Income Tax Rates Amendment Bill 1987

Date Introduced: 2 April 1987
House: House of Representatives
Presented by: Hon. Paul Keating, M.P., Treasurer

Digest of Bill

Purpose
To alter the rate of tax payable by companies, unit and trading trusts and superannuation funds for 1986-87 and later years.

Background
This Bill will implement part of the measures announced in the September 1985 Statement on the Reform of the Australian Taxation System. The major measure of the Bill, i.e. to increase the rate of company taxation, will bring the company tax rate into line with the highest personal marginal tax rate. The increase in the company tax rate is estimated to raise $460 million in 1987-88 and $475 million in a full year. However, this amount will be offset by the losses to revenue through the introduction of the imputation system for dividends and the nett revenue effect of these measures will be a loss to revenue of $50 million in 1987-88 and $300 million in a full year.\(^1\)

Main Provisions
The rate of company tax will be increased from 46% to 49% by paragraph 4(a) of the Bill which will amend sub-sections 23(2) and 23(3) of the Income Tax (Rates) Act 1986 (the Principal Act).

Sub-section 23(5) of the Principal Act contains a threshold below which the tax on a non-profit company is not to exceed 55% of the taxable income over $416. The threshold will be increased from $2542 to $3813 by paragraph 4(b) of the Bill.

The rate of tax for corporate unit trusts will be increased from 46% to 49% (clause 5 which will amend section 24 of the Principal Act).

The rate of tax for public trading trusts will also be increased from 46% to 49% (clause 6 which will amend section 25 of the Principal Act).
Section 26 of the Principal Act contains the rates of tax for various types of superannuation funds. Clause 7 will amend these rates as follows:

- the rate for funds established for the benefit of employees will fall from 50% to 49%;
- the rate for funds that meet certain investment guidelines will be reduced from 24.42% to 24%;
- the rate for non-exempt funds will be decreased from 57.08% to 49%; and
- the rate for funds subject to concessional rates will fall from 44.25% to 40%.

The rate for ineligible approved deposit funds will fall from 44.25% to 40% (clause 8 which will amend section 27 of the Principal Act).

The rate for trustees assessed under sub-section 98(3) of the Income Tax Assessment Act 1936 (i.e. generally trustees of trusts where the beneficiary is a non-resident company) will be fixed at 49% (clause 9 which will insert a new section 28 into the Principal Act). This amendment will apply from 1 July 1986 (sub-clause 10(2)).

All other amendments will apply from 1 July 1987 (sub-clause 10(1)).

Reference

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

23 April 1987

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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