

# REVENUE LAWS AMENDMENT BILL 1996

## EXPLANATORY NOTES

### GENERAL OUTLINE

#### Policy Objectives

The objectives of the Bill are—

- (a) to amend the *Debits Tax Act 1990* to increase the debits tax rates from 1 October 1996;
- (b) to amend the *Tobacco Products (Licensing) Act 1988* to increase the rate of the tobacco licence fee from 75% to 100% for November 1996 and subsequent monthly licences in respect of sales or purchases made after 10 September 1996, and to clarify that the commissioner rather than the chief executive may approve forms; and
- (c) to amend the *Pay-roll Tax Act 1971* to increase the exemption threshold from \$750,000 to \$800,000 from 1 January 1997.

#### Reasons for the Bill

The Bill gives effect to the initiatives for debits tax, pay-roll tax and the tobacco licence fee announced in the Budget for 1996/97.

#### Achievement of Objectives

Debits tax rates as established in the *Debits Tax Act 1990* have been increased from 1 October 1996. Although the liability for the increased tax applies from that date, debits tax at the increased rate is first payable with the monthly return to be lodged in the first two weeks of November.

The rate of the tobacco licence fee established in the *Tobacco Products (Licensing) Act 1988* will be increased from 75% to 100% in respect of sales and purchases made after 10 September 1996. Licences are issued monthly and licence fees are based on sales made in the month which is two months prior to the licence period. In determining the amount of the November 1996 licence, the rate of 75% is applied to sales and purchases made during the period 1 September to 10 September 1996, and the increased rate is applied to subsequent sales and purchases.

The *Tobacco Products (Licensing) Act 1988* currently provides that the chief executive may approve forms for use under the Act. This is inconsistent with the Regulation, under which the commissioner may approve forms. The Act will be amended to allow the commissioner to approve forms and will preserve the effect of those forms previously approved by the commissioner.

Generally, employers are liable for pay-roll tax where their total wages exceed the annual exemption entitlement. The annual exemption entitlement under the *Pay-roll Tax Act 1971* is currently \$750 000. This amount is to be increased to \$800 000 with effect from 1 January 1997.

### **Alternatives to the Bill**

The policy objectives can only be achieved by statutory amendment.

### **Estimated Cost for Government Implementation**

No additional administrative costs are expected. Revenue costs were outlined in the 1996/97 Budget.

### **Consistency with Fundamental Legislative Principles**

The Bill is consistent with fundamental legislative principles.

Although the rates of debits tax have been increased from 1 October 1996, debits tax is collected monthly in arrears so that liability to pay the tax at the higher rates will not arise until early November 1996. Applicants for renewal of monthly tobacco licences must apply for the new licence 5 days before the end of the current licence period.

It is anticipated that the *Revenue Laws Amendment Bill 1996* will have effect before the obligation to pay at the new rates will arise. Accordingly, it is not expected that the Bill will impose obligations retrospectively. In addition, the intention to increase the rates of debits tax and the tobacco licence fee was publicly announced in the 1996/97 Budget on 10 September 1996.

### **Consultation**

Consultation has not been undertaken as the amendments effected by the *Revenue Laws Amendment Bill 1996* are not complex and give effect to the 1996/97 Budget.

## **NOTES ON PROVISIONS**

*Clause 1* cites the short title of this Act.

*Clause 2* sets out the date for commencement.

*Clause 3* states that Part 2 amends the *Debits Tax Act 1990*.

*Clause 4* increases the rates of debits tax for all ranges of taxable and eligible debits.

*Clause 5* states that Part 3 amends the *Pay-roll Tax Act 1971*.

*Clause 6* amends the formula for calculating the maximum deduction per month to which an employer, who is not a member of a group, may be entitled when lodging a pay-roll tax return monthly or at other periods. The new formula increases the maximum monthly deduction from \$62 500 to \$66 667 starting on 1 January 1997. The formula reflects that the increase in the amount of the deduction has effect from part way through the financial year.

*Clause 7* amends the formula for calculating the annual deduction for an employer, who is not a member of a group, for the financial year ending 30 June 1997 and onwards. The new formula increases the maximum annual deduction from \$750 000 to \$800 000 starting on 1 January 1997. As the increase has effect from part way through the financial year, the formula also provides a method for apportioning the maximum annual deduction.

*Clause 8* amends the weekly wage level at which an employer is liable to register with the commissioner for the purpose of accounting for pay-roll tax. The level increases from \$14 423 to \$15 385 from and including January 1997.

*Clause 9* amends the formula for calculating the annual deduction that may be claimed by the designated member of a group of employers for the financial year ending 30 June 1997 and onwards. The new deduction is the same as provided for non-group employers in clause 7.

*Clause 10* states that Part 4 amends the *Tobacco Products (Licensing) Act 1988*.

*Clause 11* increases the rate of licence fee payable for monthly licences from 75% to 100%. Sub-clause (1) commences on 1 December 1996.

*Clause 12* establishes the basis for calculating the fee payable for a licence for the licence period November 1996. In determining the amount of a licence for the licence period November 1996, the relevant rate for the period from and including the first day to and including the tenth day of September 1996 is 75% and for the period from and including the eleventh day to and including the last day of September 1996 is 100%.

*Clause 13* allows the commissioner rather than the chief executive to approve forms for use under the Act.

*Clause 14* preserves the effect of forms which have been approved by the commissioner prior to the date of effect of section 53A.