Commonwealth Borrowing Levy Amendment Bill 1989

Date Introduced: 16 August 1989
House: House of Representatives
Portfolio: Treasury

Digest of Bill

Purpose
To impose a levy on certain borrowings of Aerospace Technologies of Australia Pty. Ltd. (ASTA), the Civil Aviation Authority (CAA), and subsidiaries of certain Commonwealth authorities and corporations.

Background
The Commonwealth Borrowing Levy Act 1987 (the Principal Act) imposes a levy on the borrowings (other than from the Commonwealth) of certain Commonwealth authorities and corporations. The levy replaced the Commonwealth Guarantee Charge (the Charge). The charge was imposed on bodies which used an explicit or discretionary Commonwealth guarantee when borrowing funds. Such a guarantee allows bodies to borrow at favourable interest rates as repayment is guaranteed by the Commonwealth and so the risk of default is reduced. During the operation of the Charge, Commonwealth authorities found that they could borrow on similarly favourable terms without relaying on a guarantee because lenders were aware that the Commonwealth was unlikely to allow them to default. As a result, bodies found that they could by-pass the charge and still borrow on favourable terms due to their semi-governmental status.

The Principal Act lists bodies liable to pay the levy, including: Australia Post; ANA; Telecom; AUSSAT; and the A.C.T. Electricity and Water Authority. The rate of levy is a prescribed annual rate not exceeding 0.5% of a bodies borrowings. The Charge continues to apply to borrowings and raisings of money undertaken before 1 July 1987, by listed bodies. The Bill is estimated to increase revenue raised by the levy in 1989-90 by between $220 000 to $8.72 million.\(^1\)

Main Provisions
Clause 2 provides that the levy will apply to the ASTA and CAA from 1 July 1989, and cease to apply to the ACT Electricity and Water Authority from 11 May 1989.

A new definition of ‘body’ will be substituted into the Principal Act by clause 3 that will allow the levy to be imposed on bodies listed in the Schedule of the Principal Act, bodies prescribed by other legislation, and corporate subsidiaries of the bodies referred to above.
The ASTA and CAA will become liable to pay the levy, whilst the ACT Electricity and Water Authority, AUSSAT Finance Ltd., and wholly-owned subsidiaries of the Federal Airports Corporation, will cease to be liable (clause 4).

For further information, if required, contact the Economics and Commerce Group.

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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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