Income Tax Assessment (Housing Loan Interest) Amendment Bill 1989

(Private Senator’s Bill)

Date Introduced: 2 March 1989
House: Senate
Presented by: Senator Janine Haines

Digest of Bill

Purpose
To allow a rebate on mortgage interest on the component of interest above 10% per annum for the first $80,000 of loans for first homes. The rebate will be available for five years at the rate of 40%.

Background
The scheme proposed by this Bill will revive, with some modifications, a similar one that commenced in 1982–83. Under that scheme, where the eligibility conditions were satisfied (principally relating to the nature of the interest purchased) and interest above 10% p.a. was paid on a loan for a first home, a rebate was available at the rate of 30% on the amount paid due to the interest rate being over 10%. The rebate was available for taxpayers who occupied their home between 1 July 1977 and 30 September 1983, or entered a contract for construction before the latter date and occupied the home before 1 July 1985, and applied for the first $60,000. The rebate applied for five years.

As part of the 1983 May Statement, access to the scheme was terminated from 1 October 1983. Those receiving benefits on 30 September 1983 continued to benefit from the scheme if their income remained below the income test level for the first home owners scheme. The first home owners scheme commenced from 1 October 1983. Savings from terminating the rebate scheme were estimated at $30 million in 1983–84; $155 million in 1984–85; and $190 million in 1985–86. Approximately $290 million was spent on the first home owners scheme in 1984–85.

Main Provisions

Clause 3 will amend section 157ZNA of the Income Tax Assessment Act 1936 to include payments made on or after 1 July 1989 in the scheme outlined above. The clause will also increase the limit on the portion of the loan included in the scheme from $60,000 to $80,000.

The rate of rebate will be increased to 40% by clause 4.
For further information, if required, contact the Economics and Commerce Group.

4 April 1989

Bills Digest Service
Legislative Research Service

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

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