Date Introduced: 21 February 1980
House: House of Representatives
Presented by: Hon. John Howard, Treasurer

Short Digest of Bill

Purpose

To increase as from 1 January 1980, the level of the general exemption from Commonwealth pay-roll tax in respect of wages paid in the A.C.T., to bring it into line with the exemption in N.S.W.

Background

The Commonwealth Government only imposes pay-roll tax in respect of wages paid in the A.C.T. The power to levy pay-roll tax in respect of wages paid in their States was transferred to State governments as from 1 September 1971, and in the Northern Territory the power to levy pay-roll tax was transferred as from 1 July 1978.

At present an A.C.T. employer is entitled to a general exemption by way of a deduction of $66,000 on an annual basis or $5,500 per month from wages paid when determining the amount on which pay-roll tax rates are applied. This exemption phases out by $2 for every $3 by which annual wages payable by an employer exceed $66,000.

The last increase in the exemption level was brought about by the Pay-Roll Tax (Territories) Assessment Amendment Act 1979, which was first introduced into Parliament in February 1979. This Act raised the exemption level from $60,000 to $66,000 as from 1 January 1979 bringing it into line with that allowable in N.S.W. from 1 January 1979. However, N.S.W. has since increased its level of the general exemption to $72,000 per annum as from 1 January 1980. The proposed change, which was announced by the Treasurer and the Minister for the Capital Territory on 27 November 1979, will therefore preserve consistency of treatment between employers in the A.C.T. and N.S.W.

Main Provisions

Clause 3 provides that the deduction of $5,500 allowable at present in relation to monthly returns is to be
replaced by a deduction of $6,000 per month. As a general rule the higher exemption is to first apply in respect of the month during which this Bill receives the Royal Assent, but end of year adjustments will back-date the benefits to 1 January 1980.

Because of the phasing-out arrangements, no deduction will be allowable where the monthly pay-roll reaches $15,000.

Clause 4 amends s.14 of the Act to provide that where returns are made on an annual basis, the general exemption level will be increased from $66,000 to $72,000 with effect from 1 January 1980. For the financial year 1979-80 an exemption level of $69,000 is proposed representing $33,000 (one-half of the present $66,000) for the period 1 July 1979 to 31 December 1979 and $36,000 (one-half of the proposed $72,000) for the period 1 January 1980 to 30 June 1980. The adjustments of pay-roll tax liabilities on an annual basis will be worked out on the basis of these new exemption levels.

Clause 5 amends s.16 to provide that an employer who pays wages of $1,350 or less a week (rather than $1,250 as at present) will not have to register for payroll tax purposes after the day on which the Bill comes into operation.

Explanations of technical aspects of the Bill and more detail on each of the Clauses is contained in the Explanatory Memorandum circulated to Members and Senators.

25 February 1980

Finance, Industries, Trade & Development Group
LEGISLATIVE RESEARCH SERVICE