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INCOME TAX (RATES) AMENDMENT BILL 1984

Date Introduced: 7 September 1984
House: House of Representatives
Presented by: Hon. P.J. Keating, M.P., Treasurer

Short Digest of Bill

Purpose

To amend the Income Tax (Rates) Act 1982 in order to declare the rates of tax payable by individuals and trustees for the 1984-85 financial year and the 1985-86 and subsequent financial years.

Background

The Commonwealth law with respect to income taxation has been contained in separate Acts since the first enactment in 1915; one Act dealing with the subject of tax, its assessment and collection, and others imposing the tax. The convention of having separate Acts has its origin in section 55 of the Constitution which provides that laws "imposing taxation shall deal only with the imposition of taxation, and any provision therein dealing with any other matter shall be of no effect". Legislation imposing taxation is commonly referred to as the Rating Acts which actually impose a tax and fix the rate of tax. The most important Acts are the Income Tax (Rates) Act and the Income Tax (Individuals) Act (these Acts together declare and impose the income tax on individuals and trustees) and the Income Tax (Companies, Corporate Unit Trusts and Superannuation Funds) Act (which declares and imposes the income tax on companies, corporate unit trusts and superannuation funds). It can be expected that these Acts will be re-enacted each financial year. Other Acts impose tax for specialised purposes e.g. Income Tax (Bearer Debentures) Act 1971. The Income Tax Assessment Amendment Act 1936 (ITAA) provides for the incidence, assessment and collection of the tax as well as a variety of other matters.

A distinction is made between residents and prescribed non-residents in determining the rates of tax applicable to individual taxpayers. For rating purposes only, a person is treated as a resident if he or she was a resident at any time during the income year or was in receipt of a taxable Australian social security or repatriation pension. In any other case, the person is

classified as a prescribed non-resident. Resident individual taxpayers are taxed at more favourable rates than prescribed non-resident individuals who are not eligible for the tax-free threshold.

Outline

The Bill will give effect to the Budget proposal to alter the personal income tax rate scale. As from 1 November 1984, a five step scale will be introduced, thereby replacing the current three step scale.

The general rates of tax for resident taxpayers will be:

<u>For Parts of Taxable Income</u>		
<u>Exceeding</u>	<u>But Not Exceeding</u>	<u>Rate</u>
\$	\$	%
0	4,595	Nil
4,595	12,500	25
12,500	19,500	30
19,500	28,000	46
28,000	35,000	48
35,000	-	60

The new reduced rate of 25 per cent will not apply to non-resident individuals (other than those who were residents for any part of a year of income or who are in receipt of Australian social security or repatriation pensions that are subject to Australian tax) nor to the income of minors to which Division 6AA of the ITAA applies. The standard rate of 30 per cent will continue to apply to the taxable income of non-residents up to \$19,500. The general rates will apply to income above \$19,500.

The rate of tax to apply to residents for 1984-85 is to be an average of the 1983-84 rate scale and the scale to apply from 1 November 1984 (i.e. 4/12 of 1983-84 scale and 8/12 of the new scale). Therefore, the average rate scale for 1984-85 will be:

<u>For Parts of Taxable Income</u>		
<u>Exceeding</u>	<u>Not Exceeding</u>	<u>Rate</u>
		%
\$ 4,595	- 12,500	26.67
12,500	- 19,500	30.00
19,500	- 28,000	46.00
28,000	- 35,000	47.33
35,000	- 35,788	55.33
35,788	-	60.00

The Bill also provides that the Principal Act is not to apply to a trustee of an ineligible approved deposit fund. The rate of tax payable by such a trustee is to be declared and imposed by the Income Tax (Companies, Corporate Unit Trusts and Superannuation Funds) Bill 1984.

Main Provisions

For a detailed explanation of the provisions of the Bill refer to the accompanying Explanatory Memorandum. This Bill will come into operation on the date of Royal Assent (clause 2).

Two new Parts, namely Part IV and Part V, will be inserted into the Principal Act to declare the rates of tax payable for the 1984-85 financial year, and for the 1985-86 and subsequent financial years, respectively (clause 7). Under Part IV, the proposed section 18 will declare the ordinary rates of tax payable for the 1984-85 financial year by individuals and trustees generally, as well as the notional rates for primary producer averaging provisions. These rates are set out for taxpayers, beneficiaries and trust estates, both resident and non-resident.

In Part V, proposed section 23 will declare the ordinary rates of tax payable for 1985-86 and subsequent financial years by individuals and trustees generally. The rates are set out for both resident and non-resident taxpayers, beneficiaries and trust estates. The rates will reflect the full year effect of the changes which are to apply from 1 November 1984.

For further information, if required, contact:

20 February 1985

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