1990

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

DEBITS TAX TERMINATION BILL 1990

EXPLANATORY MEMORANDUM

(Circulated by the authority of the Treasurer,
the Hon. P.J. Keating, M.P.)

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DEBITS TAX TERMINATION BILL 1990

GENERAL OUTLINE OF WHAT THIS BILL WILL DO

The Bill will facilitate transfer of responsibility for debits tax from the Commonwealth to States and Territories. It does this by amending the Debits Tax Act 1982 to terminate imposition of the tax by the Commonwealth.

As an interim arrangement the Federal Commissioner of Taxation will collect on behalf of States and Territories debits tax imposed by them. The Bill will amend the Taxation Administration Act 1953 to allow the Federal Commissioner to make agency arrangements with State and Territory taxation Commissioners.

The transfer of debits tax to the States and Territories will take effect on a date to be proclaimed. It is expected that the handover will occur on 1 December 1990.

THE FINANCIAL IMPACT OF TRANSFERRING DEBITS TAX TO STATES AND TERRITORIES

The transfer of responsibility for debits tax to the States and Territories will have no net cost to revenue. The loss of Commonwealth revenue will be offset by corresponding reductions in the Financial Assistance Grants the Commonwealth makes to the States and Territories.

THE MAIN FEATURES OF THE BILL

Amendment of the Debits Tax Act 1982 (see clauses 3, 4 and 5 of the Bill)

The Debits Tax Act imposes tax on withdrawals from accounts held with financial institutions on which the account holder can draw cheques or payment orders. The Commonwealth will no longer impose debits tax from a day to be proclaimed by the Governor-General. Responsibility for imposing and collecting debits tax will be handed over to the States and Territories on that day.

Amendment of the Taxation Administration Act 1953 (see clauses 6 and 7 of the Bill)

The Bill authorises the Federal Commissioner of Taxation to make arrangements with taxation Commissioners of States and Territories to collect on their behalf debits tax imposed by the State or Territory.

The notes that follow explain the clauses of the Bill in more detail.

DEBITS TAX TERMINATION BILL 1990

PART 1 - PRELIMINARY

Clause 1 : Short title

This clause allows the amending Act to be cited as the Debits Tax Termination Act 1990.

Clause 2 : Commencement

This clause has two parts. Subclause (1) allows for the Bill to commence on a date to be proclaimed. However, if the commencement date is not proclaimed within 6 months of the Bill receiving the Royal Assent, subclause (2) provides that the Bill will commence on the first day after the end of the 6 month period.

PART 2 - AMENDMENT OF THE DEBITS TAX ACT 1982

This Part of the Bill will amend the Debits Tax Act 1982 by terminating imposition of the tax by the Commonwealth.

Clause 3 : Principal Act

The Debits Tax Act 1982 is referred to as the 'Principal Act' in this Part of the Bill.

Clause 4 : Imposition of tax

Clause 4 makes section 4 of the Debits Tax Act subject to proposed section 4A (see notes on clause 5 of the Bill). Section 4 of the Debits Tax Act is the section that imposes tax on withdrawals from accounts, held with financial institutions, on which cheques or payment orders can be drawn by the holder of the account.

Clause 5 : Termination of tax

Clause 5 inserts new section 4A into the Debits Tax Act. Section 4A will terminate the imposition of debits tax from the day the Bill commences. It is expected that this will be 1 December 1990.

PART 3 - AMENDMENT OF THE TAXATION ADMINISTRATION ACT 1953

This Part of the Bill will amend the Taxation Administration Act 1953 to allow the Federal Commissioner of Taxation to collect State and Territory debits tax on behalf of taxation Commissioners of States and Territories.

Clause 6 : Principal Act

The Taxation Administration Act 1953 is referred to as the 'Principal Act' in this Part of the Bill.

Clause 7 : Australian Taxation Office may perform functions under State/Territory debits tax laws

Clause 7 will insert new Division 5 into the Taxation Administration Act. Division 5 will authorise the Federal Commissioner of Taxation to make arrangements with State and Territory taxation Commissioners to collect debits tax on their behalf.

In new Division 5 subsection (1) of proposed section 13L will define terms to assist with the interpretation of the Division:

- the term 'accounts' will include any account kept by way of withdrawable share capital in, or money deposited with, a financial institution, for example, some building society accounts take the form of withdrawable share capital accounts;
- the term 'financial institution' will include any person carrying on banking business, as well as any building society, credit union or similar body and any corporation registered under the Financial Corporations Act 1974;
- the term 'State/Territory debits tax law' will mean a State or Territory tax law that relates to the taxation of debits made to such accounts kept with such financial institutions.

Proposed subsection (2) will authorise the Federal Commissioner of Taxation to make arrangements with taxation Commissioners of States and Territories under which the Federal Commissioner will collect State and Territory debits tax on their behalf.

Subsection (3) of new section 13L proposes that these arrangements may provide:

- for the Federal Commissioner of Taxation or the Second Commissioners to perform functions or exercise powers conferred by State or Territory debits tax law;
- for Commonwealth officers under the control of the Federal Commissioner to be made available for the purpose of administering a State or Territory debits tax law.