Date introduced: 19 September 1985
House: House of Representatives
Presented by: Hon. Chris Hurford, M.P., Minister Assisting the Treasurer

DIGEST OF BILL

Purpose

To declare and impose the rates of tax payable for 1985-86 by companies and registered organisations, trustees of corporate unit trusts, superannuation funds and ineligible approved deposit funds, and by trustees in respect of trust income of non-resident company beneficiaries of trust estates.

Background

Refer to the Bills Digest for the Income Tax (Individuals) Bill 1985 (No. 85/177).

Apart from the imposition of income tax at the rate of 30 per cent on the investment income of employer-sponsored superannuation funds that fail to comply with certain investment rules, the rates declared by this Bill are the same as for 1984-85.

Main Provisions

This Bill will come into operation on the date of Royal Assent (clause 2).

Clause 5 formally imposes tax payable in accordance with this Bill at rates declared by the Bill.

By clause 6, the general rate of tax payable on taxable income of companies is to remain at 46 per cent. The rate of additional tax payable by a private company on the amount by which dividends paid fall short of a sufficient distribution remains at 50 per cent. The rate of tax payable by a registered organization remains at 20 per cent.
Under clause 7, the rate of tax payable by a trustee on the net income of a corporate unit trust to which section 102K of the Income Tax Assessment Act 1936 (ITAA) applies remains at 46 per cent.

The rate of tax payable on certain taxable income of superannuation funds to which section 121CA or 121CB of ITAA applies will remain at 50 per cent.

Tax will be imposed at the rate of 30 per cent on the investment income of an employer-sponsored superannuation fund which does not comply with certain investment rules and to which section 121CC of the ITAA applies. On 11 March 1985, the Treasurer announced statutory loan-back rules for these funds to apply from the 1985-86 income year. The basic rule requires that no more than 10% of an employer-sponsored superannuation fund's assets (valued at cost) be invested with the sponsoring employer or associate of the employer. This rule is to apply in full to funds established after 11 March 1985. Transitional arrangements are to apply to pre-existing funds so that, by 1995-96 and subsequent income years, the 10% investment rule will apply to all employer-sponsored superannuation funds.

The rate of tax payable by a trustee of a superannuation fund to which section 121DA of ITAA applies will remain at 60 per cent. Tax will be imposed at the rate of 46 per cent on the taxable income of a superannuation fund to which section 121DAB of ITAA applies (clause 8).

By clause 9, the rate of tax payable by a trustee on the taxable income of an ineligible approved deposit fund will remain at 46 per cent. It will similarly remain at 46 per cent for a trustee of a non-resident company beneficiary (clause 10).

Clause 12 formally levies tax imposed by clause 5 at the rates declared in clauses 6 to 10 for the 1985-86 financial year and, until the Parliament otherwise provides, for the 1986-87 financial year.
For further information, if required, contact the Economics and Commerce Group.

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LEGISLATIVE RESEARCH SERVICE

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