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

Short Digest of Bill

Purpose
To amend the Income Tax Assessment Act 1936 with respect to:

- Commonwealth post-graduate awards,
- Lump sum retirement payments,
- Gifts to the World Wildlife Fund of Australia,
- Housing loan interest deductions,
- Averaging for primary producers,
- Dependants residing overseas,
- Self assessment of provisional tax,
- Health insurance levy,
- Rebate of tax in respect of concessional expenditure,
- Calculation of 1978-79 provisional tax.

Main Provisions
See Explanatory Memorandum for detailed comments on each clause. A brief outline of the main clauses is given below.

Commonwealth post-graduate awards (clauses 3 and 14)

By these clauses tax exemption of benefits paid under the Commonwealth Post-graduate Awards Scheme will be removed from 1 November 1978.

Lump sum retirement payments (clauses 4, 5, 9, 13, 14 and 15)

The rule that a taxpayer's assessable income is to include 5% of lump sum payments made on the retirement from,
or the termination of, an office or employment is to be made inapplicable to certain payments such as unused annual and long service leave (clause 4). Clause 5 inserts new sections 26AC and 26AD providing that:

Lump sum payments made after 15 August 1978 for unused annual leave (including additional payments such as leave loadings) are to be included in the taxpayer's assessable income.

Lump sum payments made after 15 August 1978 for unused long service leave accrued after that date are to be included in the taxpayer's assessable income. Any portion of the lump sum accrued prior to 15 August 1978 will continue to be taxed by including 5% in assessable income.

Under new section 160AA, rebates will be made to ensure that tax paid on payments for unused annual and long service leave will not exceed the standard rate which is 33.5% for 1978-79 (clause 13).

Gifts to the World Wildlife Fund of Australia (clause 6)

Gifts of $2 or more to this fund are to be made tax deductible.

Housing loan interest deductions (clause 7)

Housing loan interest payments that are accrued after 31 October 1978 or paid after 30 June 1979 will not be claimable as a tax deduction. This deduction scheme on an income tested basis had been introduced by the Labor Government in 1974-75.

Averaging for primary producers (clauses 8, 10, 11 and 16)

The system designed to alleviate the effects of fluctuating primary production incomes on tax rates will be modified to reduce use of the scheme for tax avoidance. This will be done by restricting averaging to primary production income plus income from other sources up to $5,000. This amount will however be reduced by one dollar for each dollar of non primary production income in excess of $5,000.

Dependants residing overseas (clause 12)

Concessional rebates of tax for dependants (spouses, parents, parents-in-law and invalid relatives) are to be withdrawn in respect of dependants who are not residents of Australia. This will take effect from 1 November 1978.
Self-assessment of provisional tax (clauses 16 and 17)

At present, additional tax is payable where the provisional taxpayer's own estimate of taxable income for a year turns out to be more than 20% below actual taxable income both of the preceding year and of the current year. This rule is to be strengthened by clause 17 which provides for additional tax to be payable when the taxpayer's estimated income subject to provisional tax proves to be more than 10% less than the actual income on which provisional tax is payable.

Health insurance levy (clauses 18, 19 and 20)

The health insurance levy is to be terminated, with effect from 1 November 1978. Payments to individuals for hospital and medical expenses under the latest version of Medibank announced in the 1978-79 Budget will be financed from general revenue.

Rebate of tax in respect of concessional expenditure (clause 21)

The rate of rebate for concessional expenditure in excess of $1,590 is to be increased temporarily from 32% to 33.5% in line with the increase in the standard tax rate for 1978-79.

Calculation of 1978-79 provisional tax (clause 22)

Provisional tax calculations are to reflect the 1978-79 increase of 1.5% in the standard tax rate and the fact that the health insurance levy is only payable for the first four months of 1978-79.

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