

HOUSE OF REPRESENTATIVES

Supplementary Order Paper

Tuesday, 9 December 1986

TAXATION REFORM BILL (NO. 2)

Proposed Amendments

Hon. R. O. DOUGLAS, in Committee, to make the following amendments:

Clause 6: To omit from line 28 on page 7 the words “or section 128B of this Act”.

To add to line 39 on page 7 the words “or expenditure of any of the kinds specified in Part II of the Thirteenth Schedule to this Act”.

Clause 7: To omit from line 7 on page 12 the words “either of the 2 income years”, and substituting the words “the income year”.

To omit from lines 10 to 11 on page 12 the words “either of those 2 preceding income years”, and substituting the words “that immediately preceding income year”.

Clause 17: To insert in line 22 on page 68, after the expression “March 1984”, the words “or any preceding income year”.

Clauses 19A to 19C: To insert, after line 14 on page 74, the following clauses:

19A. Principal income earner rebate—(1) Section 50B (2) of the principal Act (as amended by section 4 (2) of the Income Tax Amendment Act (No. 2) 1986) is hereby further amended by adding the following proviso:

“Provided that in no case shall the rebate under this section exceed an amount equal to the total amount of the income tax that, notwithstanding section 57 of this Act, would have been payable by the taxpayer in respect of that income year reduced by the amount of the tax deductions made in accordance with Part XI of this Act in respect of any source deduction payment that is a payment of an income-tested benefit or a payment of a specified war pension.”

(2) This section shall apply with respect to the tax on income derived in the income year that commenced on the 1st day of April 1986.

19B. Transitional tax allowance—(1) Section 50C (1) of the principal Act (as inserted by section 5 (1) of the Income Tax Amendment Act (No. 2) 1986) is hereby amended by omitting

from the definition of the term "full-time earner" the expression "30", and substituting the expression "20".

(2) Notwithstanding anything in section 344 of the principal Act, in any case where an employee, being an employee who, by reason of subsection (1) of this section, commences to be entitled to a rebate under section 50c of the principal Act in respect of the income year ending on the 31st day of March 1987, had delivered a tax code declaration or a tax code certificate, specifying that his or her tax code is "T", to his or her employer, that tax code shall, subject to the principal Act, apply to the employee in respect of all source deduction payments made by the employer—

(a) After the later of—

- (i) The delivery of the declaration or certificate:
- (ii) The 15th day of December 1986:

(b) Before the earlier of—

- (i) The date on which that tax code ceases, in accordance with section 34 (7) or section 344 (9) of the principal Act, to apply to the employee:
- (ii) The 31st day of March 1987.

(3) Subsection (1) of this section shall apply with respect to the tax on income derived in the income year that commenced on the 1st day of April 1986 and every subsequent year.

(4) Subsection (2) of this section shall come into force on the 15th day of December 1986 and shall apply with respect to any entitlement to the application of a tax code in respect of any source deduction payment made on or after that date.

19c. Family rebate—(1) Section 53c (4) of the principal Act (as amended by section 6 (3) of the Income Tax Amendment Act (No. 2) 1986) is hereby further amended by adding the following proviso:

"Provided that in no case shall the rebate under this section exceed an amount equal to the total amount of the income tax that, notwithstanding section 57 of this Act, would have been payable by the taxpayer in respect of that income year reduced by the amount of the tax deductions made in accordance with Part XI of this Act in respect of any source deduction payment that is a payment of an income-tested benefit or a payment of a specified war pension."

(2) This section shall apply with respect to the tax on income derived in the income year that commenced on the 1st day of April 1986.

Clause 22A: To insert, after line 43 on page 75, the following clause:

22A. Retiring allowances payable to employees—(1) Section 68 (1) of the principal Act (as amended by section 12 (1) of the Income Tax Amendment Act (No. 3) 1983) is hereby further amended by inserting, in their appropriate alphabetical order, the following definitions:

" 'Season', in relation to any employment or service in any business, means such continuous period of less than 12 months that, having regard to the nature of that employment or service and the conditions of employment in that business, is, in the opinion of the Commissioner, a normal period of employment or

service in that business; and "seasonal" has a corresponding meaning:

"Year of service", in relation to any seasonal employment or service of any taxpayer, means a period of 12 months in which the taxpayer is employed in that employment or service for a continuous period of not less than one season."

(2) Section 68 of the principal Act is hereby further amended by repealing subsection (4) (as amended by section 12 (3) of the Income Tax Amendment Act (No. 3) 1983 and section 13 (2) (b) of the Income Tax Amendment Act (No. 2) 1985), and substituting the following subsection:

"(4) For the purposes of this section, where the Commissioner is satisfied that—

"(a) Any taxpayer has ceased to be employed by any employer in any employment or service by reason of redundancy or loss of office or employment or other similar circumstances; or

"(b) Any taxpayer is unable to be re-employed by any employer in any seasonal employment or service by reason of the occurrence of circumstances that, had they resulted in a cessation of that seasonal employment or service, would have been circumstances to which the provisions of paragraph (a) of this subsection would have applied,—

any payment made to that taxpayer in a lump sum by reason of that taxpayer ceasing to be so employed or, as the case may be, by reason of that taxpayer being unable to be so re-employed shall be deemed to be a retiring allowance paid on the termination of that employment or service and that termination shall be deemed to be the occasion of that taxpayer's retirement."

(3) Section 12 (3) of the Income Tax Amendment Act (No. 3) 1983 and section 13 (2) (b) of the Income Tax Amendment Act (No. 2) 1985 are hereby consequentially repealed.

(4) This section shall apply with respect to the tax on income derived in the income year that commenced on the 1st day of April 1986 and in every subsequent year.

Clause 23A: To insert, after line 15 on page 76, the following clause:

23A. Supplementary depreciation allowance for plant and machinery used in two and three shift industries—

(1) Section 113A (4) of the principal Act (as inserted by section 17 of the Income Tax Amendment Act (No. 2) 1977) is hereby amended by inserting in paragraph (a), after the words "allowed in the", the word "first,".

(2) Section 113A (4) of the principal Act (as so inserted) is hereby further amended by adding the following proviso:

"Provided that, in any case where a deduction by way of depreciation is allowed under section 112 (2) (a) or section 112 (2) (b) of this Act in respect of any plant and machinery, no deduction by way of depreciation shall be allowed under this section in the first income year in which the plant and machinery is used in the production of assessable income.

(3) This section shall apply with respect to the tax on income derived in the income year that commenced on the 1st day of April 1985 and in every subsequent year.

Clause 25A: To insert, after line 29 on page 80, the following clause:

25A. Retiring allowances payable to employees—

(1) Section 152 of the principal Act is hereby amended by repealing subsection (2) (as amended by section 12 (10) of the Income Tax Amendment Act (No. 3) 1983), and substituting the following subsection:

“(2) For the purposes of this section, where the Commissioner is satisfied that—

“(a) Any employee of a taxpayer has ceased to be employed in the employment or service of the taxpayer by reason of redundancy or loss of office or employment or other similar circumstances; or

“(b) Any former employee of a taxpayer is unable to be re-employed in any seasonal employment or service of the taxpayer by reason of the occurrence of circumstances that, had they resulted in a cessation of that seasonal employment or service, would have been circumstances to which the provisions of paragraph (a) of this subsection would have applied—
any payment made to that employee in a lump sum by reason of that employee ceasing to be so employed or, as the case may be, any payment made to that former employee by reason of that former employee being unable to be so re-employed, shall be deemed to be a retiring allowance paid on the occasion of that employee’s or, as the case may be, that former employee’s retirement, and that employee or, as the case may be, that former employee shall be deemed to have retired on that date.”

(2) The Income Tax Amendment Act (No. 3) 1983 is hereby consequentially amended by repealing section 12 (10).

(3) This section shall apply with respect to the tax on income derived in the income year that commenced on the 1st day of April 1986 and in every subsequent year.

Clause 38: To omit lines 10 and 11 on page 103, and substitute the following lines:

(4) **Subsection (1)** of this section shall apply in respect of persons convicted on or after the 1st day of October 1986.

(5) **Subsections (2) and (3)** of this section shall apply to offences committed on or after the 1st day of October 1986.

EXPLANATORY NOTE

Clauses 6, 7, and 17 are consequential upon amendments made by the Finance and Expenditure Select Committee.

Clause 19A amends section 50B of the principal Act to provide that, in relation to the 1986-87 income year, the principal income earner rebate that may be paid to any taxpayer is not to exceed an amount equal to the total amount of tax payable by the taxpayer, reduced by the amount of the tax deductions made in accordance with Part XI of the principal Act in respect of any source deduction payment that is a payment of an income-tested benefit or a specified war pension.

Clause 19B: At present the transitional tax allowance payable under section 50C of the principal Act only applies to taxpayers who work not less than 30 hours per week. This clause reduces the qualifying hours to 20 per week.

Clause 19c: This clause amends section 53C of the principal Act relating to the family rebate in the same manner as clause 19A amends section 50B of that Act.

Clause 22A amends section 68 of the principal Act, which deals with the taxation of lump sum retiring allowances and redundancy payments paid to employees, which, subject to certain conditions, are taxable as to 5 percent only. The section is extended to cover redundancy payments made to seasonal workers.

Clause 23A amends section 113A of the principal Act which provides for supplementary depreciation allowance for plant and machinery used in 2 and 3 shift industries to enable the allowance to be given in the first year of use, consequential on the abolition of the first year depreciation allowance by section 5 of the Income Tax Amendment Act (No. 3) 1986.

Clause 25A makes a corresponding change to that made by *clause 22A* to section 152 of the principal Act which deals with the deductibility of such retiring allowances and redundancy payments in calculating the assessable income of employers making such allowances and payments.

Clause 38: This amendment changes the application date in respect of subclause (1) of this clause.