Date Introduced: 13 September 1984
House: House of Representatives
Presented by: Hon. Chris Hurford, M.P., Minister Assisting the Treasurer

Short Digest of Bill

Purpose

To provide for backpayments of interest, relating to the period between 29 June 1984 and the commencement of this Bill, in respect of deposits accepted on or after 1 September 1983.

Background

This digest should be read in conjunction with the digests for the Loan (Income Equalization Deposits) Amendment Bill 1984 (Nos. 84/54 and 84/144) and the Income Tax Assessment Amendment (Income Equalization Deposits) Bill (No. 84/65).

As a result of the changes proposed to the Income Equalization Deposits Scheme, the income tax deduction previously allowable for eligible deposits will be withdrawn. Instead, under the revised scheme, a concessory rate of interest, two percentage points above the short term bond rate, will apply to eligible deposits. The proposed revised scheme was to apply from 1 September 1983. However, it failed to gain the approval of the Senate. Subsequently, the Treasurer announced, on 29 June 1984, that the Government would still proceed with the scheme which had been operating since 1 September 1983. However, the Government regulated an interest rate of 7.5 per cent per annum to apply from 29 June 1984 to deposits accepted on or after 1 September 1983, pending reintroduction of the IED Bills. Had the Government not lowered the interest rate, deposits lodged since 1 September 1983, would have remained tax deductible as well as earning the higher concessional interest rate applicable under the revised scheme.
Main Provisions

The Bill will come into operation on the same day as the Loan (Income Equalization Deposits) Amendment Bill 1984 (clause 2). As there is no provision in that Bill for the date of commencement, it would be 28 days after the date of Royal Assent (section 5(1A) Acts Interpretation Act 1901).

Clause 4 deals with the payment of interest. The "interest adjustment period" refers to the period between 29 June 1984 and the commencement of the Bill.

The "actual adjustment period interest" is the amount of interest that was paid or is payable during the interest adjustment period on a deposit accepted on or after 1 September 1983. An interest rate of 7.5 per cent per annum was set by the regulations gazetted on 29 June 1984.

"Notional adjustment period interest" is the amount of interest which would have been payable during the interest adjustment period had the Loan (Income Equalization Deposits) Amendment Bill 1984 come into operation on 29 June 1984.

Under sub-clause 4(3), in respect of deposits accepted on or after 1 September 1983, the payment of interest shall be calculated as the difference between the paid or payable actual adjustment period interest and the notional adjustment period interest.

For further information, if required, contact:

28 September 1984
Economics and Commerce Group
LEGISLATIVE RESEARCH SERVICE