Income Tax (Arrangements with the States) Repeal Bill 1989

Date Introduced: 11 May 1989
House: House of Representatives
Presented by: Hon. Paul Keating, M.P., Treasurer

Digest of Bill

Purpose
To remove the power of the Commissioner of Taxation to administer
State imposed income tax and State rebates against Federal income tax.

Background
In 1975 the Fraser Government offered the States a new arrangement for
revenue raising and sharing (the 'New Federalism' policy). It announced
that it would pass legislation to grant to the States an entitlement to share
in personal income tax collections of the Commonwealth and levy their own
personal income taxes.

The second part of the Fraser Government's plan was implemented in 1978
by the passing of the Income Tax (Arrangements with the States) Act 1978
(the Principal Act). The Principal Act was designed to allow the Commissioner
of Taxation to administer, on behalf of a State, an income tax introduced by
a State. It also enabled the Commissioner of Taxation to allow, at a
State's expense, a rebate under State law against Federal income tax. No State
has sought to impose its own income tax or allow a rebate against Federal
income tax.

The Bill gives effect to an announcement of 12 March 1989 by the Treasurer
that the Government would repeal the Principal Act.1 The Bill, in the
Treasurer's words is designed, 'to ensure that no backdoor method be left
which would enable a future administration to impose a second layer of personal
income tax upon the people of Australia'.2

Main Provisions
The Principal Act will be repealed by clause 3.

References
2. Income Tax (Arrangements with the States) Repeal Bill 1989, Second Reading
Speech, p. 42.

For further information, if required, contact the Law and Government Group.

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