Date Introduced: 11 May 1983
House: House of Representatives
Presented by: Hon. P. Keating, Treasurer

Purpose

To clarify the definition of net Commonwealth tax collections in any year for the purpose of determining the States' share of Commonwealth tax receipts. The opportunity is also taken to include certain new taxes in the Schedule of taxes on which the States' tax sharing entitlements are based.

Background

Between 1976 and 1981, the States' tax sharing entitlements were calculated on the basis of the Commonwealth's net personal income tax receipts. In 1981 it was decided that this arrangement should be changed and the entitlements expressed as a proportion of the preceding year's "total" net tax receipts. Schedule 1 of the Principal Act sets out the various taxes which are included in the "total" tax base.

Although the intent of the legislation was clear, it has become apparent that a strict interpretation of the Act might lead to certain components of taxation receipts being excluded from the total tax pool. This situation arose since the definition of income tax in the Act refers to Section 6(1) of the Income Tax Assessment Act 1936, which deals only with assessed income tax. Certain PAYE instalments, company tax instalments, provisional tax and late payment penalties could, under the present wording, have been excluded from the total tax collection base, even though, in practice, this has not been done.

The present Bill is therefore a machinery Bill designed to extend the definition of income tax collections to remove any possible ambiguities. In so doing, provision is also made for the Commonwealth to deduct any interest charges which it might be liable to pay on overpaid taxes under provisions of the Taxation (Interest on Overpayments) Bill 1983.
Although any taxes which have been newly introduced can be incorporated in Schedule 1 of the Principal Act by Regulation, the opportunity has been taken in this Bill to amend the Schedule to include amounts collected under the Bank Accounts Debits Tax Administration Act 1982 and the Taxation (Unpaid Company Tax) Assessment Act 1982.

Main Provisions

Clause 4 of the Bill amends section 6 of the Principal Act to include, in the total tax base, collections of tax instalments and penalty tax, while allowing the Commonwealth to deduct interest on overpayments.

Clause 3 amends section 4 of the Principal Act to ensure that, in defining total tax collections for any particular year, no tax will be deemed to have been collected until it has actually been received by the relevant taxing authority.

Clause 2 backdates the provisions of Clauses 3 and 4 of the Bill to the date upon which the Principal Act received the Royal Assent, to ensure that past determinations are consistent with the amended Act.

Clause 5 inserts a new Schedule 1 to enable collections made under the Bank Account Debits Tax Administration Act 1982 and the Taxation (Unpaid Company Tax) Assessment Act 1982 to be added to the existing tax sharing base.

For further information, if required, contact:

23 May 1983

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References

Department of the Parliamentary Library, Bills Digest for the States (Tax Sharing and Health Grants) Bill 1981.