



Committee to review tax law changes

The House Economics Committee will inquire into amendments to the tax treatment of fringe benefits, limited recourse debt and rebates for medical expenses among other changes contained in the Tax Laws Amendment (2012 Measures No. 6) Bill 2012.

Committee chair Julie Owens said the committee will examine the adequacy of the Bills in achieving their policy objectives and where possible identify any unintended consequences.

Schedule 1 of the Bill makes it clear that **native title benefits** are not subject to income tax, including capital gains tax. The financial impact of this measure is close to zero.

Schedule 2 updates the list of **deductible gift recipients**. This will cost of \$24.8 million over the forward estimates.

Schedule 3 extends the immediate deductibility of exploration expenditure, already provided to mining and petroleum explorers, to **geothermal energy explorers**. This is expected to cost \$5 million annually from 2013-14.

Schedule 4 extends the interim streaming provisions for **managed investment trusts (MITs)**, in line with the Government's announcement to defer the commencement of the new regime for MITs. The effect on revenue is not expected to be significant.

Schedule 5 applies an income-based means test to the **rebate for medical expenses**. It is expected to increase revenue by \$370 million over the forward estimates.

Schedule 6 restores the original policy intent of the provisions relating to **limited recourse debt**, following the High Court case in 2011 between the Tax Office and BHP. The provisions operate to reverse capital allowance deductions that, at the time the debt is terminated, are excessive having regard to the amount of the debt repaid. This measure is expected to protect a significant amount of revenue.

Schedule 7 removes concessional fringe benefit tax treatment for **in-house fringe benefits** accessed through salary sacrificing. This will increase revenue by \$360 million over the forward estimates. In-house fringe benefits are those where the employer provides the same or similar goods or services as part of the main business.

Schedule 8 makes **miscellaneous amendments**.

Interested persons and organisations are invited to make **submissions to the inquiry by Thursday, 20 December 2012**. The Bill is available from the committee's website.

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