A NEW TAX SYSTEM (TAX ADMINISTRATION) BILL (No. 2) 1999

SUPPLEMENTARY EXPLANATORY MEMORANDUM

Amendments to be moved on behalf of the Government

(Circulated by authority of the Treasurer, the Hon Peter Costello, MP)
Table of contents

General outline and financial impact ................................................. 1

Chapter 1  Fringe benefits tax instalments ......................................... 3
General outline and financial impact

Fringe benefits tax instalments

Schedule 2 to this Bill enables an employer to claim a credit for earlier fringe benefits tax (FBT) instalments where the notional tax amount is reduced during the FBT year (the ‘credit measure’). The proposed amendments to Schedule 2 will change the application date of the credit measure from 1 April 2001 to 1 April 2000.

**Date of effect:** The amendments relating to the credit measure will apply for the year of tax commencing on 1 April 2000 and all later years of tax.

**Proposal announced:** The original measures were announced in the Government’s Tax Reform Document: *Tax Reform: not a new tax, a new tax system* (ANTS). These amendments have not been previously announced, but are not inconsistent with the ANTS announcement.

**Financial impact:** These amendments do not alter the original estimates contained in the explanatory memorandum to this Bill.

**Compliance cost impact:** There will be no change to the compliance costs as outlined in the explanatory memorandum to this Bill.
Chapter 1
Fringe benefits tax instalments

Overview
1.1 Schedule 2 to the A New Tax System (Tax Administration) Bill (No. 2) 1999 amends the Fringe Benefits Tax Assessment Act 1986 (FBTAA) to complete the alignment of fringe benefits tax (FBT) instalments with other business tax instalment obligations.

1.2 The amendments enable:

- an employer to claim a credit for earlier FBT instalments where the notional tax amount is reduced during the FBT year (the ‘credit measure’); and

- the use of an amount of tax that was assessed for the most recent year of tax as the notional tax amount in the calculation of an FBT instalment (the ‘notional tax measure’).

1.3 Both of these measures currently apply for the FBT year commencing 1 April 2001. However, the application date of the credit measure is to be brought forward to 1 April 2000.

Summary of the amendments

Purpose of the amendments
1.4 The purpose of the amendments is to change the application date of the credit measure from 1 April 2001 to 1 April 2000.

Date of effect
1.5 The credit measure will apply from 1 April 2000.

Background to the legislation
1.6 Schedule 2 to this Bill amends the FBTAA to complete the alignment of FBT instalments with other business tax instalment obligations.

Explanation of the amendments

Amendment 1
1.7 Amendment 1 changes the commencement of Schedule 2 to this Bill, except for items 2, 5, 8A, 9 and subitem 10(2), from 1 April 2001 to
1 April 2000. That is, the credit measure will now commence from 1 April 2000. [New clause 2]

1.8 The commencement of items 2, 5, 8A, 9 and subitem 10(2) of Schedule 2 remains 1 April 2001. That is, the notional tax measure continues to commence from 1 April 2001. [New clause 2A]

Amendments 2 and 3

1.9 As a result of the change to the application date, consequential amendments are made to the note to new subsection 112A(1) of the FBTAA. For the FBT year commencing 1 April 2000, the note explains that an employer may be entitled to claim a credit where the notional tax amount is reduced because the employer has made an estimate of tax under section 112 of the FBTAA. For the year commencing 1 April 2001 and all later years, an employer may also be entitled to a credit where the notional tax amount has reduced because an assessment has been made for a more recent year of tax. [Item 8A] This note reflects the amendment made by item 2 to this Bill to the definition of notional tax amount in section 110 of the FBTAA.

Amendment 4

1.10 The amendments made by items 1, 3, 4, 6, 7, 8 and 11 of Schedule 2 to this Bill (the credit measure) apply in relation to instalments of tax from, and including, the FBT year commencing 1 April 2000. [New subitem 10(1)]

1.11 The amendments made by items 2, 5, 8A and 9 of Schedule 2 to this Bill (the notional tax measure) continue to apply in relation to instalments of tax from, and including, the FBT year commencing 1 April 2001 and all later years. [New subitem 10(2)]