

# APPENDIX C: TAX EXPENDITURE AND CONCESSIONS STATEMENT

## C.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 C.1: Contracts and Conveyances Duty**

<i>Major Tax Expenditures</i>	<i>1998-99 \$m</i>	<i>1999-2000 \$m</i>	<i>2000-01 \$m</i>
<b>First Home Purchase Scheme and First Home Plus</b>			
Up to 1999-2000, first home buyers meeting certain (income and house price) eligibility criteria received a discount of 50 percent. From 1 July 2000, the new First Home Plus scheme abolishes the income criteria and introduces a full exemption up to certain property values, phasing out as the value increases (see Chapter 3 for details). Group self-build schemes are also eligible.	16.5	15.0	52.7
<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.	4.5	5.1	5.1
<b>Transfers of matrimonial property consequent upon divorce</b>			
An exemption is granted for conveyances between parties under the <i>Family Law Act 1975 (Cth)</i> or partnership property under the <i>Property (Relationships) Act 1984</i> .	6.5	7.3	7.3

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

<i>Major Tax Expenditures</i>	<i>1998-99 \$m</i>	<i>1999-2000 \$m</i>	<i>2000-01 \$m</i>
<b>Intergenerational rural transfers</b>			
An exemption is granted for transfers of rural land used for primary production between generations to facilitate young family members taking over family farms. From 7 May 1997 the concession was extended to transfers between siblings.	11.7	14.1	10.9
<b>Property conveyed on behalf of benevolent institutions</b>	4.3	6.3	7.0
<b>Corporate reconstructions</b>			
An exemption is given for corporate reconstructions provided certain qualifying criteria are satisfied. These criteria were relaxed from 11 November 1998.	145.0	164.9	170.0
<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.	1.5	1.8	2.0
<b>Property conveyed for poverty relief or education</b>	n.a.	n.a.	n.a.
<b>Reconveyance by way of discharge for old system titled properties</b>	n.a.	n.a.	n.a.
<b>Public purpose dedication of land</b>			
Conveyances for land dedicated for public use exempted from duty.	n.a.	n.a.	n.a.

**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 is offered to those eligible for the (discontinued) first home purchase instalment option if they choose to pay the remaining instalments as a lump sum.
- ◆ Duty may be deferred for 'off the plan' purchases of real estate until completion of the sale or 12 months after the contract.

- ◆ Concessional duty of \$10 is payable for transfers of property within a managed investment scheme which falls within Chapter 5C of the Corporations Law.
- ◆ A credit of duty previously paid is applied to amalgamation 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;
- ◆ conveyances relating to the property of the 'notional 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*;
- ◆ 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*;
- ◆ any instrument executed by or on behalf of the Board of Commissioners or the Commissioners in relation to the *Nauru Island Agreement Act 1919 (Cth)*;
- ◆ 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

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 11.5 percent of premium paid in 1998-99 and 1999-2000 and, from 1 October 2000, 10 percent of premium paid.

**Table C.2: General Insurance**

<i>Major Tax Expenditures</i>	<i>1998-99 \$m</i>	<i>1999-2000 \$m</i>	<i>2000-01 \$m</i>
<b>Concessional rates for motor vehicle, aviation, disability income, occupational indemnity and crop and livestock insurance</b>			
A concessional rate of 5 percent applied to a number of 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.	135.6	149.1	128.8
<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.	170.9	187.9	175.2
<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.	14.6	16.0	14.9

### *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; and
- ◆ insurance covering only property of the Crown.

## **LIFE INSURANCE**

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 where the sum assured is greater than \$2,000.

**Table C.3: Life Insurance**

<i>Major Tax Expenditures</i>	<i>1998-99 \$m</i>	<i>1999-2000 \$m</i>	<i>2000-01 \$m</i>
<b>Superannuation</b>			
An exemption is granted to all superannuation other than that offered by life companies to an individual.	37.6	40.7	44.1
<b>Annuities</b>			
An exemption is provided to annuities.	9.0	10.0	11.0

## **MORTGAGE DUTY**

The benchmark is defined as all secured loans of greater than \$500 that affect property in New South Wales. The benchmark tax rate is \$5 for \$500 to \$16,000 plus 40 cents per \$100 or part thereof on excess. Prior to 1 July 1998 Mortgage Duty was known as Loan Security Duty.

**Table C.4: Mortgage Duty**

<i>Major Tax Expenditures</i>	<i>1998-99 \$m</i>	<i>1999-2000 \$m</i>	<i>2000-01 \$m</i>
<b>Refinanced loans where the borrower and the security for the loan remain the same</b>			
A loan security that secures the amount of the balance outstanding under an earlier loan security 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.	39.5	39.7	40.4
<b>First home purchase mortgage covered by First Home Purchase Scheme and First Home Plus</b>			
Mortgages given to assist the financing of a purchase under a contract, which is eligible under the First Home Purchase Scheme, are exempt from duty. The Scheme is replaced by First Home Plus from 1 July 2000 (see Chapter 3).	4.8	4.6	8.3
<b>Additional advances up to \$10,000 in any 12 month period</b>			
This is a concession given for small loans not exceeding the prescribed amount provided that the additional loan is not made within 12 months after the initial loan.	1.0	1.0	1.0
<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.
<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.

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

A concession is provided for mortgages given by a custodian under a managed investment scheme.

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;
- ◆ mortgages securing amounts under a consumer credit contract, where the amount financed is \$35,000 or less;
- ◆ primary producers who refinance their borrowings, or revise their security arrangements, to become eligible for subsidies from the Rural Assistance Authority. This concession is limited to refinancing (i.e. it excludes loans from redraw facilities) and is limited to the same or substantially the same land (i.e. it excludes any changes in boundaries of improvement made to the land);
- ◆ 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;
- ◆ loans given by councils or county councils under *Local Government Act 1993*;
- ◆ any loan security made or given to the WorkCover Authority;
- ◆ instruments executed by or on behalf of a council or county council under the *Local Government Act 1993*;
- ◆ Board of Commissioners or the Commissioners in relation to the agreement approved by the *Nauru Island Agreement Act 1919 (Cth)*;
- ◆ loan security given for the relief of poverty and promotion of education;
- ◆ loan security given 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;
- ◆ tenants of the Department of Housing, the Aboriginal Housing Office or from the Community Housing Program who, in mortgaging 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;
- ◆ mortgage of liens under the *Liens on Crops and Wool and Stock Mortgage Act 1898*, or a special lien under the *Cooperation Community Settlement and Credit Act 1923*;
- ◆ 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;
- ◆ instrument executed for the purpose of creating, issuing or marketing mortgage-backed securities;
- ◆ the amalgamation, dissolution of clubs or the formation of a new registered club; and
- ◆ mortgages by clearing houses of the Sydney Futures Exchange and Australian Options Market that do not secure an advance.

## **MARKETABLE SECURITIES DUTY**

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 otherwise, with the purchaser paying all of the duty.

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

<i>Major Tax Expenditures</i>	1998-99 \$m	1999-2000 \$m	2000-01 \$m
<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.	284.7	349.9	306.6
<b>Papua New Guinea and New Zealand companies</b>			
From 1 July 1998 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.	4.8	5.8	6.4
<b>Newcastle Stock Exchange</b>			
As the Newcastle Stock Exchange is not an ASX exchange, transactions on this exchange were taxed at 60 cents per \$100. From 1 January 1999 marketable securities traded on the Newcastle Stock Exchange are taxed at the rate of 30 cents per \$100 or part thereof.	n.a.	n.a.	2.2

***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;
- ◆ certain transfers of shares by superannuation funds to a Pooled Superannuation Fund;
- ◆ transfers to and from the benchmark Australian All Ordinaries Trust; and
- ◆ transfers of stocks to and from Stock Exchange Index Trusts.

**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 of the value of the vehicle for vehicles valued to \$45,000. For vehicles valued at above this amount a marginal rate of tax of \$5 per \$100 or part thereof is applied to the value above \$45,000.

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

<i>Major Tax Expenditures</i>	<i>1998-99 \$m</i>	<i>1999-2000 \$m</i>	<i>2000-01 \$m</i>
<b>Local councils</b>			
An exemption is granted for the transfer of registration into the name of a local council.	10-15	10-15	10-15
<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	1.1	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 his estate.	2.5	2.6	2.6
<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> .	17.1	17.5	17.3
<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. In November 1999 this was extended to 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.	1.0	2.2	3.0

***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 255 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

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 is 0.06 percent.

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

<i>Major Tax Expenditures</i>	<i>1998-99 \$m</i>	<i>1999-2000 \$m</i>	<i>2000-01 \$m</i>
<b>Non business activities of government departments</b>			
These bodies are exempt from FID under Section 98A(1)(m) of the <i>Stamp Duties Act 1920</i> . This section allows an exemption for Departments of Commonwealth, State and Territory and Local Governments other than those departments whose sole or principal function is to carry on an activity in the nature of a business.	25-50	25-50	25-50
<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 from FID under Regulation 9A(1) of the Stamp Duties (Financial Institutions Duty) Regulation.	8.7	9.2	9.7
<b>Charitable, educational and religious bodies</b>			
These bodies are exempt from FID under Section 98A(1)(z) of the <i>Stamp Duties Act 1920</i> .	4.9	6.3	8.0
<b>Public and non-profit hospitals</b>			
These bodies are exempt from FID under Section 98A(1)(z) of the <i>Stamp Duties Act 1920</i> .	4.0	4.2	4.5
<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.

## **HIRING ARRANGEMENTS DUTY**

The benchmark 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. The benchmark tax rate is 0.75 percent 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;
- ◆ wet hires;
- ◆ gas, water and electricity meters;
- ◆ on-site caravans;
- ◆ arrangements between related bodies corporate;
- ◆ certain arrangements in relation to aircraft, ships and vessels;
- ◆ 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**

The benchmark is defined as any lease of property valued at greater than \$3,000 in New South Wales. The benchmark tax rate is 35 cents per \$100 of total rent. From 1 July 1998 the base has been restricted to leases of real property and franchise arrangements.

**Table C.8: Lease Duty**

<i>Major Tax Expenditures</i>	<i>1998-99 \$m</i>	<i>1999-2000 \$m</i>	<i>2000-01 \$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.	4.8	5.1	5.2

*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 6.85 percent for 1998-99, 6.4 percent from 1 July 1999 to 31 December 2000 and 6.2 percent from 1 January 2001 to 1 July 2002.

**Table C.9: Payroll Tax**

<i>Major Tax Expenditures</i>	1998-99 \$m	1999-2000 \$m	2000-01 \$m
<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.	295	292	305
<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.	46.7	48.7	52.8
<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 institution.	6.8	6.9	7.3
<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.	20.0	20.2	21.3
<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 a public food market, parking station, cemetery, crematorium, hostel, the operation of a coal mine, the supply and distribution of coal, the operation of a transport service and the supply of building materials.	101.6	101.6	106.4
<b>Private hospitals and nursing homes</b>			
An exemption is granted for a hospital which is carried on by a society or association otherwise than for the purpose of profit or gain to the individual members of the society or association 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.	9.3	9.3	9.7

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

<i>Major Tax Expenditures</i>	<i>1998-99 \$m</i>	<i>1999-2000 \$m</i>	<i>2000-01 \$m</i>
<b>Home Care Service</b>			
From July 1998 an exemption has been provided for the salaries paid to employees of the Home Care Service.	8.4	8.0	7.7
<b>Apprentices</b>			
An exemption is provided for employees under the group apprenticeship scheme or a group traineeship scheme approved by the Department of Industrial Relations and Employment.	1.0	1.0	1.0
From 1 July 1999 employers of apprentices are 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.	n.a.	4.0	4.0
<b>Certain Termination Payments</b>			
Termination payments made in relation to leave accrued prior to 1 January 1990 are exempt from payroll tax.	<\$5m	<\$5m	<\$5m

***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 Program 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 the 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 1.85 percent for the 1999 land tax year and 1.7 percent for the 2000 and 2001 land tax years.

**Table C.10: Land Tax**

<i>Major Tax Expenditures</i>	<i>1998-99 \$m</i>	<i>1999-2000 \$m</i>	<i>2000-01 \$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.	2.7	2.5	2.6
<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.	260.9	233.0	231.4
<b>State-owned corporations and public trading enterprises</b>			
Certain public trading enterprises are exempt from land tax.	27.2	25.1	24.8
<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-racing or greyhound-racing which is used primarily for the purposes of the meetings of the above.	4.4	4.3	4.5

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

<i>Major Tax Expenditures</i>	1998-99 \$m	1999-2000 \$m	2000-01 \$m
<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.	1.5	1.4	1.5
<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.	5.7	5.3	5.5
<b>Public cemeteries and crematoriums</b>			
An exemption is granted for any land used as a public cemetery or crematorium.	7.3	7.0	7.4
<b>Retirement villages</b>			
An exemption is given for land owned and used by retirement villages.	54.0	51.3	51.8
<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> .	3.8	2.9	2.4
<b>Public hospitals and Area Health Services</b>			
An exemption is granted for land used by a public hospital or Area Health Service.	10.5	9.9	10.0
<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.

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

<i>Major Tax Expenditures</i>	<i>1998-99 \$m</i>	<i>1999-2000 \$m</i>	<i>2000-01 \$m</i>
<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.
<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.
- ◆ 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.

The following are exempt:

- ◆ low cost accommodation within 5 km of GPO;
- ◆ nursing homes;
- ◆ Marketing and Pastures Protection Boards;
- ◆ Aboriginal Land Councils;

- ◆ new rental residential accommodation for five years;
- ◆ bush fire victims;
- ◆ community land development;
- ◆ unoccupied flood-liaible 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

The benchmark is defined as all accounts with cheque drawing facilities. The benchmark rate of tax varies from 30 cents to \$4.00 per debit.

**Table C.11: Debits Tax**

<i>Major Tax Expenditures</i>	<i>1998-99 \$m</i>	<i>1999-2000 \$m</i>	<i>2000-01 \$m</i>
<b>Non-business activities of government departments</b>			
The non-business activities of NSW government departments are exempt from Debits Tax.	10-20	10-20	10-20
<b>Public benevolent and religious bodies</b>			
The debits from cheque linked accounts of public benevolent, religious and non-profit bodies with a charitable purpose as defined under the Act are granted an exemption from Debits Tax. From February 2000 this exemption was extended to non-profit organisations having as one of their objects a charitable, benevolent, philanthropic or patriotic purpose.	1-3	2-4	2-4
<b>Schools, colleges and non-profit making universities</b>			
The debits from the cheque linked accounts of schools, colleges and non-profit universities as defined under the Act are granted an exemption from Debits Tax.	1-2	1-2	1-2

### *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 C.12: Vehicle Weight Tax**

<i>Major Tax Expenditures</i>	<i>1998-99 \$m</i>	<i>1999-2000 \$m</i>	<i>2000-01 \$m</i>
<b>Selected social security recipients</b>			
An exemption is granted in respect to any motor vehicle owned by holders of pensioner concession card, Department of Veteran Affairs (DVA), TPI cards and DVA Gold War Widow's card. The vehicle must be used by those pensioners substantially for social, domestic or pleasure purposes.	87.7	89.0	91.2
<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.	13.2	15.8	16.3
<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.	5.3	6.5	6.7
<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.	1.3	1.3	1.3
<b>General purpose plant</b>			
Concessions are provided for machines which cannot carry any load other than tools and accessories necessary for the operation of the vehicle.	4.3	5.0	5.2

**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 which 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 1999-2000 were \$35 for a one-year licence, \$84 for a three-year licence and \$113 for a five-year licence.

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

<i>Major Tax Expenditures</i>	<i>1998-99</i> \$m	<i>1999-2000</i> \$m	<i>2000-01</i> \$m
<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 cards, 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 by those pensioners substantially for social or domestic purposes.	14.0	31.3	28.6

## VEHICLE TRANSFER FEES

The benchmark is considered to be all transfers of previously registered vehicles. The benchmark tax rate was \$20 per vehicle until 31 January 1998. From 1 February 1998 until 30 June 2000 the rate is increased to \$40 for individuals and to \$25 for 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;
- ◆ 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 1997-98 was \$41 for most motor vehicles, \$139 for lorries with mass of 5 tonnes or more and \$198 for articulated trucks. From 1 February 1998 to 30 June 2000 the \$41 fee is increased to \$46.

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

<i>Major Tax Expenditures</i>	<i>1998-99</i> \$m	<i>1999-2000</i> \$m	<i>2000-01</i> \$m
<b>Selected Social Security Recipients</b>			
Holders of pensioner concession cards, Department of Veteran Affairs (DVA) TPI Card, DVA Gold War Widows Card (based on income or based on disability pension rate) are exempt from the fee.	25.7	25.6	26.6

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

- ◆ Exemption for Mobile Disability Conveyance.

### ACCOMMODATION LEVY

The benchmark is defined to be a levy equal to 10 percent of the value of accommodation provided by all commercial premises in the areas of the Sydney and North Sydney Central Business Districts described in the *Accommodation Levy Act 1997*. The tax commenced on 1 September 1997. From 1 July 2000 the tax will cease as part of national tax reform.

**Table C.15: Accommodation Levy**

<i>Major Tax Expenditures</i>	1998-99 \$m	1999-2000 \$m	2000-01 \$m
<b>Backpackers and Youth Hostel exemption</b>			
Backpacker hostels and youth hostels are exempt from the levy	1	1.2	n.a.
<b>Contracts signed with SOCOG by 31 December 1997</b>			
Establishments signing contracts with SOCOG by 31 December 1997 to provide rooms over the period of the Olympics pay only 5 percent from 1 September 1997, 7 percent from 1 April 1998 and 10 percent from 1 September 1998.	5	n.a.	n.a.

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

- ◆ Exemption for accommodation provided by cruise ships while in Port Jackson.

**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. Changes arising from national tax reform are outlined in Chapter 3.

The benchmark for totalisators to 28 February 1998 was the various tax rates applying to different types of bets placed with the TAB. From 1 March 1998 these rates were replaced with an average tax of 28.2 percent of player loss. From 1 July 2000 this will be reduced to a rate of 19.1 percent as part of the national tax reform package, as outlined in Chapter 3.

**Table C.16: Gambling and Betting Taxes**

<i>Major Tax Expenditures</i>	<i>1998-99</i> \$m	<i>1999-2000</i> \$m	<i>2000-01</i> \$m
<b>Club gaming machines</b>			
From 1 April 1997 hotels have been permitted to operate poker machines. 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.	360.0	384.1	417.9
<b>Central monitoring system fee concession</b>			
From 1 January 2001 all gaming machines in hotels and clubs are required to connect to a central monitoring system. Small and less profitable clubs are to be provided with a concession on the fees which are payable to the licensee of the central monitoring system.	n.a.	n.a.	1.3

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

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

**PARKING SPACE LEVY**

In 1998-99 and 1999-2000 the benchmark levy is defined as \$400 per space in the areas of Sydney CBD, North Sydney and Milsons Point.

Effective from 1 July 2000, the benchmark is increased to \$800 per space in these areas.

Additionally, a levy of \$400 is placed on parking spaces in the areas of Chatswood, Parramatta, St Leonards and Bondi Junction.

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

<i>Major Tax Expenditures</i>	<i>1998-99 \$m</i>	<i>1999-2000 \$m</i>	<i>2000-01 \$m</i>
<b>Exempt spaces in the Sydney CBD, Milsons Point and North Sydney region</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.	3.4	3.5	7.0
<b>Exempt parking spaces in the four new areas</b>			
Effective from 1 July 2000, parking spaces for customers attached to retail outlets, hotels, motels, clubs, restaurants and medical centres are exempt from the \$400 per space levy	n.a.	n.a.	6.0

## C.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 C.17: Education**

<i>Major Concessions</i>	<i>1998-99 \$m</i>	<i>1999-2000 \$m</i>	<i>2000-01 \$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.	21.7	21.8	21.9
<b>School transport subsidy scheme</b>			
Private transport operators, the State Rail Authority and State Transit Authority provide eligible students with free transport to and from school.	354.9	389.3	402.9

**Table C.18: Health**

<i>Major Concessions</i>	<i>1998-99 \$m</i>	<i>1999-2000 \$m</i>	<i>2000-01 \$m</i>
<b>Ambulance service for pensioners</b>			
Free transport by ambulance is provided for holders of pensioner health benefit cards.	43.2	44.1	45.7
<b>Outpatient Pharmaceutical Scheme for Pensioners</b>			
Free pharmaceuticals are provided for holders of pensioner health benefit cards.	2.1	2.1	2.2

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

<i>Major Concessions</i>	<i>1998-99 \$m</i>	<i>1999-2000 \$m</i>	<i>2000-01 \$m</i>
<b>Spectacles program</b>			
The Department of Community Services covers the cost of vision aids to eligible pensioners/allowees and people on low incomes.	3.5	3.6	3.7
<b>Charitable Goods Transport Scheme</b>			
The Department of Community Services funds the costs incurred by charities in transporting clothing for recycling and certain other goods.	3.0	3.0	2.0
<b>Pensioner Public Transport Concession Scheme</b>			
Pensioners travel for less than full fare on public transport.	248.5	261.9	273.2
<b>Taxi Transport Subsidy Scheme</b>			
People with disabilities receive a concession on the cost of taxi travel.	9.4	9.9	11.0
<b>Community Transport Scheme</b>			
This Scheme addresses transport needs caused by location, isolation, passengers age, disability or factors relating to the time and/or cost of travel.	13.9	13.4	14.0

**Table C.20: Housing and Community Amenities**

<i>Major Concessions</i>	<i>1998-99 \$m</i>	<i>1999-2000 \$m</i>	<i>2000-01 \$m</i>
<b>Local council rates concession</b>			
Local council rates are reduced by up to \$250 for holders of Pensioner Concession Cards.	70.6	71.3	71.3
<b>Sydney Water Corporation Pensioner Rate Concession</b>			
Holders of Pensioner Concession Cards receive a 50 percent discount on water rates.	46.3	46.1	50.0
<b>Sydney Water Corporation Exempt Properties concession</b>			
Owners of properties which are used to provide non-profitable community services and amenities (principally local councils and charities) are exempt from the payment of water charges.	11.3	10.9	11.7
<b>Transitional Water Rebates</b>			
An additional special rate reduction for holders of Pensioner Concession Cards to reduce the hardship associated with the move to greater reliance on usage pricing.	14.5	14.1	14.7
<b>Hunter Water Corporation Water Rate Concession</b>			
Holders of Pensioner Concession Cards receive a 50 percent discount on water rates.	7.5	7.5	7.7

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

- ◆ Blue Mountains septic pump-out service.

**Table C.21: Recreation and Culture***Minor Tax Expenditures (< \$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, disadvantage 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 C.22: Fuel and Energy**

<i>Major Concessions</i>	<i>1998-99</i> \$m	<i>1999-2000</i> \$m	<i>2000-01</i> \$m
<b>Electricity concession</b>			
The Department of Community Services funds an electricity rebate to eligible pensioners, a rebate for users of certain life support equipment and in emergencies to consumers in financial need.	58.6	61.5	63.1

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

- ◆ Sustainable Energy Development Authority rebates to purchasers of certain hot water systems.

**Table C.23: Agriculture Forestry and Fishing**

*Minor Tax Expenditures (< \$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.