Purpose

To declare the new rates of personal income tax payable by individuals and trustees, announced in the 1979-80 Budget Speech and to provide for the future application of tax indexation.

Background

In the 1979-80 Budget the Treasurer announced the removal of the income tax surcharge from 1 December 1979. In accordance with the 24 May 1979 announcement by Mr. Howard there was no adjustment to PAYE deductions from 1 July 1979 for 1979-80 tax indexation nor the removal of the 1.5% temporary surcharge applying in 1978-79. July 1979 PAYE tax instalment deductions are to continue until 30 November 1979, incorporating the surcharge at the effective rate of 2.57%; this had applied from 1 November 1978 in order that the amount which a 1.5% increase would have raised through PAYE deductions in a full year would be collected between 1 November 1978 and 30 June 1979. Since the surcharge will be abolished from 1 December the effective surcharge for the whole of 1979-80 will be 1.07%, the standard rate will then revert to 32% for PAYE purposes.

The standard rate applies to taxable income exceeding a set level (presently $3893) with surcharges of 14% and 28% on income above certain levels (presently in the ranges above $16,608 and $33,216 respectively). As a result of the decision not to index taxable income ranges in this financial year the ranges in this Bill for 1979-80 are the same as those for the previous year. Tax indexation was originally due to be restored from 1 July 1979. However, the Treasurer on the 24 May announced that the restoration of indexation would not be considered until 30 November 1979. Budgetary restraints led the Government to further postpone reintroduction of tax indexation until at least 30 June 1979 in favour of abolishing the tax surcharge from 1 December 1979.

While this Bill declares the rates of personal
income tax to apply in 1979-80 the complementary Income Tax (Individuals) Bill 1979, formally imposes the rates applicable to individuals and trustees. The Income Tax (Companies and Superannuation Funds) Bill 1979 also contains a minor rate change as a result of rate changes in this Bill. (See digests of both these Bills).

Main Provisions

The heading to Schedule 13 is amended by clause 11 to read "General Rates of Tax-Financial Year 1979-80", and is further amended by clause 12 to make the standard rate of tax 33.07% on income above $3,893. With the continuation of the 14% and 28% surcharges the rates applying to incomes in the two ranges above $16,608 and $33,216 are 47.07% and 61.07% respectively. Tax rates in Schedule 13 are to apply only in 1979-80.

Periods after 1979-80 are dealt with by new Schedule 17 (clause 8). In this schedule the standard rate of tax is reduced to 32%. All other specifications remain the same as in Schedule 13, i.e. after 1979-80, tax rates will revert back to 32%, 46% and 60%.

Clause 10 amends s.9 so that, in future, indexation can be implemented by an Act declaring that indexation is to apply for the particular year.

Clause 6 raises the rate of tax payable by a trustee in respect of the net income of the trust estate from 60% to 61.07% bringing this into line with the maximum rate of personal income tax specified elsewhere in the Bill.

Clause 7 raises the upper level of a range of incomes within which the net incomes qualify for a 50% tax rate from $2,888 to $3,071 for trusts where the beneficiary is under 16 years and from $1,155 to $1,228 for a trust estate of a deceased person who died not less than 3 years before the end of the income year.