Date Introduced: 28 September 1978
House: House of Representatives
Presented by: Hon. J. Howard, M.P., Treasurer

Purpose

To declare the new rates of personal income tax payable by individuals and trustees, announced in the 1977-78 Budget Speech.

Background and Related Legislation

The present Bill, in conjunction with four other Bills also introduced into the House of Representatives on 28 September 1978 by the Treasurer, gives effect to taxation proposals announced in the 1978-79 Budget Speech.

The five relevant Bills are:

Income Tax (Rates) Amendment Bill 1978
Income Tax Assessment Amendment Bill (No. 2) 1978
Income Tax (Individuals) Bill 1978
Income Tax (Companies and Superannuation Funds) Bill 1978
Health Insurance Levy Bill 1978

The Income Tax (Rates) Act 1976, which fixes the rates of personal income tax applicable for any financial year and includes provision for automatic indexation is complementary to the annual Income Tax (Individuals) Act which formally imposes tax at those rates.

It was announced on page 19 of the 1978-79 Budget Paper No. 1 that personal income tax rates would be increased by 1.5 percentage points for 1978-79. This is equivalent to an increase in tax ranging from about 5% on low incomes down to, for example 3% on an income of $50,000. The increased taxes will be reflected in P.A.Y.E. deductions which will collect the full year's increase in tax in the period from 1 November 1978 to 30 June 1979. P.A.Y.E. deductions will thus increase by between 4.5% and 8%.
Provisions

Clause 10 of the Bill provides for the repeal of existing Schedules 9 and 10 from the Principal Act and inserts new Schedules 9 and 10. The new Schedule 9 increases the standard rate of tax on that part of income between $3,893 and $16,608 from 32% to 33.5%. The surcharges on higher incomes will remain at 14% and 28% respectively. Proposed sub-section 6H(1) inserted by clause 7 provides that the rates of tax payable by individuals and most trustees in 1979-80 and subsequent years will be those set out in Schedule 13. In other words the tax rates in Schedule 9 will only apply for 1978-79 and after that will revert back to 32%, 46% and 60%.

Schedule 10 has been modified so that, in conjunction with definitions and calculation procedures set out in clause 11 of the Income Tax Assessment Amendment Bill (No. 2) 1978, the benefits of averaging provisions with respect to primary production may be more strictly controlled. Under the proposed arrangements a taxpayer eligible to average his income will initially be taxed at the ordinary rates. He will then be granted a rebate equal to the tax saving that would have occurred if he had initially faced an average tax.

For further detail on each clause see the Explanatory Memorandum circulated by the Treasurer.

Finance, Industries, Trade & Development Group

10 October 1978

LEGISLATIVE RESEARCH SERVICE