Date Introduced: 9 October 1984
House: House of Representatives
Presented by: Hon. P.J. Keating, M.P., Treasurer

Short Digest of Bill

Purpose

To amend certain Acts as a result of the Trust Recoupment Tax Assessment Bill 1984.

Background

Trust recoupment tax is a new form of tax aimed at recovering tax avoided through the use of certain trust-stripping schemes. It is, in general, levied at the rate of 60 per cent on the income on which tax has been avoided. Trust recoupment tax is directed at schemes designed principally to avoid personal income tax, and is therefore in the nature of a personal income tax collection. The tax is assessed under the Trust Recoupment Tax Assessment Bill 1984, and is levied by the Trust Recoupment Tax Bill 1984. (Refer to the digests for these Bills for further information).

Main Provisions

The Bill amends five Acts, two of them relating to Commonwealth tax sharing with local governments and with State governments respectively.

Mention of the Trust Recoupment Tax Assessment Bill in Schedule 1 of the Administrative Decisions (Judicial Review) Act 1977 will prevent the Administrative Appeals Tribunal reviewing issues related to trust recoupment tax (clause 4).

The Taxation (Interest on Overpayments) Act 1983 provides for interest to be paid to a taxpayer on amounts paid by the taxpayer which were later found not to be payable. The amendment similarly provides for interest on any overpaid trust recoupment tax (clause 13).

Technical amendments are made to the Taxation Administration Act 1953 (clause 9).
Trust recoupment tax is to be included in total Commonwealth tax collections for the purposes of proportional distribution to State governments, and in total personal income tax collections for the purposes of proportional distribution for local government.

Commonwealth-State tax sharing is provided for under the States (Tax Sharing and Health Grants) Act 1981. The amount for distribution is calculated as a proportion of total Commonwealth tax collections.

The States (Tax Sharing and Health Grants) Act 1981 specifies in Schedule 1 a list of the taxes that are included in the base for calculation. It is amended to include tax collected under the proposed Trust Recoupment Tax Assessment Act (clause 8).

The Local Government (Personal Income Tax Sharing) Act 1976 provides for the allocation to local government throughout Australia (via State governments) of a proportion of net personal income tax collections. The amount is 2 percent of net personal income tax collections, disregarding special surcharges or rebates. The Local Government (Personal Income Tax Sharing) Act 1976 defines in section 3 the "gross personal income tax collections" which forms the base for calculation. It is amended to include net amounts collected from trust recoupment tax, and any associated penalty tax etc. (clause 6).

For further information, if required, contact:

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