Date Introduced: 2 May 1984
House: House of Representatives
Presented by: Hon. T. Uren, Minister for Territories and Local Government

Short Digest of Bill

Purpose

To ensure that tax instalments received and refunds of tax paid under the prescribed payments system provisions are included in the amount of net personal income tax on which the tax sharing entitlement of local government is calculated.

Background

Since 1976-77, local government has received a certain percentage (currently 2 per cent) of the previous year's net personal income tax receipts in the form of general revenue assistance grants. For the purposes of the Principal Act, the Commissioner of Taxation must, within one month after the end of each financial year, assess the amount of net personal income tax received in that year. This figure is derived as follows. From the gross personal income tax collection in that year are subtracted any refunds of tax made in that year. Adjustments are also made for the existence of any special surcharges (e.g. the Medicare levy) or rebates declared as such by the Treasurer, or any surcharges or rebates of tax which the States are eligible to impose (but which, in practice, no State has legislated to impose).

Under the Income Tax Assessment Amendment Act 1983, a system of taxation was introduced whereby payments made to non-exempt, non-wage income earners in a number of industries are taxed at source, in order to combat tax evasion. Where a taxpayer is subject to the provisions of the prescribed payments system, expected collections from this source are offset against the amount of provisional tax that would have been assessed in respect of that person. While the existing definition of gross personal income tax collections for the purposes of the Local Government
(Personal Income Tax Sharing) Act 1976 includes provisional tax collections, it presently does not include instalments collected under the prescribed payments system. Similarly, the definition of refund of personal income tax does not presently include any refund of tax collected under the prescribed payments system.

The definition of net personal income tax collections also does not presently provide for the deduction, from gross collections, of interest paid by the Commissioner on certain overpayments of tax, as required by the Taxation (Interest on Overpayments) Act 1983.

Main Provisions

Sub-clause 3(1) proposes to amend section 3 of the Principal Act, which relates to interpretation. Paragraphs 3(1)(a) and (b) will amend the definition of 'gross personal income tax collections' to include collections made under Division 3A of Part VI of the Income Tax Assessment Act 1936, which contains provisions relating to the operation of the prescribed payments system. Paragraphs 3(1)(e) and (f) will amend the definition of 'refund of personal income tax' to take account of any refunds payable under Division 3A of the Income Tax Assessment Act.

Paragraph 3(1)(c) proposes to amend the definition of 'net personal income tax collections' to allow for the deduction of any interest paid by the Commissioner on certain overpayments of tax. Paragraph 3(1)(d) proposes a minor amendment to the definition of 'personal income tax' to qualify the definition of tax imposed upon a trustee.

Sub-clause 3(2) provides that the aforementioned amendments will apply from the beginning of the 1983-84 tax year and to subsequent years.

Remarks

It is interesting to note that in 1983-84, the year in which this legislation commences, prescribed payments instalments will be collected in addition to the provisional tax which had already been assessed for that year. This 'double collection' will boost the Commissioner's estimate of total collections for that year, hence boosting the grant payable to local government in 1984-85. However, when credits for the overcollection of tax in 1983-84 are transferred to 1984-85, the estimate of collections for that year will reflect this factor. This in turn will be reflected in the local government grant for 1985-86. It
should be appreciated that the actual sums involved in this adjustment process are not likely to be large.

For further information, if required, contact:

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