ representatives of unincorporated organisations; and
- ◆ adding/removing a trading name.

## MOTOR VEHICLE REGISTRATION FEES

The benchmark is defined to be all vehicles intended for on-road use. The benchmark tax rate in 2001-02 was \$43 for most motor vehicles, \$155 for trucks with a mass of 5 tonnes or more and \$267 for articulated trucks.

**Table B.14: Motor Vehicle Registration Fees**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Selected Social Security Recipients</b>			
Holders of pensioner concession cards, Department of Veteran Affairs (DVA) TPI Cards, and DVA Gold War Widows Cards (based on income or based on disability pension rate) are exempt.	25	26	28

### *Minor Tax Expenditures (< \$1 million)*

- ◆ Exemption for Mobile Disability Conveyance.

## GAMBLING AND BETTING TAXES

The only areas where a different tax treatment is provided to essentially the same activity are in respect of gaming machines in hotels and registered clubs and the taxation of totalisators operated by racing clubs. The benchmark for gaming machines in hotels and registered clubs is defined to be the rates of taxation applying to hotels, which vary from 5.91 percent to 30.91 percent (annual rates) depending on the level of annual profits from gaming machines.

The benchmark for totalisators is a tax rate of 19.11 percent of player loss.

**Table B.15: Gambling and Betting Taxes**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Club gaming machines</b>			
Poker machines installed in clubs registered under the <i>Registered Clubs Act 1976</i> are taxed at lower rates than poker machines installed in hotels.	441	421	446

### *Minor Tax Expenditures (< \$1 million)*

- ◆ A full rebate of tax is provided to racing clubs operating non-TAB Ltd pools.

## PARKING SPACE LEVY

The benchmark levy is defined as \$800 per off-street, non-residential parking space in the Sydney, North Sydney and Milsons Point business districts, and \$400 per space in the business areas of Chatswood, Parramatta, St Leonards and Bondi Junction.

**Table B.16: Parking Space Levy**

<i>Major Tax Expenditures</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Exempt spaces in all regions</b>			
An exemption from the levy is granted to parking spaces for bicycles or motor bikes, parking of a motor vehicle by a person resident on the same premises, parking of a motor vehicle for the purpose of loading or unloading goods or passengers, parking of a vehicle by a person who is providing services on a casual basis, parking of a vehicle while a disabled person's parking authority is displayed, parking without charge of a motor vehicle on premises owned or occupied by the council of the local government area, parking without charge of a motor vehicle on premises owned or occupied by a religious body or religious organisation and the parking without charge of a motor vehicle on premises owned or occupied by a public charity or public benevolent institution.	7	6	6
<b>Exempt parking spaces in Chatswood, Parramatta, St Leonards and Bondi Junction.</b>			
Parking spaces for customers attached to retail outlets, hotels, motels, clubs, restaurants and medical centres are exempt from the \$400 per space levy.	1	1	1

## B.2: DETAILED ESTIMATES OF CONCESSIONS

Details of concessions by function are shown below. Each concession is classified by type and a distinction is drawn between major concessions (\$1 million or more) and minor concessions (less than \$1 million).

**Table B.17: Education**

<i>Major Concessions</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>TAFE concession for needy students</b>			
Fees for TAFE courses are waived for students considered to be in need of financial assistance.	27	30	31
<b>School transport subsidy scheme</b>			
The State Rail Authority and State Transit Authority provide eligible students with free transport to and from school. (A similar subsidy to private transport operators is not included here, since it is an outlay from the public sector, and does not reduce public sector revenue.)	58	58	61

**Table B.18: Health**

<i>Major Concessions</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Ambulance service for pensioners</b>			
Free transport by ambulance is provided for holders of pensioner health benefit cards.	68	76	78
<b>Outpatient Pharmaceutical Scheme for Pensioners</b>			
Free pharmaceuticals are provided for holders of pensioner health benefit cards.	2	2	2
<b>Life Support Energy Rebates Scheme</b>			
The Ministry of Energy and Utilities funds a rebate for users of certain life support systems. Administration of this program was transferred from the Department of Community Services to the Ministry from 1 January 2002. From 1 January 2002, the Ministry agreed to reimburse retailers for administering the Scheme on a monthly rather than six monthly basis. This means additional one-off expenditure will be incurred in 2001-02. In 2001-02 enhancements to the Scheme were implemented that also require additional funding from 2001-02 and beyond.	2	3	2

**Table B.19: Social Security and Welfare**

<i>Major Concessions</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Pensioner Public Transport Concession Scheme</b>			
Pensioners and Seniors travel for less than full fare on public transport.	234	259	270
<b>Community Transport Scheme</b>			
Subsidises transport to address special needs caused by location, isolation, age, disability or factors relating to the time and/or cost of travel.	14	15	15
<b>Community Interpreting and Translation Service</b>			
The Community Relations Commission funds translation and interpreting services in criminal and family courts for holders of Pensioner Concession Cards.	3	4	4

**Table B.20: Housing and Associated Amenities**

<i>Major Concessions</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Local council rates concession</b>			
Local council rates are reduced by up to \$250 for holders of Pensioner Concession Cards.	72	74	76
<b>Sydney Water Corporation Pensioner Rate Concession</b>			
Holders of Pensioner Concession Cards receive a 50 percent discount on water rates and a special rate reduction to reduce the hardship associated with the move to a greater reliance on pricing.	62	64	66
<b>Sydney Water Corporation Exempt Properties Concession</b>			
Owners of properties that are used to provide non-profitable community services and amenities (principally local councils and charities) are exempt from the payment of water charges.	11	9	9
<b>Hunter Water Corporation Water Rate Concession</b>			
Holders of Pensioner Concession Cards receive a 50 percent discount on water rates.	8	8	8

**Table B.20: Housing and Associated Amenities (cont.)**

<i>Major Concessions</i>	<i>2000-01 \$m</i>	<i>2001-02 \$m</i>	<i>2002-03 \$m</i>
<b>Energy Accounts Payment Assistance scheme</b>			
The Department of Community Services funds a rebate for consumers in crisis and financial need.	7	8	8
<b>Pensioner Energy Subsidy Scheme</b>			
The Ministry of Energy and Utilities funds an energy rebate for eligible pensioners. From 1 January 2002, the Ministry agreed to reimburse retailers for administering this Scheme on a monthly rather than six monthly basis. This means additional one-off expenditure will be incurred in 2001-02. The rate of the rebate was also increased from 1 January 2002.	56	92	78

*Minor Concessions (< \$1 million)*

- ◆ Blue Mountains septic pump-out service for households not connected to the sewerage network.
- ◆ Australian Inland Energy Water Infrastructure– water rebates for pensioners.
- ◆ Hunter Water Corporation – exempt properties concession.

**Recreation and Culture***Minor Concessions (< \$1 million)*

- ◆ Waterways Authority – concessional boat licence, registration and mooring fees for pensioners.
- ◆ Royal Botanic Gardens – concessional admission charges for pensioners and Seniors Cardholders for entry to the Tropical Centre, Mount Annan and Mount Tomah Botanic Gardens.
- ◆ National Parks and Wildlife Service – free day entry and 20 percent discount on annual passes for people holding pension concession and TPI cards.
- ◆ Historic Houses Trust – concessional admission charges for children and holders of Seniors cards.

- ◆ Australian Museum - concessional admission charges for entry to special exhibitions for students, the unemployed and holders of pensioner health care cards, free general admission to seniors card holders, disadvantaged school students, accompanying adults with school groups, Museum Society members and children under five years old.
- ◆ Powerhouse Museum - free entry for holders of Seniors cards and group supervisors, concessional membership fees for students, pensioners and the unemployed, free admission and reduced membership fee for schools for the disadvantaged, discount of \$30 on household membership for country residents and free or reduced charges for public program activities and free use of venue for meetings for community and charitable groups.

**Table B.21: Agriculture, Forestry and Fishing**

<i>Major Concessions</i>	<i>2000-01</i> \$m	<i>2001-02</i> \$m	<i>2002-03</i> \$m
<b>Recreational fishing fee concession</b>			
Pensioners and children are exempt from the recreational fishing fee, applying from 23 March 2001, and before that the freshwater recreational fishing fee.	2	4	4

*Minor Concessions (< \$1 million)*

- ◆ State Forests provides pensioner discounts on firewood permits for the collection of firewood and discounts to charitable organisations on the purchase of Christmas trees.