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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

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TAX LEGISLATION AMENDMENT BILL 1992

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EXPLANATORY MEMORANDUM

(Circulated by authority of the Treasurer,  
the Hon. John Dawkins, M.P.)



## General Outline and Financial Impact

This Bill will amend the following taxation Acts to give effect to the following measures :

### Reductions in the Rate of Income Tax

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- The *Income Tax Rates Act 1986* to declare the rates of tax payable by both residents and non residents for the 1994/95 and subsequent income years.

*Date of effect:* 1 July 1994

*Proposal announced:* One Nation Statement on 26/2/1992

<i>Financial impact:</i>	<b>94/95</b>	<b>95/96</b>
	\$m3,200	\$m5,200

## **Clauses involved in the proposed amendments**

**Clause 2:** contains the commencement dates for the provisions of the Bill.

**Clauses 4 to 6:** provides details of the personal rates of tax to apply for the 1994-95 to 1996-97 and subsequent income years respectively.

## Reductions in the rate of income tax

### Summary of proposed amendments

**Purpose of amendment:** to declare the rates of tax payable by both residents and non residents for the 1994/95 and subsequent years of income.

**Date of Effect:** 1 July 1994

### Background to the legislation

The current and proposed future personal income tax scales for residents from 1 July 1994 and 1 January 1996 respectively are as shown in the Table below -

#### Current and Future Income Tax Rate Scales

Current		From 1 July 1994		From 1 January 1996	
Income (\$pa)	Marginal Rate (%)	Income (\$pa)	Marginal Rate (%)	Income (\$pa)	Marginal Rate (%)
0- 5400	0	0- 5400	0	0- 5400	0
5400-20700	20	5400-20700	20	5400-20700	20
20700-36000	38	20700-38000	34	20700-40000	30
36000-50000	46	38000-50000	43	40000-50000	40
Over 50000	47	Over 50000	47	Over 50000	47

The current and proposed future rates of tax for non residents are as in the above Table with the exception that a tax rate of 29% applies to income in the range \$0 - 20,700.

Because the subsequent reductions to personal tax rates will apply from 1 January 1996, the Bill will also declare composite rates to apply, for both residents and non residents, on assessment in respect of income for the 1995-96 year of income. The composite rates for residents are as follows -

**Composite Income Tax Rate Scales for 1995-96**

Income (\$pa)	Marginal Rate (%)
0- 5400	0
5400-20700	20
20700-38000	32
38000-40000	36.5
40000-50000	41.5
Over 50000	47

The proposed rates of tax for non residents for the 1995/96 income year are as in the above Table with the exception that a tax rate of 29% will apply to income which is currently free of tax and income which is subject to tax at the 20% rate.

## **Explanation of proposed amendments**

Part 2 of the Bill will amend the *Income Tax Rates Act 1986* to give effect to the proposal announced by the Prime Minister in the One Nation Statement on 26 February 1992. The income tax rate reductions affect the marginal rates of personal income tax that now apply in the income range of \$20700 to \$50000.

With effect from 1 July 1994, the Bill will declare the rates of personal income tax which will apply, to both residents and non residents, for assessments in respect of -

- the 1994-95 year of income [*Clause 4*];
- for the 1995-96 year of income [*Clause 5*]; and
- for the 1996-97 and later years of income [*Clause 6*].

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