Bank Account Debits Tax Amendment Bill 1987

Date Introduced: 6 May 1987
House: House of Representatives
Presented by: Hon. Chris Hurford, M.P., Minister Assisting the Treasurer

Digest of Bill

Purpose

To reduce the rate of the bank account debits tax in the Australian Capital Territory (ACT); to insert an anti-avoidance provision into the Bank Accounts Debits Tax Act 1982 (the Principal Act); and to alter the title of that Act to reflect its increased scope.

Background

The bank accounts debits tax came into operation on 1 April 1983 and is imposed on most debits made to a bank account on which cheques drawn on the bank by the account holder may be debited. The tax not only applies to cheques drawn on such an account but also to all debits made to such an account including bank fees and automatic teller machine operations. On 28 November 1986 it was announced that the tax would be extended to other financial institutions which operate similar accounts. This measure will be implemented by the Taxation Laws Amendment Bill (No.2) 1987. In the Explanatory Memorandum of this Bill it is stated that the revenue effect of this measure will be minimal but that it will prevent an erosion of the tax base.

The rate of the tax in the ACT was increased to double that of the rest of Australia in 1985 to compensate for the lack of a financial institutions duty in the ACT. It was announced in the 1986 Budget that a financial institutions duty would be introduced in the A.C.T. from 1 July 1987. As a result, the rate of the bank account debits tax in the A.C.T. will be reduced to the level prevailing in the rest of Australia.

Main Provisions

Clause 3 will amend the long title of the Principal Act to change the reference to banks to financial institutions. This will reflect the increased scope of the Act. Similarly, clauses 4 and 5 will amend sections 1 and 3 of the Principal Act to omit 'Bank Account' from the title of the Principal Act.

Clause 6 will insert a new section 3A into the Principal Act. Under the proposed section, a reference to a debit outside Australia will be extended to operations on overseas accounts with non-bank financial institutions. This will relate to non-bank financial institutions which have an account with a bank and that account allows cheques to be drawn that may be filled in by the customer and the non-bank financial institution is authorised to debit the account of the customer, to honour the cheque.

Clause 7 will repeal sections 4, 5 and 6 of the Principal Act and substitute new sections 4 and 5. The major difference between the existing clause 4, which deals
with liability to the tax, and proposed section 4 is that the latter will include accounts of the type referred to in proposed section 3A as liable for tax. Existing section 5 contains the separate rate for the tax in the ACT. This will be removed in proposed section 5. Section 6 of the Principal Act deals with avoidance of the higher ACT rate. As the rates of the tax in the ACT and the rest of Australia will now be aligned, this provision is no longer relevant.

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

25 June 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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