

APPENDIX A: COSTING REPORT — PRO-FORMA

Name of policy costed:	End the special legislative treatment of Forestry Managed Investment Schemes (MIS)
Person making the request:	Senator Brown, Leader of the Australian Greens
Date received from Prime Minister's office:	11 November 2010
Summary of policy:	<p>End the special legislative treatment of Forestry Managed Investment Schemes (MIS)</p> <p>This has been interpreted as repealing Division 394 of the <i>Income Tax Assessment Act 1997</i>, which provides statutory deductions for investing in forestry MIS in certain circumstances.</p>
Additional information requested (including date):	25 November 2010
Additional information received (including date):	10 December 2010

FINANCIAL IMPLICATIONS (Outturn prices)(a)

Impact on	2010-11	2011-12	2012-13	2013-14	2014-15
Underlying Cash Balance (\$m)	0	35	35	40	40
Fiscal Balance (\$m)	0	35	35	40	40

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

Costing assumptions.

The policy has been interpreted as repealing effective from 1 July 2011, Division 394 of the *Income Tax Assessment Act 1997*, which deals with the tax treatment of forestry MIS.

Transitional arrangements which grandfather the current treatment for existing investors are assumed to apply.

Start date for policy of 1 July 2011.

Qualifications.

Limited specifications of the policy were provided.

This costing is *heavily reliant* on the assumed policy specifications. Altering these would markedly affect the costing.

It is assumed that there is no behavioural response to the removal of the statutory deduction available for forestry MIS. To the extent that investment moves away from forestry, the actual impact on revenue will be less than what is detailed here. The main element of the financial impact results from the loss of the upfront deductibility of investments. Upfront deductions are not available for most alternative investment

vehicles.
Further information

APPENDIX B: COSTING REPORT — PRO-FORMA

Name of policy costed:	End the special legislative treatment of Forestry Managed Investment Schemes (MIS) and reinstate the Pre-Payment Rule
Person making the request:	Senator Brown, Leader of the Australian Greens
Date received from Prime Minister's office:	11 November 2010
Summary of policy:	<p>End the special legislative treatment of Forestry Managed Investment Schemes (MIS)) and reinstate the Pre-Payment Rule</p> <p>This has been interpreted as repealing Division 394 of the <i>Income Tax Assessment Act 1997</i>, which provides statutory deductions for investing in forestry MIS in certain circumstances. In addition, the pre-payment rule, which applied before Div 394 came into effect, will be reinstated.</p>
Additional information requested (including date):	25 November 2010
Additional information received (including date):	10 December 2010

FINANCIAL IMPLICATIONS (Outturn prices)(a)

Impact on	2010-11	2011-12	2012-13	2013-14	2014-15
Underlying Cash Balance (\$m)	0	0	0	0	0
Fiscal Balance (\$m)	0	0	0	0	0

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

Costing assumptions.

The policy has been interpreted as repealing effective from 1 July 2011, Division 394 of the *Income Tax Assessment Act 1997*, which deals with the tax treatment of forestry MIS.

Transitional arrangements which grandfather the current treatment for existing investors are assumed to apply.

A 12-month prepayment rule applied between 2001 and 2008 for certain expenditure incurred in establishing forestry plantations. This rule was subsumed into the Division 394 arrangements. The costing assumes that this rule would be reinstated, so as to restore the status quo ante the introduction of Division 394.

Start date for policy of 1 July 2011.

Qualifications.

Limited specifications of the policy were provided.

This costing is *heavily reliant* on the assumed policy specifications. Altering these would markedly affect the costing.

It is assumed that there is no behavioural response to the removal of the statutory deduction available for forestry MIS and its replacement with the former prepayment rule. This is because the prepayment rule provides substantially the same concession to investors as Division 394.

Further information