TAXATION LAWS AMENDMENT BILL (NO. 2) 1985

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 give effect to a number of the Government's 1985-86 Budget proposals, to introduce loan-back rules for employer-sponsored superannuation funds and to counter the use of non-leverage finance leases and similar arrangements to achieve tax benefits.

Background

Changes to the provisions regarding non-leverage finance leases were announced on 15 May and 16 December 1984 while the new rules that will apply to certain investments by employer sponsored superannuation funds were announced on 11 March 1985.

Outline

The Bill will amend a number of taxation laws including the Income Tax Assessment Act 1936 and the Taxation Administration Act 1953.

Main Provisions

For a detailed analysis of the clauses of the Bill refer to the Explanatory Memorandum.

Amendments to the Income Tax Assessment Act 1936

This Act will be amended to:

. effectively treat as loan arrangements certain non-leveraged finance leases (and similar arrangements) by governments and tax-exempt government authorities (proposal announced at 5:00 pm Eastern Standard Time on 15 May 1984)
and by residents or non-residents who are not subject to Australian tax on income derived from the use outside Australia of the leased property (proposal announced at 5:00 pm Eastern Summer Time on 16 December 1984);

. introduce statutory investment rules so that income tax concessions applicable to the income of, and contributions to, employer-sponsored superannuation funds will be conditional upon - under the basic rule - not more than 10% of the fund's assets (measured at cost) being invested with the employer or an associate of the employer (proposal announced on 11 March 1985);

. increase from $1200 to $1500 the annual deduction limit for contributions to qualifying superannuation funds by self-employed persons and employees not covered by employer-sponsored superannuation schemes (1985-86 Budget announcement);

. increase from $50000 to $55000 the maximum amount of the 'post-June 1983' component of lump sum termination payments that is subject to tax at a rate of not more than 15% where made to a taxpayer aged 55 or more (1985-86 Budget announcement);

. abolish, for the year of income that commenced on 1 July 1985 and subsequent years of income, the general concessional expenditure rebate (proposal announced on 17 July 1985);

. provide a medical and hospital expense rebate at the standard rate of tax - presently 30 per cent - for net expenditure (which presently qualifies for the general concessional rebate) in excess of $1000 incurred by taxpayers on their own or their dependants' behalf with effect from the year of income that commenced on 1 July 1985 (proposal announced on 17 July 1985);

. exempt from tax the income of animal racing clubs for the 1985-86 and subsequent years of income (1985-86 Budget announcement);

. allow, with effect from 1 July 1985, a deduction for expenses incurred by candidates in seeking election to local governments or the Australian Capital Territory House of Assembly, subject to an upper limit of $1000 per election (1985-86 Budget announcement);
increase from $75 to $220 for married (legally or de facto) taxpayers and from $50 to $170 for other taxpayers the existing rebates of tax (and the income levels above which they shade out) available for taxpayers wholly or mainly dependent on social security unemployment, sickness or special benefits (1985-86 Budget announcement);

allow income tax deductions for gifts to the Australian Academy of the Humanities and the Royal Australian and New Zealand College of Psychiatrists (1985-86 Budget announcement); and

to provide the method of calculating provisional tax for the 1985-86 income year.

The Taxation Administration Act 1953 will be amended to:

to provide for the conduct of investigations in the Australian Capital Territory by or for State and Northern Territory revenue authorities, and to permit Commonwealth taxation information to be provided to State and Territory revenue authorities for the purposes of the administration of their revenue laws (proposal announced on 20 December 1983); and

to extend the operation of the secrecy provisions of taxation laws to persons who, although not appointed or employed by the Commonwealth, perform services for the Commonwealth.

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

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LEGISLATIVE RESEARCH SERVICE

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