

**Taxation Laws Amendment Act (No. 2) 1991**

**No. 100 of 1991**

**TABLE OF PROVISIONS**

PART 1—PRELIMINARY

Section

1. Short title
2. Commencement

PART 2—AMENDMENT OF THE FRINGE BENEFITS TAX ASSESSMENT ACT 1986

1. Principal Act
2. Indexation factor for valuation purposes—non-remote housing
3. Repeal of sections 65b and 65c
4. Insertion of new section:

65caa. Reduction of taxable value of fringe benefits in relation to 1991-92 year of tax—Cocos (Keeling) Islands

1. Assessment on assumption
2. Remote area holiday transport
3. Christmas Island and Cocos (Keeling) Islands
4. Consequential amendments—repeal of sections 65b and 65c of the Principal Act
5. Consequential amendments—Cocos (Keeling) Islands
6. Application of amendments
7. Amendment of assessments

PART 3—AMENDMENT OF THE INCOME TAX ASSESSMENT ACT 1936

1. Principal Act
2. Interpretation
3. Exemptions

TABLE OF PROVISIONS—continued

Section

1. Repeal of section 23ad
2. Exemption of certain income derived in respect of approved overseas projects
3. Exemption of income earned in overseas employment
4. Insertion of new Division:

*Division 1aa*—*Exemption from income tax*—*payments under the*

*Social Security Act 1991 and the Veterans’ Entitlements Act 1986, and similar payments*

*Subdivision A*—*Preliminary*

24a. Interpretation—meaning of ‘exempt’ and ‘not exempt’

24aa. Interpretation—payments derived when due

24aaa. Index of payments covered by Division

*Subdivision B*—*Exemption from income tax*—*payments under*

*the Social Security Act 1991*

24ab. Index of payments covered by Subdivision

24aba. Interpretation—supplementary amounts

24abb. Interpretation—expressions used in the *Social Security Act 1991*

24abc. Age pension

24abd. Invalid pension

24abe. Wife pension

24abf. Carer pension

24abg. Sole parent pension

24abh. Widowed person allowance

24abi. Widow B pension

24abj. Sheltered employment allowance

24abk. Rehabilitation allowance

24abl. Unemployment benefit

24abm. Job search allowance

24abn. Employment entry payment

24abo. Sickness benefit

24abp. Special benefit

24abq. Special needs age pension

24abr. Special needs invalid pension

24abs. Special needs wife pension

24abt. Special needs sole parent pension

24abu. Special needs widow B pension

24abv. Bereavement payments—special needs pensions

24abw. Family allowance

24abx. Family allowance supplement

24aby. Child disability allowance

24abz. Double orphan pension

24abza. Mobility allowance

24abzb. Exempt bereavement payment calculator A

*Subdivision C—Exemption from income tax—payments under*

*the Veterans’ Entitlements Act 1986*

24ac. Index of payments covered by Subdivision

24aca. Interpretation—supplementary amounts

24acb. Interpretation—expressions used in the *Veterans’ Entitlements Act 1986*

24acc. Interpretation—meaning of ‘pension age’

24acd. Section 13 pension

24ace. Age service pension

24acf. Invalidity service pension

24acg. Wife service pension

24ach. Carer service pension

24aci. Section 70 pension

TABLE OF PROVISIONS—*continued*

Section

24acj. Clothing allowance

24ack. Attendant allowance

24acl. Section 98a bereavement payment

24acm. Section 99 funeral benefit

24acn. Section 100 funeral benefit

24aco. Decoration allowance

24acp. Victoria Cross allowance

24acq. Recreation transport allowance

24acr. Vehicle Assistance Scheme

24acs. Special assistance

24act. Temporary incapacity allowance

24acu. Loss of earnings allowance

24acv. Travelling expenses

24acw. Pharmaceutical supplement

24acx. Exempt bereavement payment calculator B

*Subdivision D—Exemption from income tax—payments under*

*the Seamen’s War Pensions and Allowances Act 1940*

24ad. Seamen’s war pensions and allowances

24ada. Bereavement payments

*Subdivision E*—*Exemption from income tax*—*payments by virtue*

*of the Veterans’ Entitlements (Transitional Provisions and*

*Consequential Amendments) Act 1986*

24ae. Payments by virtue of the *Veterans’ Entitlements (Transitional Provisions and Consequential Amendments) Act 1986*

*Subdivision F*—*Exemption from income tax*—*payments of*

*allowances under Part III of the Disability Services Act 1986*

24af. Allowances under Part III

*Subdivision G*—*Exemption from income tax*—*payments of*

*domiciliary nursing care benefit under Part Vb of the National Health Act 1953*

24ag. Domiciliary nursing care benefit

*Subdivision H*—*Exemption from income tax*—*similar Australian and United Kingdom veterans’ payments*

24ah. Similar Australian and United Kingdom veterans’ payments

*Subdivision I*—*Exemption from income tax*—*wounds and disability pensions*

24ai. Wounds and disability pensions

*Subdivision J*—*Occupational superannuation payments not covered*

*by this Division*

24aj. Occupational superannuation payments not covered by this Division

1. Application of Division—1985-86 to 1990-91
2. Insertion of new section:

24bb. Application of Division—1991-92 and subsequent years

23. Insertion of new section:

24p. Transitional capital gains tax provisions for certain Cocos (Keeling) Islands assets

TABLE OF PROVISIONS—*continued*

Section

1. Amounts received on retirement or termination of employment in lieu of long service leave
2. Securities lending arrangements
3. Interpretation
4. Insertion of new section:

43a. Subdivision has effect subject to section 160aqua (transfer of shareholder status for tax purposes)

1. Distribution benefits—CFCs
2. Bad debts of money-lenders not allowable deductions where attributable to listed country branches
3. Deduction of expenditure on prevention of land degradation
4. Gifts, pensions etc.
5. Rebates for residents of isolated areas
6. Interpretation
7. Payment of interest by taxpayer on distributions from certain non-resident trust estates
8. Persons to whom Division applies
9. Disposal, loss, destruction or termination of use of property
10. Insertion of new section:

122ka. Application of section 122k before 1 July 1991—subsequent use of property for rehabilitation

1. Disposal, loss, destruction or termination of use of property
2. Insertion of new section:

124ama. Application of section 124am before 1 July 1991—subsequent use of property for rehabilitation

40. Insertion of new Division:

*Division 10ab*—*Rehabilitation and Restoration of Mining,*

*Quarrying and Petroleum Sites*

124b. Interpretation

124ba. Deduction of expenditure on rehabilitation-related activities

124bb. Rehabilitation-related activity

124bc. No deduction for certain expenditure

124bd. No deduction where expenditure is recouped

124be. Transactions between persons not at arm’s length

124bf. Property used for rehabilitation-related activities taken to be used for the purpose of producing assessable income

1. Foreign debt
2. Foreign equity
3. Section 128f debenture amounts
4. Adjustment of foreign equity in certain cases involving resident holding companies of financial institutions
5. Insertion of new section:

159gzlb. Transition to wholly-owned banking group—resident company group and adjustment of foreign equity

1. Rebates for dependents
2. Housekeeper
3. Interpretation
4. Rebate in respect of certain pensions, benefits etc.
5. Insertion of new section:

160ace. Rebate for certain Cocos (Keeling) Islands income—1991-92

1. Credits in respect of foreign tax
2. Interpretation
3. Insertion of new Division:

*Division 6a—Transfer of Shareholder Status for Tax Purposes*

160aqua. Transfer of shareholder status for tax purposes—cum-dividend stock exchange sales and securities lending arrangements

TABLE OF PROVISIONS—*continued*

Section

160aqub. Securities dealer to give dividend statement to other party— cum-dividend sale

160aquc. No securities dealer—party to cum-dividend sale contract to give dividend statement to other party

160aqud. Borrower under a securities lending arrangement to give dividend statement to lender

1. General application of Part in relation to corporate trust estates
2. Penalty for setting out incorrect amounts in dividend statements
3. Deemed assessment
4. Quotation of tax file number in employment declaration
5. Effect of incorrect quotation of tax file number
6. Explanation of terms: investment, investor, investment body
7. Insertion of new sections:

202dda. Quotation of investment body remitter number to be alternative to quoting tax file number

202ddb. Quotation of tax file number in connection with indirectly held investment

1. Investments held jointly
2. Persons receiving certain pensions etc.—employment
3. Persons receiving certain pensions etc.—investments
4. Non-residents
5. When income tax becomes due and payable
6. Interpretation
7. Certain employees to be subject to provisional tax
8. Uplifted provisional tax amount
9. Provisional tax on estimated income
10. Interpretation
11. Duty of payer to pay deducted amount to Commissioner
12. Credits in respect of deducted amounts
13. Interpretation
14. Medicare levy
15. Prescribed persons
16. Insertion of new section:

399a. Modified application of bad debt provisions

1. Reduction of section 456 assessability where item subject to foreign accruals tax
2. Assessability in respect of certain dividends paid by a CFC
3. Insertion of new section:

462a. Keeping of records—section 457

80. Insertion of new section:

464a. Keeping of records—section 459a

1. Offence of failing to keep records
2. Circumstances where records not required to be kept—reasonable excuse etc.
3. Application of amendments
4. Amendment of assessments

PART 4—AMENDMENT OF THE INCOME TAX RATES ACT 1986

1. Principal Act
2. Interpretation
3. Interpretation
4. Application of amendments

PART 5—AMENDMENT OF THE MEDICARE LEVY ACT 1986

1. Principal Act
2. Amount of levy—person who has spouse or dependants
3. Application of amendments

TABLE OF PROVISIONS—*continued*

Section

PART 6—AMENDMENT OF THE TAXATION ADMINISTRATION ACT 1953

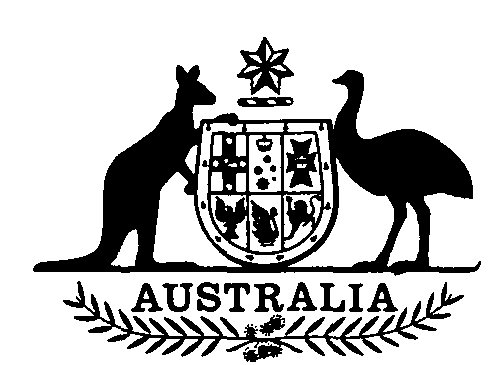
1. Principal Act
2. Interpretation

SCHEDULE 1

AMENDMENTS OF THE FRINGE BENEFITS TAX ASSESSMENT ACT 1986 CONSEQUENTIAL ON THE REPEAL OF SECTIONS 65b AND 65c OF THAT ACT

SCHEDULE 2

CONSEQUENTIAL AMENDMENTS OF THE FRINGE BENEFITS TAX ASSESSMENT ACT 1986 RELATING TO THE COCOS (KEELING) ISLANDS



**Taxation Laws Amendment Act (No. 2) 1991**

**No. 100 of 1991**

**An Act to amend the law relating to taxation**

[*Assented to 27 June 1991*]

The Parliament of Australia enacts:

**PART 1—PRELIMINARY**

**Short title**

**1.** This Act may be cited as the *Taxation Laws Amendment Act (No. 2) 1991.*

**Commencement**

**2. (1)** Subject to this section, this Act commences on the day on which it receives the Royal Assent.

**(2)** Sections 4, 6, 8, 9 and 11 commence on the day after the day on which this Act receives the Royal Assent.

1. Section 29 commences, or is taken to have commenced, immediately after the commencement of section 14 of the *Taxation Laws Amendment Act 1991.*
2. Paragraph 33 (a) is taken to have commenced at the same time as section 59 of the *Taxation Laws Amendment Act (No. 2) 1990.*
3. Paragraphs 33 (c) and (d) are taken to have commenced at the same time as section 31 of the *Taxation Laws Amendment Act (No. 3) 1989.*
4. Section 77 commences, or is taken to have commenced, immediately after the commencement of section 76 of the *Taxation Laws Amendment Act 1991.*
5. Section 78 is taken to have commenced immediately after the commencement of the *Taxation Laws Amendment (Foreign Income) Act 1990.*

**PART 2—AMENDMENT OF THE FRINGE BENEFITS TAX ASSESSMENT ACT 1986**

**Principal Act**

**3.** In this Part, **“Principal Act”** means the *Fringe Benefits Tax Assessment Act 1986*1*.*

**Indexation factor for valuation purposes—non-remote housing**

**4.** Section 28 of the Principal Act is amended by inserting in paragraph (5) (b) “and the Territory of Cocos (Keeling) Islands” after “Christmas Island”.

**Repeal of sections 65b and 65c**

1. Sections 65b and 65c of the Principal Act are repealed.
2. Before section 65ca of the Principal Act the following section is inserted in Division 14 of Part III:

**Reduction of taxable value of fringe benefits in relation to 1991-92 year of tax—Cocos (Keeling) Islands**

“65caa. (1) Where:

1. a fringe benefit (not being a car fringe benefit) in relation to an employer in relation to the year of tax commencing on 1 April 1991 relates to a particular employee; and
2. on or after 1 July 1991, the employee derived salary or wages from Cocos (Keeling) Islands service, being salary or wages paid by the employer; and
3. the fringe benefit was provided in respect of that Cocos (Keeling) Islands service; and
4. except in the case of a loan fringe benefit, a housing fringe benefit or a period residual fringe benefit—the benefit was provided on or after 1 July 1991; and
5. in the case of a loan fringe benefit, a housing fringe benefit or a period residual fringe benefit—the whole or a part (which whole or part is in this subsection called the **‘reducible portion’**)of the taxable value of the fringe benefit is attributable to the obligation to repay the whole or any part of the loan, the subsistence of the housing right or the provision of the residual benefit, as the case may be, on or after 1 July 1991;

the amount that, but for this subsection and sections 62, 64 and 65, would be the taxable value or, if paragraph (e) applies, the reducible portion of taxable value, of that fringe benefit in relation to the year of tax is to be reduced by 50%.

“(2) Where:

1. one or more car fringe benefits (in this subsection called the **‘eligible car fringe benefits’**) in relation to an employee, in relation to an employer, in relation to the year of tax commencing on 1 April 1991 relate to a particular car; and
2. on or after 1 July 1991, the employee derived salary or wages from Cocos (Keeling) Islands service, being salary or wages paid by the employer; and
3. the eligible car fringe benefits were provided on or after 1 July 1991 in respect of that Cocos (Keeling) Islands service;

the amount that, but for this subsection and sections 62, 64 and 65, would be the taxable value, or the sum of the taxable values, as the case requires, of the car fringe benefits in relation to the employer in relation to the year of tax that relate to the car is to be reduced by the amount calculated using the formula:



where:

**‘Taxable value’** means so much of the taxable value or the sum of the taxable values as is attributable to the eligible car fringe benefits.

“(3) A reference in this section to Cocos (Keeling) Islands service is a reference to service as an employee where:

1. salary or wages are payable in respect of the service; and
2. if:

(i) section 24bb of the *Income Tax Assessment Act 1936* had not been enacted; and

(ii) section 24ba of that Act had applied in relation to the year of income in which the salary or wages were derived;

the salary or wages would have been exempt income under section 24g of that Act.”.

**Assessment on assumption**

**7.** Section 124a of the Principal Act is amended by omitting from paragraph (1) (b) “the whole or a part of.

**Remote area holiday transport**

**8.** Section 143 of the Principal Act is amended by adding at the end of paragraph (4) (d) “and the Territory of Cocos (Keeling) Islands”.

**Christmas Island and Cocos (Keeling) Islands**

**9.** Section 157 of the Principal Act is amended:

1. by adding at the end of subsection (1) “and to the Territory of Cocos (Keeling) Islands”;
2. by inserting in subsection (2) “or the Territory of Cocos (Keeling) Islands” after “Christmas Island”.

**Consequential amendments—repeal of sections 65b and 65c of the Principal Act**

**10.** The Principal Act is amended as set out in Schedule 1.

**Consequential amendments—Cocos (Keeling) Islands**

**11.** The Principal Act is amended as set out in Schedule 2.

**Application of amendments**

**12. (1)** In this section:

**“amended Act”** means the Principal Act as amended by this Act.

**(2)** The repeal of sections 65b and 65c of the Principal Act effected by this Part and the amendments made by sections 7 and 10 apply in relation to eligible foreign remuneration, or foreign earnings, derived on or after 1 July 1990 and:

1. except in the case of a loan fringe benefit, a housing fringe benefit or a period residual fringe benefit—in relation to a benefit provided on or after 1 July 1990; or
2. in the case of a loan fringe benefit, a housing fringe benefit or a period residual fringe benefit—in relation to the obligation to repay the whole or any part of the loan, the subsistence of the housing right or the provision of the residual benefit, as the case may be, on or after 1 July 1990.
3. Subject to this section, the amendments made by sections 4, 6, 8, 9 and 11 apply to assessments of the fringe benefits taxable amount of an employer of the year of tax commencing on 1 April 1991 and of each subsequent year of tax.
4. In spite of anything in the amended Act, the amended Act applies in relation to the Territory of Cocos (Keeling) Islands as if that Territory had become an internal Territory on 1 July 1991.

**Amendment of assessments**

**13.** Section 74 of the Principal Act does not prevent the amendment of an assessment made before the commencement of this section for the purpose of giving effect to this Act.

**PART 3—AMENDMENT OF THE INCOME TAX ASSESSMENT ACT 1936**

**Principal Act**

**14.** In this Part, **“Principal Act”** means the *Income Tax Assessment Act 1936*2*.*

**Interpretation**

**15.** Section 6 of the Principal Act is amended by inserting in subsection (1) the following definition:

“ **‘Timor Gap treaty’** means the Treaty defined by subsection 5 (1) of the *Petroleum (Australia-Indonesia Zone of Cooperation) Act 1990*;”.

**Exemptions**

**16.** Section 23 of the Principal Act is amended by omitting paragraph (jca).

**Repeal of section 23ad**

**17.** Section 23ad of the Principal Act is repealed.

**Exemption of certain income derived in respect of approved overseas projects**

**18.** Section 23af of the Principal Act is amended:

1. by omitting from subsection (1) “365” and substituting “91”;
2. by omitting subsection (2);
3. by omitting from paragraph (15) (b) “subsection (1) or (2)” and substituting “this section”;
4. by omitting subsections (17a) and (17b) and substituting the following subsections:

“(17a) If the income of a taxpayer of a year of income consists of an amount that is exempt from tax under this section (in this section called the **‘exempt amount’**) and other income, the amount of tax (if any) payable in respect of the other income is calculated using the formula:



where:

**‘Notional gross tax’** means the number of whole dollars in the

amount of income tax that would be assessed under this Act in respect of the taxpayer’s taxable income of the year of income if:

1. the exempt amount were not exempt income; and
2. the taxpayer were not entitled to any rebate of tax;

**Notional gross taxable income’** means the number of whole dollars in the amount that would have been the taxpayer’s taxable income of the year of income if the exempt amount were not exempt income;

**‘Other taxable income’** means the amount (if any) remaining after deducting from so much of the other income as is assessable income:

1. any deductions allowable to the taxpayer in relation to the year of income that relate exclusively to that assessable income; and
2. so much of any other deductions (other than apportionable deductions) allowable to the taxpayer in relation to the year of income as, in the opinion of the Commissioner, may appropriately be related to that assessable income; and
3. the amount calculated using the formula in subsection (17b).

“(17b) The formula referred to in paragraph (17a) (f) is:



where:

**‘Apportionable deductions’** means the number of whole dollars in the apportionable deductions allowable to the taxpayer in relation to the year of income;

**‘Other taxable income’** means the amount that, apart from paragraph (17a) (f), would be represented by the component ‘Other taxable income’ in subsection (17a);

**‘Notional gross taxable income’** means the number of whole dollars in the amount that would have been the taxpayer’s taxable income of the year of income if the exempt amount were not exempt income.”.

**Exemption of income earned in overseas employment**

**19.** Section 23ag of the Principal Act is amended:

1. by omitting from subsection (1) “365” and substituting “91”;
2. by omitting subsections (2), (3), (4) and (5) and substituting the following subsections:

“(2) An amount of foreign earnings derived in a foreign country is not exempt from tax under this section if the amount is exempt from income tax in the foreign country only because of any of the following:

1. a law of the foreign country giving effect to a double tax agreement;
2. a double tax agreement;
3. provisions of a law of the foreign country under which income covered by any of the following categories is generally exempt from income tax:

(i) income derived in the capacity of an employee;

(ii) income from personal services;

(iii) similar income;

1. the law of the foreign country does not provide for the imposition of income tax on one or more of the categories of income mentioned in paragraph (c);
2. a law of the foreign country corresponding to the *International Organizations (Privileges and Immunities) Act 1963* or to the regulations under that Act;
3. an international agreement to which Australia is a party and that deals with:

(i) diplomatic or consular privileges and immunities;

or

(ii) privileges and immunities in relation to persons connected with international organisations;

(g) a law of the foreign country giving effect to an agreement covered by paragraph (f).

“(3) If the income of a taxpayer of a year of income consists of an amount that is exempt from tax under this section (in this section called the **‘exempt amount’**)and other income, the amount of tax (if any) payable in respect of the other income is calculated using the formula:



where:

**‘Notional gross tax’** means the number of whole dollars in the amount of income tax that would be assessed under this Act in respect of the taxpayer’s taxable income of the year of income if:

1. the exempt amount were not exempt income; and
2. the taxpayer were not entitled to any rebate of tax;

**‘Notional gross taxable income’** means the number of whole

dollars in the amount that would have been the taxpayer’s taxable income of the year of income if the exempt amount were not exempt income;

**‘Other taxable income’** means the amount (if any) remaining after deducting from so much of the other income as is assessable income:

1. any deductions allowable to the taxpayer in relation to the year of income that relate exclusively to that assessable income; and
2. so much of any other deductions (other than apportionable deductions) allowable to the taxpayer in relation to the year of income as, in the opinion of the Commissioner, may appropriately be related to that assessable income; and
3. the amount calculated using the formula in subsection (4).

“(4) The formula referred to in paragraph (3) (f) is:



where:

**‘Apportionable deductions’** means the number of whole dollars in the apportionable deductions allowable to the taxpayer in relation to the year of income;

**‘Other taxable income’** means the amount that, apart from paragraph (3) (f), would be represented by the component ‘Other taxable income’ in subsection (3);

**‘Notional gross taxable income’** means the number of whole dollars in the amount that would have been the taxpayer’s taxable income of the year of income if the exempt amount were not exempt income.”;

1. by omitting subsection (6h);
2. by inserting in subsection (7) the following definitions:

“ **‘double tax agreement’** means:

1. double tax agreement within the meaning of Part X; or
2. the Timor Gap treaty;

**‘income tax’**,in relation to a foreign country:

1. in all cases—does not include a municipal income tax; and
2. in the case of a federal foreign country—does not include a State income tax;”.

**20.** After section 24 of the Principal Act the following Division is inserted:

***“Division 1AA***—***Exemption from income tax*—*payments under the Social Security Act 1991 and the Veterans’ Entitlements Act 1986, and similar payments***

***“Subdivision A*—*Preliminary***

**Interpretation—meaning of ‘exempt’ and ‘not exempt’**

24a. In this Division:

**‘exempt’** means exempt from income tax;

**‘not exempt’** means not exempt from income tax under this Division.

**Interpretation—payments derived when due**

“24aa. (1) For the purposes of the application of this Division to a payment derived by a taxpayer, the payment is taken to have been derived on the day on which the payment became due.

“(2) For the purposes of the application of this Division to a payment that would have been derived by a taxpayer in particular circumstances, the payment is taken to have been derived on the day on which the payment would have become due in those circumstances.

**Index of payments covered by Division**

“24aaa. The following is an index of payments covered by this Division:

|  |  |  |
| --- | --- | --- |
| **Type of payment** | **Subdivision** | **Sections** |
| Payments under the *Social Security Act 1991* | Subdivision B | 24ab-24abzb |
| Payments under the *Veterans’ Entitlements Act 1986* | Subdivision C | 24ac-24acx |
| Payments under the *Seamen’s War Pensions and Allowances Act 1940* | Subdivision D | 24ad-24ada |
| Payments by virtue of the *Veterans’ Entitlements (Transitional Provisions and Consequential Amendments) Act 1986* | Subdivision E | 24ae |
| Allowances under Part III of the *Disability Services Act 1986* | Subdivision F | 24af |
| Payments of domiciliary nursing care benefit under Part Vb of the *National Health Act 1953* | Subdivision G | 24ag |
| Similar Australian and United Kingdom veterans’ payments | Subdivision H | 24ah |
| Wounds and disability pensions | Subdivision I | 24ai |

***“Subdivision B*—*Exemption from income tax—payments under the Social Security Act 1991***

**Index of payments covered by Subdivision**

“24ab. The following is an index of payments under the *Social Security Act 1991* covered by this Subdivision:

|  |  |
| --- | --- |
| **Type of payment** | **Section** |
| Age pension | 24abc |
| Carer pension | 24abf |
| Child disability allowance | 24aby |
| Double orphan pension | 24abz |
| Employment entry payment | 24abn |
| Family allowance | 24abw |
| Family allowance supplement | 24abx |
| Invalid pension | 24abd |
| Job search allowance | 24abm |
| Mobility allowance | 24abza |
| Rehabilitation allowance | 24abk |
| Sheltered employment allowance | 24abj |
| Sickness benefit | 24abo |
| Sole parent pension | 24abg |
| Special benefit | 24abp |
| Special needs age pension | 24abq |
| Special needs invalid pension | 24abr |
| Special needs sole parent pension | 24abt |
| Special needs widow B pension | 24abu |
| Special needs wife pension | 24abs |
| Unemployment benefit | 24abl |
| Widow B pension | 24abi |
| Widowed person allowance | 24abh |
| Wife pension | 24abe |

**Interpretation—supplementary amounts**

“24aba. (1) For the purpose of applying this Subdivision to a payment derived by a taxpayer, the supplementary amounts are as follows:

|  |  |
| --- | --- |
| **Type of payment** | **Supplementary amounts** |
| Age pension  Wife pension  Carer pension  Sole parent pension  Widowed person allowance | (a) so much of the payment as was included in the payment because the taxpayer or the partner of the taxpayer paid rent; |
| Widow B pension  Special needs age pension  Special needs wife pension  Special needs sole parent pension  Special needs widow B pension | (b) so much of the payment as represents an increase in the rate of the pension that is calculated by reference to another person or other persons; |
|  | (c) so much of the payment as was included in the payment by way of remote area allowance. |
| Unemployment benefit  Job search allowance  Sickness benefit  Special benefit | (a) so much of the payment as was included in the payment because the taxpayer or the partner of the taxpayer paid rent; |
|  | (b) if the payment was made to or in respect of a taxpayer who had a dependent child or children or who was making regular contributions towards the maintenance of a child or children—so much of the payment as is attributable to the child or children; |
|  | (c) so much of the payment as was included in the payment by way of remote area allowance. |

“(2) A reference in subsection (1) to a partner, child or other person includes a reference to a deceased partner, deceased child or deceased other person.

“(3) For the purposes of this section, a payment under section 186 of the *Social Security Act 1991* is taken to be a payment of a wife pension.

**Interpretation—expressions used in the *Social Security Act 1991***

“24abb. (1) Expressions used in this Subdivision that are also used in the *Social Security Act 1991* have the same respective meanings as in that Act.

“(2) Expressions used in a section in this Subdivision that relates to payments under a particular provision of the *Social Security Act*

*1991* that are also used in that provision have the same respective meanings as in that provision.

**Age pension**

“24abc. (1) The treatment of payments of age pension under Part 2.2 of the *Social Security Act 1991* is as follows:

1. the supplementary amount is exempt;
2. the balance is not exempt.

“(2) Subsection (1) has effect subject to subsection (4) (which deals with taxpayers who derive bereavement lump sum payments under section 84 of the *Social Security Act 1991*).

“(3) Payments under sections 83, 86, 90 and 91 of the *Social Security Act 1991* (which deal with bereavement payments) are exempt.

“(4) If a taxpayer derives a payment under section 84 of the *Social Security Act 1991*:

1. so much of the sum of that payment and other payments under the *Social Security Act 1991* derived by the taxpayer on pension paydays that occurred during the bereavement lump sum period as does not exceed the tax-free amount calculated using the exempt bereavement payment calculator A in section 24abzb is exempt; and
2. the balance of the sum is not exempt.

**Invalid pension**

“24abd. (1) Payments of invalid pension under Part 2.3 of the *Social Security Act 1991* are exempt.

“(2) Subsection (1) has effect subject to subsection (4) (which deals with taxpayers who derive bereavement lump sum payments under section 137 of the *Social Security Act 1991*).

“(3) Payments under sections 136, 139, 143 and 144 of the *Social Security Act 1991* (which deal with bereavement payments) are exempt.

“(4) If a taxpayer derives a payment under section 137 of the *Social Security Act 1991*:

(a) so much of the sum of that payment and other payments under the *Social Security Act 1991* derived by the taxpayer on pension paydays that occurred during the bereavement lump sum period as does not exceed the tax-free amount calculated using the exempt bereavement payment calculator A in section 24abzb is exempt; and

(b) the balance of the sum is not exempt.

**Wife pension**

“24abe. (1) The treatment of payments of wife pension under Part 2.4 of the *Social Security Act 1991* is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **Category** | **Supplementary amounts** | **Balance of payment** |
| 1 | Taxpayer not under pension age | Exempt | Not exempt |
| 2 | Partner not under pension age | Exempt | Not exempt |
| 3 | Both taxpayer and partner under pension age | Exempt | Exempt |
| 4 | (a) Taxpayer under pension age; and  (b) Partner deceased | Exempt | Exempt |

“(2) Subsection (1) has effect subject to subsection (4) (which deals with taxpayers who derive bereavement lump sum payments under section 190 of the *Social Security Act 1991*).

“(3) Payments under sections 189, 191 and 195 of the *Social Security Act 1991* (which deal with bereavement payments) are exempt.

“(4) If a taxpayer derives a payment under section 190 of the *Social Security Act 1991*:

1. so much of the sum of that payment and other payments under the *Social Security Act 1991* derived by the taxpayer on pension paydays that occurred during the bereavement lump sum period as does not exceed the tax-free amount calculated using the exempt bereavement payment calculator A in section 24abzb is exempt; and
2. the balance of the sum is not exempt.

“(5) For the purposes of this section, a payment under section 186 of the *Social Security Act 1991* is taken to be a payment of a wife pension.

**Carer pension**

“24abf. (1) The treatment of payments of carer pension under Part 2.5 of the *Social Security Act 1991* is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **Category** | **Supplementary amounts** | **Balance of payment** |
| 1 | Taxpayer not under pension age | Exempt | Not exempt |
| 2 | Severely handicapped pensioner not under pension age | Exempt | Not exempt |
| 3 | Both taxpayer and severely handicapped pensioner under pension age | Exempt | Exempt |
| 4 | (a) Taxpayer under pension age; and  (b) Severely handicapped pensioner deceased | Exempt | Exempt |

“(2) Subsection (1) has effect subject to subsection (4) (which deals with taxpayers who derive bereavement lump sum payments under section 239 of the *Social Security Act 1991*).

“(3) Payments under sections 238, 241, 245 and 246 of the *Social Security Act 1991* (which deal with bereavement payments) are exempt.

“(4) If a taxpayer derives a payment under section 239 of the *Social Security Act 1991*:

1. so much of the sum of that payment and other payments under the *Social Security Act 1991* derived by the taxpayer on pension paydays that occurred during the bereavement lump sum period as does not exceed the tax-free amount calculated using the exempt bereavement payment calculator A in section 24abzb is exempt; and
2. the balance of the sum is not exempt.

**Sole parent pension**

“24abg. (1) The treatment of payments of sole parent pension under Part 2.6 of the *Social Security Act 1991* is as follows:

1. the supplementary amount is exempt;
2. the balance is not exempt.

“(2) Subsection (1) has effect subject to subsection (4) (which deals with taxpayers who derive bereavement lump sum payments under section 305 of the *Social Security Act 1991*).

“(3) Payments under sections 304, 307, 311 and 312 of the *Social Security Act 1991* (which deal with bereavement payments) are exempt.

“(4) If a taxpayer derives a payment under section 305 of the *Social Security Act 1991*:

1. so much of the sum of that payment and other payments under the *Social Security Act 1991* derived by the taxpayer on pension paydays that occurred during the bereavement lump sum period as does not exceed the tax-free amount calculated using the exempt bereavement payment calculator A in section 24abzb is exempt; and
2. the balance of the sum is not exempt.

**Widowed person allowance**

“24abh. (1) The treatment of payments of widowed person allowance under Part 2.7 of the *Social Security Act 1991* is as follows:

1. the supplementary amount is exempt;
2. the balance is not exempt.

“(2) Payments under sections 358 and 359 of the *Social Security Act 1991* (which deal with bereavement payments) are exempt.

**Widow B pension**

“24abi. (1) The treatment of payments of widow B pension under Part 2.8 of the *Social Security Act 1991* is as follows:

1. the supplementary amount is exempt;
2. the balance is not exempt.

“(2) Payments under sections 406 and 407 of the *Social Security Act 1991* (which deal with bereavement payments) are exempt.

**Sheltered employment allowance**

“24abj. (1) Payments of sheltered employment allowance under Part 2.9 of the *Social Security Act 1991* are exempt.

“(2) Subsection (1) has effect subject to subsection (4) (which deals with taxpayers who derive bereavement lump sum payments under section 451 of the *Social Security Act 1991*).

“(3) Payments under sections 450, 453, 457 and 458 of the *Social Security Act 1991* (which deal with bereavement payments) are exempt.

“(4) If a taxpayer derives a payment under section 451 of the *Social Security Act 1991*:

1. so much of the sum of that payment and other payments under the *Social Security Act 1991* derived by the taxpayer on pension paydays that occurred during the bereavement lump sum period as does not exceed the tax-free amount calculated using the exempt bereavement payment calculator A in section 24abzb is exempt; and
2. the balance of the sum is not exempt.

**Rehabilitation allowance**

“24abk. (1) Payments of rehabilitation allowance under Part 2.10 of the *Social Security Act 1991* are exempt.

“(2) Subsection (1) has effect subject to subsection (4) (which deals with taxpayers who derive bereavement lump sum payments under section 503 of the *Social Security Act 1991*).

“(3) Payments under sections 502, 505, 509 and 510 of the *Social Security Act 1991* (which deal with bereavement payments) are exempt.

“(4) If a taxpayer derives a payment under section 503 of the *Social Security Act. 1991*:

1. so much of the sum of that payment and other payments under the *Social Security Act 1991* derived by the taxpayer on pension paydays that occurred during the bereavement lump sum period as does not exceed the tax-free amount calculated using the exempt bereavement payment calculator A in section 24abzb is exempt; and
2. the balance of the sum is not exempt.

**Unemployment benefit**

“24abl. (1) The treatment of payments of unemployment benefit under Part 2.11 of the *Social Security Act 1991* is as follows:

1. the supplementary amount is exempt;
2. the balance is not exempt.

“(2) Payments under section 588 of the *Social Security Act 1991* (which deals with bereavement payments) are exempt.

**Job search allowance**

“24abm. (1) The treatment of payments of job search allowance under Part 2.12 of the *Social Security Act 1991* is as follows:

1. the supplementary amount is exempt;
2. the balance is not exempt.

“(2) Payments under section 660 of the *Social Security Act 1991* (which deals with bereavement payments) are exempt.

**Employment entry payment**

“24abn. Payments of employment entry payment under Part 2.13 of the *Social Security Act 1991 are* exempt.

**Sickness benefit**

“24abo. (1) The treatment of payments of sickness benefit under Part 2.14 of the *Social Security Act 1991* is as follows:

1. the supplementary amount is exempt;
2. the balance is not exempt.

“(2) Payments under section 728 of the *Social Security Act 1991* (which deals with bereavement payments) are exempt.

**Special benefit**

“24abp. (1) The treatment of payments of special benefit under Part 2.15 of the *Social Security Act 1991* is as follows:

1. the supplementary amount is exempt;
2. the balance is not exempt.

“(2) Payments under section 771 of the *Social Security Act 1991* (which deals with bereavement payments) are exempt.

**Special needs age pension**

“24abq. (1) The treatment of payments of special needs age pension under section 772 of the *Social Security Act 1991* is as follows:

1. the supplementary amount is exempt;
2. the balance is not exempt.

“(2) Subsection (1) has effect subject to section 24abv (which deals with bereavement payments).

**Special needs invalid pension**

“24abr. (1) Payments of special needs invalid pension under section 773 of the *Social Security Act 1991* are exempt.

“(2) Subsection (1) has effect subject to section 24abv (which deals with bereavement payments).

**Special needs wife pension**

“24abs. (1) The treatment of payments of special needs wife pension under section 774 of the *Social Security Act 1991* is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **Category** | **Supplementary amounts** | **Balance of payment** |
| 1 | Taxpayer not under pension age | Exempt | Not exempt |
| 2 | Partner not under pension age | Exempt | Not exempt |
| 3 | Both taxpayer and partner under pension age | Exempt | Exempt |
| 4 | (a) Taxpayer under pension age; and  (b) Partner deceased | Exempt | Exempt |

“(2) Subsection (1) has effect subject to section 24abv (which deals with bereavement payments).

**Special needs sole parent pension**

“24abt. The treatment of payments of special needs sole parent pension under section 775 of the *Social Security Act 1991* is as follows:

1. the supplementary amount is exempt;
2. the balance is not exempt.

**Special needs widow B pension**

“24abu. The treatment of payments of special needs widow B pension under section 778 of the *Social Security Act 1991* is as follows:

1. the supplementary amount is exempt;
2. the balance is not exempt.

**Bereavement payments—special needs pensions**

“24abv. (1) Payments under sections 823, 826 and 830 of the *Social Security Act 1991* (which deal with bereavement payments) are exempt.

“(2) If a taxpayer derives a payment under section 824 of the *Social Security Act 1991*:

1. so much of the sum of that payment and other payments under the *Social Security Act 1991* derived by the taxpayer on pension paydays that occurred during the bereavement lump sum period as does not exceed the tax-free amount calculated using the exempt bereavement payment calculator A in section 24abzb is exempt; and
2. the balance of the sum is not exempt.

**Family allowance**

“24abw. (1) Payments of family allowance under Part 2.17 of the *Social Security Act 1991* are exempt.

“(2) Payments under sections 889 and 890 of the *Social Security Act 1991* (which deal with bereavement payments) are exempt.

**Family allowance supplement**

“24abx. (1) Payments of family allowance supplement under Part 2.18 of the *Social Security Act 1991* are exempt.

“(2) Payments under section 951 of the *Social Security Act 1991* (which deals with bereavement payments) are exempt.

**Child disability allowance**

“24aby. (1) Payments of child disability allowance under Part 2.19 of the *Social Security Act 1991* are exempt.

“(2) Payments under section 992 of the *Social Security Act 1991* (which deals with bereavement payments) are exempt.

**Double orphan pension**

“24abz. (1) Payments of double orphan pension under Part 2.20 of the *Social Security Act 1991* are exempt.

“(2) Payments under section 1034 of the *Social Security Act 1991* (which deals with bereavement payments) are exempt.

**Mobility allowance**

“24abza. Payments of mobility allowance under Part 2.21 of the *Social Security Act 1991* are exempt.

**Exempt bereavement payment calculator A**

“24abzb. The exempt bereavement payment calculator A is as follows:

|  |
| --- |
| **EXEMPT BEREAVEMENT PAYMENT CALCULATOR A**  This is how to work out the tax-free amount:  *Method statement*  *Step 1.* Work out the pension paydays that are in the bereavement lump sum period: the result is called the **relevant pension paydays**.  *Step 2.* Work out the amount of payments under the *Social Security Act 1991* that would have been derived by the taxpayer on each of the relevant pension paydays and which would have been exempt if:   1. the partner had not died; and 2. the partner had been under pension age;   the result for each relevant pension payday is called the **pension payday exempt notional taxpayer amount**.  *Step 3.* Sum the pension payday exempt notional taxpayer amounts: the result is called the **exempt notional taxpayer amount**.  *Step 4.* Work out the amount of payments under the *Social Security Act 1991* or Part III of the *Veterans’ Entitlements Act 1986* that would have been derived by the partner on each of the relevant pension paydays if the partner had not died: the result for each relevant pension payday is called the **pension payday notional partner amount**.  *Step 5.* Sum the pension payday notional partner amounts: the result is called the **notional partner amount**.  *Step 6.* Sum the exempt notional taxpayer amount and the notional partner amount: the result is the **tax-free amount**. |

***“Subdivision C***—***Exemption from income tax*—*payments under the Veterans’ Entitlements Act 1986***

**Index of payments covered by Subdivision**

“24ac. The following is an index of payments under the *Veterans’ Entitlements Act 1986* covered by this Subdivision:

|  |  |
| --- | --- |
| **Type of payment** | **Section** |
| Age service pension | 24ace |
| Attendant allowance | 24ack |
| Carer service pension | 24ach |
| Clothing allowance | 24acj |
| Decoration allowance | 24aco |
| Invalidity service pension | 24acf |
| Loss of earnings allowance | 24acu |
| Pharmaceutical supplement | 24acw |
| Recreation transport allowance | 24acq |
| Section 13 pension | 24acd |
| Section 70 pension | 24aci |
| Section 98a bereavement payment | 24acl |
| Section 99 funeral benefit | 24acm |
| Section 100 funeral benefit | 24acn |
| Special assistance | 24acs |
| Temporary incapacity allowance | 24act |
| Travelling expenses | 24acv |
| Vehicle Assistance Scheme | 24acr |
| Victoria Cross allowance | 24acp |
| Wife service pension | 24acg |

**Interpretation—supplementary amounts**

“24aca. (1) For the purpose of applying this Subdivision to a payment derived by a taxpayer, the supplementary amounts are as follows:

1. so much of the payment as was included in the payment because the taxpayer or the partner of the taxpayer paid rent; and
2. so much of the payment as represents an increase in the rate of the pension concerned that is calculated by reference to another person or other persons; and
3. so much of the payment as was included in the payment by way of remote area allowance.

“(2) A reference in subsection (1) to a partner or other person includes a reference to a deceased partner or deceased other person.

**Interpretation—expressions used in the *Veterans’ Entitlements Act 1986***

“24acb. (1) Expressions (other than ‘pension age’) used in this Subdivision that are also used in the *Veterans’ Entitlements Act 1986* have the same respective meanings as in that Act.

“(2) Expressions (other than ‘pension age’) used in a section in this Subdivision that relates to payments under a particular provision of the *Veterans’ Entitlements Act 1986* that are also used in that provision have the same respective meanings as in that provision.

**Interpretation—meaning of ‘pension age’**

“24acc. A reference in this Subdivision to pension age is areference to:

1. in the case of a woman—the age of 60 years; or
2. in the case of a man—the age of 65 years.

**Section 13 pension**

“24acd. Payments of pension under section 13 of the *Veterans’ Entitlements Act 1986* are exempt.

**Age service pension**

“24ace. (1) The treatment of payments of age service pension under Division 3 of Part III of the *Veterans’ Entitlements Act 1986* is as follows:

1. the supplementary amount is exempt;
2. the balance is not exempt.

“(2) Subsection (1) has effect subject to subsection (4) (which deals with taxpayers who derive bereavement lump sum payments under section 36r of the *Veterans’ Entitlements Act 1986*).

“(3) Payments under sections 36Q, 36T, 36x and 36y of the *Veterans’ Entitlements Act 1986* (which deal with bereavement payments) are exempt.

“(4) If a taxpayer derives a payment under section 36r of the *Veterans’ Entitlements Act 1986*:

1. so much of the sum of that payment and other payments under Part IIIof the *Veterans’ Entitlements Act 1986* derived by the taxpayer on pension paydays that occurred during the bereavement lump sum period as does not exceed the tax-free amount calculated using the exempt bereavement payment calculator B in section 24acx is exempt; and
2. the balance of the sum is not exempt.

**Invalidity service pension**

“24acf. (1) The treatment of payments of invalidity service pension under Division 4 of Part III of the *Veterans’ Entitlements Act 1986* is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **Category** | **Supplementary amounts** | **Balance of payment** |
| 1 | Taxpayer not under pension age | Exempt | Not exempt |
| 2 | Taxpayer under pension age | Exempt | Exempt |

“(2) Subsection (1) has effect subject to subsection (4) (which deals with taxpayers who derive bereavement lump sum payments under section 37r of the *Veterans’ Entitlements Act 1986*).

“(3) Payments under sections 37q, 37t, 37x and 37y of the *Veterans’ Entitlements Act 1986* (which deal with bereavement payments) are exempt.

“(4) If a taxpayer derives a payment under section 37r of the *Veterans’ Entitlements Act 1986*:

1. so much of the sum of that payment and other payments under Part IIIof the *Veterans’ Entitlements Act 1986* derived by the taxpayer on pension paydays that occurred during the bereavement lump sum period as does not exceed the tax-free amount calculated using the exempt bereavement payment calculator B in section 24acx is exempt; and
2. the balance of the sum is not exempt.

**Wife service pension**

“24acg. (1) The treatment of payments of wife service pension under Division 5 of Part III of the *Veterans’ Entitlements Act 1986* is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **Category** | **Supplementary amounts** | **Balance of payment** |
| 1 | Taxpayer not under pension age | Exempt | Not exempt |
| 2 | Veteran not under pension age | Exempt | Not exempt |
| 3 | (a) Both taxpayer and veteran under pension age; and  (b) Veteran receiving invalidity service pension | Exempt | Exempt |
| 4 | (a) Both taxpayer and veteran under pension age; and  (b) Veteran not receiving invalidity service pension | Exempt | Not exempt |
| 5 | (a) Taxpayer under pension age; and  (b) Veteran deceased; and  (c) Veteran was receiving an invalidity service pension immediately before death | Exempt | Exempt |
| 6 | (a) Taxpayer under pension age; and  (b) Veteran deceased; and  (c) Veteran was not receiving an invalidity service pension immediately before death | Exempt | Not exempt |

“(2) Subsection (1) has effect subject to subsection (4) (which deals with taxpayers who derive bereavement lump sum payments under section 38r of the *Veterans’ Entitlements Act 1986*).

“(3) Payments under sections 38q, 38s, 38w and 38x of the *Veterans’ Entitlements Act 1986* (which deal with bereavement payments) are exempt.

“(4) If a taxpayer derives a payment under section 38r of the *Veterans’ Entitlements Act 1986*:

(a) so much of the sum of that payment and other payments under Part III of the *Veterans’ Entitlements Act 1986* derived by the taxpayer on pension paydays that occurred during the bereavement lump sum period as does not exceed the tax-free

amount calculated using the exempt bereavement payment calculator B in section 24acx is exempt; and

(b) the balance of the sum is not exempt.

**Carer service pension**

“24ach. (1) The treatment of payments of carer service pension under Division 6 of Part IIIof the *Veterans’ Entitlements Act 1986* is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **Category** | **Supplementary amounts** | **Balance of payment** |
| 1 | Taxpayer not under pension age | Exempt | Not exempt |
| 2 | Veteran not under pension age | Exempt | Not exempt |
| 3 | (a) Both taxpayer and veteran under pension age; and  (b) Veteran receiving invalidity service pension | Exempt | Exempt |
| 4 | (a) Both taxpayer and veteran under pension age; and  (b) Veteran not receiving invalidity service pension | Exempt | Not exempt |
| 5 | (a) Taxpayer under pension age; and  (b) Veteran deceased; and  (c) Veteran was receiving an invalidity service pension immediately before death | Exempt | Exempt |
| 6 | (a) Taxpayer under pension age; and  (b) Veteran deceased; and  (c) Veteran was not receiving an invalidity service pension immediately before death | Exempt | Not exempt |

“(2) Subsection (1) has effect subject to subsection (4) (which deals with taxpayers who derive bereavement lump sum payments under section 39t of the *Veterans’ Entitlements Act 1986*).

“(3) Payments under sections 39s, 39v, 39z and 39za of the *Veterans’ Entitlements Act 1986* (which deal with bereavement payments) are exempt.

“(4) If a taxpayer derives a payment under section 39t of the *Veterans’ Entitlements Act 1986*:

1. so much of the sum of that payment and other payments under Part III of the *Veterans’ Entitlements Act 1986* derived by the taxpayer on pension paydays that occurred during the bereavement lump sum period as does not exceed the tax-free amount calculated using the exempt bereavement payment calculator B in section 24acx is exempt; and
2. the balance of the sum is not exempt.

**Section 70 pension**

“24aci. Payments of pension under section 70 of the *Veterans’ Entitlements Act 1986* are exempt.

**Clothing allowance**

“24acj. Payments of clothing allowance under section 97 of the *Veterans’ Entitlements Act 1986* are exempt.

**Attendant allowance**

“24ack. Payments of attendant allowance under section 98 of the *Veterans’ Entitlements Act 1986* are exempt.

**Section 98a bereavement payment**

“24acl. Payments under section 98a of the *Veterans’ Entitlements Act 1986* are exempt.

**Section 99 funeral benefit**

“24acm. Payments under section 99 of the *Veterans’ Entitlements Act 1986* are exempt.

**Section 100 funeral benefit**

“24acn. Payments under section 100 of the *Veterans’ Entitlements Act 1986* are exempt.

**Decoration allowance**

“24aco. Payments of decoration allowance under section 102 of the *Veterans’ Entitlements Act 1986* are exempt.

**Victoria Cross allowance**

“24acp. Payments of Victoria Cross allowance under section 103 of the *Veterans’ Entitlements Act 1986* are exempt.

**Recreation transport allowance**

“24acq. Payments of recreation transport allowance under section 104 of the *Veterans’ Entitlements Act 1986* are exempt.

**Vehicle Assistance Scheme**

“24acr. Payments under the Vehicle Assistance Scheme established under section 105 of the *Veterans’ Entitlements Act 1986* are exempt.

**Special assistance**

“24acs. Payments of special assistance under section 106 of the *Veterans’ Entitlements Act 1986* are exempt.

**Temporary incapacity allowance**

“24act. Payments of temporary incapacity allowance under section 107 of the *Veterans’ Entitlements Act 1986* are exempt.

**Loss of earnings allowance**

“24acu. Payments of loss of earnings allowance under section 108 of the *Veterans’ Entitlements Act 1986* are exempt.

**Travelling expenses**

“24acv. Payments of travelling expenses under section 110 of the *Veterans’ Entitlements Act 1986* are exempt.

**Pharmaceutical supplement**

“24acw. Payments under Part VIIa of the *Veterans’ Entitlements Act 1986* are exempt.

**Exempt bereavement payment calculator B**

“24acx. The exempt bereavement payment calculator B is as follows:

|  |
| --- |
| **EXEMPT BEREAVEMENT PAYMENT CALCULATOR B**  This is how to work out the tax-free amount:  *Method statement*  *Step 1.* Work out the pension paydays that are in the bereavement lump sum period: the result is called the **relevant pension paydays**.  *Step 2.* Work out the amount of payments under Part IIIof the *Veterans’ Entitlements Act 1986* that would have been derived by the taxpayer on each of the relevant pension paydays and which would have been exempt if:   1. the partner had not died; and 2. the partner had been under pension age; and 3. the partner had continued to receive the pension or allowance that the partner was receiving immediately before the partner died;   the result for each relevant pension payday is called the **pension payday exempt notional taxpayer amount**.  *Step 3.* Sum the pension payday exempt notional taxpayer amounts: the result is called the **exempt notional taxpayer amount**.  *Step 4.* Work out the amount of payments under the *Social Security Act 1991* or Part III of the *Veterans’ Entitlements Act 1986* that would have been derived by the partner on each of the relevant pension paydays if the partner had not died: the result for each relevant pension payday is called the **pension payday notional partner amount**.  *Step 5.* Sum the pension payday notional partner amounts: the result is called the **notional partner amount**.  *Step 6.* Sum the exempt notional taxpayer amount and the notional partner amount: the result is the **tax-free amount**. |

***“Subdivision D*—*Exemption from income tax*—*payments under the***

***Seamen’s War Pensions and Allowances Act 1940***

**Seamen’s war pensions and allowances**

“24ad.Payments of amounts under the *Seamen’s War Pensions and Allowances Act 1940* are exempt if the payments are of a like nature to payments under the *Veterans’ Entitlements Act 1986* that are exempt under Subdivision C.

**Bereavement payments**

“24aca. Payments under section 24b of the *Seamen’s War Pensions and Allowances Act 1940* are exempt.

***“Subdivision E*—*Exemption from income tax*—*payments by virtue of the***

***Veterans’ Entitlements (Transitional Provisions and Consequential   
Amendments) Act 1986***

**Payments by virtue of the *Veterans’ Entitlements (Transitional Provisions and Consequential Amendments) Act 1986***

“24ae. (1) The treatment of a payment made in accordance with Table A in Schedule 3 to the *Repatriation Act 1920* (including that Table as applying by virtue of the *Repatriation (Far East Strategic Reserve) Act 1956*,the *Repatriation (Special Overseas Service) Act 1962* or the *Interim Forces Benefits Act 1947*),as in force by virtue of subsection 4 (6) of the *Veterans’ Entitlements (Transitional Provisions and Consequential Amendments) Act 1986*,to the extent that the payment:

(a) is payable because the taxpayer is either:

(i) the mother of a deceased member of the Forces (being a woman who is a widow or is divorced or has been deserted by her husband) within the meaning of the Act concerned or the relevant Part of that Act; or

(ii) a parent of a deceased member of the Forces (other than a woman who is a widow or is divorced or who has been deserted by her husband) within the meaning of the Act concerned or the relevant Part of that Act, being a parent who:

(a) in the case of a woman—is not under the age of 60 years; or

(b)in the case of a man—is not under the age of 65 years; and

1. is payable in the circumstances constituting a prescribed case for the purposes of that Table; and
2. exceeds the amount that would have been assessed if the requirement in that Table to have regard to the maximum rate of age pension under subsection 33 (1) of the *Social Security Act 1947* were disregarded;

is as follows:

1. so much of the payment as was included in the payment because the taxpayer or the spouse of the taxpayer paid rent is exempt;
2. so much of the payment, being a payment of a pension, allowance or benefit, as represents an increase in the rate of that pension, allowance or benefit that is calculated by reference to another person or other persons is exempt;
3. so much of the payment as was included in the payment by way of remote area allowance is exempt;
4. the balance of the payment is not exempt.

“(2) Other payments payable by virtue of subsection 4(6) of the *Veterans’ Entitlements (Transitional Provisions and Consequential Amendments) Act 1986* are exempt.

***“Subdivision F*—*Exemption from income tax*—*payments of allowance***

***under Part III of the Disability Services Act 1986***

**Allowances under Part III**

“24af. Payments of allowances under Part III of the *Disability Services Act 1986* are exempt.

***“Subdivision G*—*Exemption from income tax*—*payments of domiciliary nursing care benefit under Part Vb of the National Health Act 1953***

**Domiciliary nursing care benefit**

“24ag. Payments of domiciliary nursing care benefit under Part Vbof the *National Health Act 1953* are exempt.

***“Subdivision H*—*Exemption from income tax*—*similar Australian and***

***United Kingdom veterans’ payments***

**Similar Australian and United Kingdom veterans’ payments**

“24ah. Payments of pensions and allowances, and other payments, made by the Government of Australia or the Government of the United Kingdom, are exempt if they are of a similar nature to payments that are exempt under Subdivision C, D or E.

***“Subdivision I*—*Exemption from income tax*—*wounds and disability pensions***

**Wounds and disability pensions**

“24ai. Payments are exempt if:

1. the payments are of wounds and disability pensions of the kinds specified in subsection 315 (2) of the Income and Corporation Taxes Act 1988 of the United Kingdom; and
2. the payments are not of a similar nature to payments that are not exempt under other Subdivisions of this Division.

***“Subdivision J*—*Occupational superannuation payments not covered by this Division***

**Occupational superannuation payments not covered by this Division**

“24aj. (1) The following payments are not covered by this Division:

1. any payment made under the *Superannuation Act 1922*;
2. any payment of a pension or benefit to which subsection 8 (1) of the *Superannuation Act 1948* applies;
3. any payment of a pension made in accordance with section 9 or 14 of the *Superannuation Act (No. 2) 1956*;
4. any payment of a pension made under section 10 of the *Superannuation (Pension Increases) Act 1971*;
5. any payment made under the *Superannuation Act 1976*;
6. any payment made under the *Defence Forces Retirement Benefits Act 1948*;
7. any payment made under the *Defence Forces Retirement and Death Benefits Act 1973*;

(h) any payment made under the *Parliamentary Contributory Superannuation Act 1948*;

(i) any payment made under the *Papua New Guinea (Staffing Assistance) Act 1973*;

(j) any payment made under a scheme established by or under the *Superannuation Act 1990*;

(k)any payment made under a scheme established by or under the *Military Superannuation and Benefits Act 1991.*

“(2) Subsection (1) has effect in spite of anything contained in any other provision of this Division.”.

**Application of Division—1985-86 to 1990-91**

1. Section 24ba of the Principal Act is amended by inserting “preceding the year of income commencing on 1 July 1991” after “all subsequent years of income”.
2. After section 24ba of the Principal Act the following section is inserted:

**Application of Division—1991-92 and subsequent years**

“24bb. This Division applies to assessments in respect of income of the 1991-92 year of income and of all subsequent years of income as if:

(a) the definition of ‘prescribed Territory’ in subsection 24b (1) were omitted and the following definition were substituted:

‘ **“prescribed Territory”** means Norfolk Island.’; and

(b) subsection 24l (5) were omitted and the following subsection were substituted:

‘(5) In subsections (1), (3), (4),(4a), (4b) and (4c)*,* **“Australia”**, **“resident”** and **“non-resident”** have the meanings that those expressions would have if subsection 7a (2) did not refer to Norfolk Island.’.”.

**23.** After section 24n of the Principal Act the following section is inserted:

**Transitional capital gains tax provisions for certain Cocos (Keeling) Islands assets**

“24P. (1)Subject to an election under subsection (5), this section applies to an asset held by a taxpayer where all of the following conditions are satisfied:

1. the asset was owned by the taxpayer at the end of 30 June 1991;
2. if the asset had been disposed of by the taxpayer on 1 July 1991, Part IIIa would, or would, apart from section 160zzf and Divisions 5a, 7a and 17 of that Part, have applied in respect of that disposal;
3. if:

(i) the asset had been disposed of by the taxpayer on 1 July 1991; and

(ii) profits or gains of a capital nature had been derived by the taxpayer in respect of that disposal; and

(iii) section 24bb had not been enacted; and

(iv) section 24ba had applied in relation to the year of income in which disposal occurred;

the profits or gains would have been exempt income under this Division.

“(2) For the purposes of Part IIIa:

1. except for the purposes of determining the cost base to the taxpayer of the asset—the asset is taken to have been acquired by the taxpayer on 30 June 1991; and
2. the taxpayer is taken to have paid or given as consideration in respect of the acquisition of the asset an amount equal to the market value of the asset as at the end of 30 June 1991; and
3. the taxpayer is taken to have paid or given that consideration on 30 June 1991.

“(3) Paragraphs 160zzu(l) (a) and (b) do not apply in relation to the taxpayer in relation to the asset.

“(4) If a provision of Part IIIa provides that, if a disposal of an asset occurs within 12 months after the day (in this subsection called the **‘acquisition day’**)on which the asset was acquired by a taxpayer, a reference in another provision of that Part to the indexed cost base to the taxpayer in respect of the asset is to be construed as a reference to the cost base to the taxpayer in respect of the asset, paragraph (2) (a) of this section does not apply for the purposes of determining the acquisition day for the purposes of the first-mentioned provision.

“(5) If, as at the date on which a taxpayer disposes of an asset, the taxpayer has complied with section 160zzu in relation to the asset, the

taxpayer may elect that this section does not apply in relation to the asset.

“(6) An election for the purposes of subsection (5) must be lodged with the Commissioner on or before the date of lodgment of the taxpayer’s return of income for the year of income in which the disposal occurred or within such further period as the Commissioner allows.

“(7) An expression used in this section and in Part IIIa has the same meaning in this section as it has in that Part.”.

**Amounts received on retirement or termination of employment in lieu of long service leave**

**24.** Section 26ad of the Principal Act is amended by adding at the end the following subsection:

“(13) Where:

1. apart from this subsection, an amount would be included in the assessable income of a taxpayer in respect of an amount to which this section applies (in this subsection called the **‘lump sum amount’**); and
2. apart from section 24bb, no amount, or a lesser amount, would be included in the assessable income of the taxpayer in respect of the lump sum amount;

this section has effect in relation to the lump sum amount as if:

1. references in the preceding provisions of this section (other than subsection (12)) to 15 August 1978 were references to 30 June 1991; and
2. subsection (5) were omitted.”.

**Securities lending arrangements**

**25.** Section 26bc of the Principal Act is amended:

1. by omitting “listed” from paragraph (a) of the definition of “eligible security” in subsection (1) and substituting “public”;
2. by inserting in subsection (1) the following definitions:

“ **‘distribution’** includes:

1. interest; or
2. a dividend; or
3. a share issued by a company to a shareholder in the company where the share is issued:

(i) as a bonus share; or

(ii) in the circumstances mentioned in subsection 6ba (1); or

1. an amount credited by the trustee of a unit trust to a unit holder as a unit holder; or
2. a unit issued by the trustee of a unit trust in the

circumstances that would be covered by section 160zyc if paragraph (d) of that section had not been enacted;

**‘public company’** means:

1. a listed company; or
2. a mutual life assurance company (within the meaning of section 110); or
3. a company in which a government or an authority of a government has a controlling interest; or
4. a company that is a subsidiary of a company covered by paragraph (a), (b) or (c);

**‘subsidiary’** has the same meaning as in section 160zzo.”;

1. by omitting from subparagraph (3) (a) (ii) “not being later than 3 months” and substituting “being less than 12 months”;
2. by omitting paragraph (3) (c) and substituting the following paragraph:

“(c) if any of the following events occurred during the period (in this section called the **‘borrowing period’**)commencing at the original disposal time and ending at the re-acquisition time:

(i) the making or payment of a distribution (whether in property or money) in respect of the borrowed security;

(ii) the issue, by the company, trustee, government or government authority concerned, of a right or option in respect of the borrowed security;

(iii) if the borrowed security is a right or option:

(a) the giving of a direction by the lender to the borrower to exercise the right or option; or

(b) the giving of a direction by the lender to the borrower to exercise an identical right or option;

then (even if the event occurred after. the borrowed security was disposed of by the borrower to a third party), the lender receives from the borrower, under the agreement:

(iv) if subparagraph (i) applies:

(a) the distribution; or

(b) if the distribution is in property—identical property; or

(c) a payment (in this section called the **‘compensatory payment’**)equal to the value to the lender of the distribution; or

(v) if subparagraph (ii) applies:

(a) the right or option; or

(b) an identical right or option; or

(c) a payment (in this section also called the **‘compensatory payment’**)equal to the value to the lender of the right or option; or

(vi) if subparagraph (iii) applies:

(a) the shares, units, bonds, debentures or financial instruments that resulted from exercising the right or option; or

(b) shares, units, bonds, debentures or financial instruments that are identical to those that resulted from, or that would have resulted from, exercising the right or option; or

(c) a payment (in this section also called the **‘compensatory payment’**)equal to the value to the lender of the shares, units, bonds, debentures or financial instruments that resulted from, or would have resulted from, exercising the right or option; and”;

**(e)** by inserting after subsection (3) the following subsection:

“(3a) For the purposes of paragraph (3) (c), if, apart from this subsection, either of the following events occurred after the commencement of the borrowing period:

1. the making or payment of a distribution (whether in property or money) in respect of the borrowed security;
2. the issue, by the company, trustee, government or government authority concerned, of a right or option in respect of the borrowed security;

(even if the event occurred after the borrowed security was disposed of by the borrower to a third party), the event is taken to have occurred during the borrowing period if, and only if, (assuming that the borrower had held the borrowed security at all times during the borrowing period) the entitlement to the distribution or issue would have been attributable to the borrower’s holding of the borrowed security at a particular time during the borrowing period.”;

**(f)** by inserting after subsection (4) the following subsections:

“(4a) If the lender receives a compensatory payment covered by sub-subparagraph (3) (c) (v) (c), then, in determining whether an amount is included in the assessable income of the lender under a provision of this Act other than Part IIIa, the lender is to be treated as if:

(a) the lender had held the borrowed security at all relevant times during the borrowing period; and

1. the right or option had been issued directly to the lender in respect of the borrowed security; and
2. the the lender had disposed of the right or option immediately after its issue for a consideration equal to the compensatory payment.

“(4b) If the lender receives a compensatory payment covered by sub-subparagraph (3) (c) (vi) (c), then, in determining whether an amount is included in the assessable income of the lender under a provision of this Act other than Part IIIA, the lender is to be treated as if:

1. the lender had held the right or option at all relevant times during the borrowing period; and
2. the lender had exercised the right or option; and
3. the lender had immediately disposed of the shares, units, bonds, debentures or financial instruments that resulted from exercising the right or option for a consideration equal to the compensatory payment.”;

**(g)** by omitting from subparagraph (6) (b) (i) all the words after “of that Part” and substituting the following word and sub-subparagraphs:

“if:

(a) the lender had disposed of the borrowed security immediately before the acquisition of the replacement security; and

(b) that Part had applied in respect of the disposal of the borrowed security by the lender; or”;

**(h)** by omitting subsection (7) and substituting the following subsection:

“(7) If, in the case of a borrowed security to which paragraph (6) (b) applies, the replacement security was disposed of by the lender (otherwise than under a transaction covered by subsection (3)):

(a) if the disposal of the replacement security occurred within 12 months after the earliest day on which a paired security in relation to the replacement security was acquired by the lender (otherwise than under a transaction covered by subsection (3))—the reference in paragraph (6) (b) to the indexed cost base to the lender of the borrowed security is to be read as a reference to the cost base to the lender of the paired security; or

(b) if the disposal of the replacement security occurred not less than 12 months after the earliest day on which a paired security in relation to the replacement security was acquired by the lender (otherwise than under a transaction covered by subsection (3))—subsection

160z (3) does not apply to the disposal of the replacement security.”;

**(i)** by inserting after subsection (9) the following subsections:

“(9a) Subject to subsection 160zh (6), a reference in subsection 160zh (1), (2) or (3) to the incidental costs to the borrower of the acquisition of an eligible security covered by sub-subparagraph (3) (a) (ii) (b) includes a reference to a compensatory payment incurred by the borrower.

“(9b) For the purposes of the application of Part IIIato a right or option received by the lender as mentioned in subparagraph (3) (c) (v), the borrower and lender are to be treated as if the eligible security in respect of which the right or option was issued had been held by the lender at the time of the acquisition of the right or option.

“(9c) For the purposes of the application of Part IIIa to a share, unit, bond, debenture or financial instrument received by the lender as mentioned in subparagraph (3) (c) (vi), the borrower and the lender are to be treated as if:

1. the share, unit, bond, debenture or financial instrument had been received as the result of the exercise of the borrowed security; and
2. the borrowed security had been held by the lender at the time of the exercise; and
3. the lender had exercised the borrowed security; and
4. the lender had exercised the borrowed security at the time the direction concerned was given; and
5. the amount of the contribution (if any) made by the lender to the borrower in respect of the carrying out of the direction were an amount paid as consideration by the lender in respect of the exercise.

“(9d) If a distribution covered by subparagraph (3) (c) (i) consists of one or more shares issued by a company to the borrower or to a third party in the circumstances mentioned in subsection 6ba (1), then, for the purposes of the application of Part IIIA to a share (in this subsection called the **‘notional bonus share’**)received by the lender in relation to the distribution in the circumstances mentioned in sub-subparagraph (3) (c) (iv) (a) or (b), the borrower and the lender are to be treated as if:

1. the company had issued the notional bonus share to the lender instead of the borrower or the third party, as the case requires; and
2. the notional bonus share had been issued in the circumstances mentioned in subsection 6ba (1); and
3. the notional bonus share had been issued in respect of the borrowed security; and
4. the lender had held the borrowed security at the time the notional bonus share was issued.

“(9e) If a distribution covered by subparagraph (3) (c) (i) consists of one or more units issued by the trustee of a unit trust to the borrower or to a third party in the circumstances covered by section 160zyc, then, for .the purposes of the application of Part IIIa to a unit (in this subsection called the **‘notional bonus unit’**)received by the lender in relation to the distribution in the circumstances mentioned in sub-subparagraph (3) (c) (iv) (a) or (b), the borrower and the lender are to be treated as if:

1. the trustee had issued the notional bonus unit to the lender instead of the borrower or the third party, as the case requires; and
2. the notional bonus unit had been issued in the circumstances covered by section 160zyc; and
3. the notional bonus unit had been issued in respect of the borrowed security; and
4. the lender had held the borrowed security at the time the notional bonus unit was issued.

“(9f) If the lender receives a compensatory payment covered by sub-subparagraph (3) (c) (v) (c), then, for the purposes of the application of Part IIIa to the lender, the lender is to be treated as if:

1. the lender had held the borrowed security at all relevant times during the borrowing period; and
2. the right or option had been issued directly to the lender in respect of the borrowed security; and
3. the lender had disposed of the right or option immediately after its issue for a consideration equal to the compensatory payment.

“(9g) If the lender receives a compensatory payment covered by sub-subparagraph (3) (c) (vi) (c), then, for the purposes of the application of Part IIIa to the lender, the lender is to be treated as if:

1. the lender had held the right or option at all relevant times during the borrowing period; and
2. the lender had exercised the right or option; and
3. the lender had immediately disposed of the shares, units, bonds, debentures or financial instruments that resulted from exercising the right or option for a consideration equal to the compensatory payment.”;

**(j)** by omitting from subsection (10) “or (9)” and substituting “, (9), (9a), (9b), (9c), (9d), (9e), (9f) or (9g)”;

**(k)** by omitting from subsection (11) “and (9)” and substituting “, (9), (9a), (9b), (9c), (9d), (9e), (9f) and (9g)”;

**(l)** by inserting after subsection (11) the following subsections:

“(11a) If:

1. the lender receives from the borrower a distribution or identical property covered by subparagraph (3) (c) (iv); and
2. assuming that the borrowed security had continued to be held by the lender, an amount (in this subsection called the **‘otherwise assessable amount’**)would have been included in the lender’s assessable income of a year of income in respect of the distribution concerned;

the lender’s assessable income of the year of income includes an amount equal to the otherwise assessable amount.

“(11b) If:

1. the lender receives from the borrower a compensatory payment covered by sub-subparagraph (3) (c) (iv) (c); and
2. assuming that the borrowed security had continued to be held by the lender, an amount (in this subsection called the **‘otherwise assessable amount’**)would have been included in the lender’s assessable income of a year of income in respect of the distribution concerned;

the lender’s assessable income of the year of income includes an amount equal to the otherwise assessable amount.”.

**Interpretation**

**26.** Section 27a of the Principal Act is amended by inserting after subsection (14) the following subsection:

“(14a) Where an amount paid to a taxpayer (in this subsection called the **‘received amount’**), being an ETP, an annuity or a payment made as a supplement to an annuity, would, apart from section 24bb and assuming that:

1. subsection 27c (1a) did not apply in relation to the received amount; and
2. no part of the received amount was taken to be applied in accordance with section 27d;

be wholly or partly exempt from tax because of Division 1a, the following provisions have effect:

(c) this Subdivision has effect in relation to the received amount as if:

(i) references in this Subdivision to 30 June 1983 were references to 30 June 1991; and

(ii) references in this Subdivision (other than in subparagraph (a) (iii) of the definition of ‘superannuation fund’ in subsection (1)) to 1 July 1983 were references to 1 July 1991;

(d) no amount is to be included in the assessable income of the taxpayer under subsection 27c (1) in relation to the received amount.”.

**27.** Before section 44 of the Principal Act the following section is inserted:

**Subdivision has effect subject to section 160aqua (transfer of shareholder status for tax purposes)**

“43a. This Subdivision has effect subject to section 160aqua (which deals with transfer of shareholder status for tax purposes in cases involving a cum-dividend stock exchange sale or a securities lending arrangement).”.

**Distribution benefits**—**CFCs**

**28.** Section 47a of the Principal Act is amended:

**(a)** by omitting subparagraph (10) (j) (ii) and substituting the following subparagraph:

“(ii) if subparagraph (i) does not apply and there is only one arrangement transfer—so much of the amount or market value of the arrangement transfer as is attributable to the provision of the eligible benefit; or”;

**(b)** by omitting the definition of “Total Excess” in subparagraph (10) (j) (iii) and substituting the following definition:

“ **‘Total Excess’** means so much of the total amount or market value of all the arrangement transfers as is attributable to the provision of the eligible benefit;”.

**Bad debts of money-lenders not allowable deductions where attributable to listed country branches**

**29.** Section 63d of the Principal Act is amended by omitting from subsection (1) “so much of the deduction is allowable as equals the amount calculated” and substituting “a proportion of the deduction is allowable, being the proportion calculated”.

**Deduction of expenditure on prevention of land degradation**

**30.** Section 75d of the Principal Act is amended:

**(a)** by omitting subsection (1) and substituting the following subsections:

“(1) Subject to this section, this section applies to expenditure of a capital nature that meets the requirements set out in subsections (1a) and (1b).

“(1a) The expenditure must be incurred by a taxpayer:

1. who carries on a business of primary production on any land (in this section called the **‘subject land’**)in Australia; or
2. who carries on a business, other than one of primary production or of mining or quarrying, for the purpose of gaining or producing assessable income from the use of any rural land (in this section also called the **‘subject land’**)in Australia.

“(1b) The expenditure must also be incurred in, or in an extension of, any of the following operations:

1. an operation primarily and principally for the purpose of the eradication or extermination of animal or vegetable pests from the subject land;
2. an operation primarily and principally for the purpose of the destruction of weed or plant growth detrimental to the subject land;
3. an operation primarily and principally for the purpose of preventing or combating land degradation otherwise than by the erection of fences on the subject land;
4. an operation consisting of the erection of fences (including any extension, alteration or addition to fences) on the subject land primarily and principally for the purpose of excluding live-stock or vermin from areas affected by land degradation in order to prevent or limit any extension or aggravation of land degradation in those areas and to assist in the reclamation of those areas;
5. an operation consisting of the erection of fences (including any extension, alteration or addition to fences) to separate different land classes on the subject land in accordance with an approved land management plan in respect of the whole or part of the subject land;
6. an operation consisting of the construction on the subject land of levee banks or similar improvements having like uses;
7. an operation (not being an operation consisting of the draining of swamp or low-lying land) consisting of the construction on the subject land, primarily and principally for the purpose of controlling salinity or assisting in drainage control, of surface drainage works or sub-surface drainage works.”;
8. by omitting from paragraph (3) (a) “(1) (d)” and substituting “(1b) (d) or (e)”;
9. by omitting from paragraph (6) (b) “referred to in subsection

(1) or an extension of such an operation” and substituting “or extension referred to in subsection (1b)”;

1. by omitting from paragraph (7) (a) “of a kind referred to in subsection (1) or an extension of such an operation” and substituting “or extension of a kind referred to in subsection (1b)”;
2. by omitting from paragraph (7) (b) “primary production” and substituting “a kind referred to in paragraph (1a) (a) or (b)”;
3. by omitting from paragraphs (9) (a), (10) (a) and (11) (a) “subsection (1)” and substituting “subsection (1b)”;
4. by adding at the end the following subsections:

“(14) In this section, a reference to an approved land management plan, in relation to land, is a reference to a land management plan in relation to the land that:

(a) has been prepared by:

(i) an officer of a land conservation agency having authority for the preparation of such plans; or

(ii) an approved farm consultant; or

(b) has been approved in writing by:

(i) an officer of a land conservation agency with authority to do so; or

(ii) an approved farm consultant;

as being a suitable land management plan for the land.

“(15) For the purposes of subsection (14), a person is an approved farm consultant only if an approval under this section of the person as a farm consultant is in force.

“(16) The following persons may, in writing, approve a person as a farm consultant for the purposes of this section:

1. the Secretary to the Department of Primary Industries and Energy;
2. an officer of that Department authorised in writing by its Secretary for the purpose of giving such approvals.

“(17) In deciding whether to approve a person as a farm consultant, the following matters are to be taken into account:

1. the qualifications, experience and knowledge of the person in relation to land conservation and farm management;
2. the standing of the person in the professional community;
3. any other relevant matters.

“(18) Subject to the *Administrative Appeals Tribunal Act 1975*,applications may be made to the Tribunal by a person for review of a decision under subsection (16):

(a) to refuse approval of the person as a farm consultant; or

(b) to revoke the approval of the person as a farm consultant.

“(19) In this section:

**‘decision’** has the same meaning as in the *Administrative Appeals Tribunal Act 1975*;

**‘land conservation agency’** means a State or Territory Government department, or authority, that has responsibility for land conservation;

**‘land management plan’** means a plan for an area of land indicating:

1. different land classes comprising the land; and
2. the location of any fencing that would be required to separate any of the land classes primarily and principally in order to prevent land degradation;

together with, or including, a description of the kind of fencing and how it would prevent land degradation.”.

**Gifts, pensions etc.**

**31.** Section 78 of the Principal Act is amended by inserting in subparagraph (1) (a) (xxiv) “Royal” before “College”.

**Rebates for residents of isolated areas**

**32.** Section 79a of the Principal Act is amended by omitting the definition of “prescribed allowance” in subsection (4) and substituting the following definition:

“ **‘prescribed allowance’** means so much of a payment under the *Social Security Act 1991* or the *Veterans’ Entitlements Act 1986* as was included in the payment by way of remote area allowance;”.

**Interpretation**

**33.** Section 82kh of the Principal Act is amended:

1. by omitting from subsection (1ba) all the words after “any part of that” and substituting “eligible relevant expenditure, sections 79e, 79f, 80, 80aaa and 80aa are to be applied on the basis that the amount of eligible relevant expenditure is an amount of relevant expenditure but is not an amount of eligible relevant expenditure.”;
2. by omitting from paragraph (1g) (s) “or (t)”;
3. by adding at the end of paragraph (1g) (s) “and”;
4. by omitting paragraph (1g) (t);
5. by omitting from paragraph (1je) (b) “or (t)”;
6. by omitting paragraph (1l) (t).

**Payment of interest by taxpayer on distributions from certain non-resident trust estates**

**34.** Section 102aam of the Principal Act is amended by omitting from paragraph (1) (c) “the distributed amount is” and substituting “so much of the distributed amount as is not a rebatable section 99b amount for the purposes of section 102aan is”.

**Persons to whom Division applies**

**35.** Section 102AC of the Principal Act is amended:

1. by omitting from subparagraph (2) (c) (i) “*1947*”and substituting “*1991*”;
2. by omitting from sub-subparagraph (2) (d) (i) (a) **“**Part XII of the *Social Security Act 1947*”and substituting “Part 2.19 of the *Social Security Act 1991”;*
3. by omitting from sub-subparagraph (2) (d) (i) (b) “Division 3 of Part IV of the *Social Security Act 1947*”and substituting “Part 2.3 of the *Social Security Act 1991*”;
4. by omitting from paragraph (2) (e) “orphan’s” and substituting “orphan”;
5. by omitting from paragraph (2) (e) “*1947*” and substituting “*1991*”;

**(f)** by omitting from paragraph (2) (f) “subsection 95 (2) of the *Social Security Act 1947*,a double orphan’s” and substituting “section 1003 of the *Social Security Act 1991*, a double orphan”;

**(g)** by omitting from paragraph (3) (a) “orphan’s” and substituting “orphan”;

**(h)** by omitting from paragraph (3) (a) “subsection 95 (2) of the *Social Security Act 1947*”and substituting “section 1003 of the *Social Security Act 1991*”.

**Disposal, loss, destruction or termination of use of property**

**36.** Section 122k of the Principal Act is amended:

**(a)** by inserting in subsection (4) the following definition:

“ **‘rehabilitation-related activities’** has the same meaning as in Division 10ab;”;

**(b)** by adding at the end the following subsections:

“(5) For the purposes of subsection (1), use of property by a taxpayer is taken to be use for prescribed purposes if:

1. the use is on or after 1 July 1991; and
2. the use is for rehabilitation-related activities in relation to a site on which the taxpayer conducted:

(i) prescribed mining operations within the meaning of Subdivision A; or

(ii) activities in respect of which a deduction is

allowable, or has been allowed, under section 122j; and

(c) either of the following conditions is satisfied:

(i) the property is plant or articles for the purposes of section 54;

(ii) the property is housing and welfare within the meaning of Subdivision A.

“(6) For the purposes of subsection (1), use of property by a taxpayer is taken to be use for eligible purposes if:

1. the use is on or after 1 July 1991; and
2. the use is for rehabilitation-related activities in relation to a site on which the taxpayer conducted activities in respect of which a deduction is allowable, or has been allowed, under section 122jf; and
3. the property is plant or articles for the purposes of section 54.

“(7) A reference in subsection (5) or (6) to use of property by a taxpayer for a particular purpose includes a reference to the holding in reserve of property owned by the taxpayer which has been installed ready for use for that purpose.”.

**37.** After section 122k of the Principal Act the following section is inserted:

**Application of section 122k before 1 July 1991—subsequent use of property for rehabilitation**

“122ka. (1) This section applies to property if:

(a) either of the following conditions is satisfied:

(i) the property is plant or articles for the purposes of section 54;

(ii) the property is housing and welfare within the meaning of Subdivision A; and

1. section 122k has applied in respect of the termination of use of the property; and
2. the date of the termination (in this section called the **‘section 122k termination date’**)was before 1 July 1991; and
3. no deduction is allowable, or has been allowed, in respect of the use of the property that occurred in the period commencing on the section 122k termination date and ending on 30 June 1991; and
4. the taxpayer commences to use the property for rehabilitation-related activities on the day after the section 122k termination date; and
5. the taxpayer has not ceased to use the property for rehabilitation-related activities before 1 July 1991.

“(2) For the purposes of this section, the estimated eligible rehabilitation period is the period:

1. commencing on 1 July 1991; and
2. ending on the day on which, as at 1 July 1991, it is estimated that the property will cease to be used by the taxpayer for rehabilitation-related activities.

“(3) If, having regard to information in the Commissioner’s possession, the Commissioner is not satisfied that the estimate is a reasonable estimate, the estimated eligible rehabilitation period is taken to end on such day as the Commissioner considers reasonable.

“(4) For the purposes of this section, the estimated total rehabilitation period is the period:

1. commencing on the day after the section 122k termination date; and
2. ending at the end of the estimated eligible rehabilitation period.

“(5) For the purposes of this section, the actual eligible rehabilitation period is the period:

1. commencing on 1 July 1991; and
2. ending on the day on which the property is disposed of, lost or destroyed, or the use of which by the taxpayer for rehabilitation-related activities has been otherwise terminated.

“(6) For the purposes of this section, the actual total rehabilitation period is the period:

1. commencing on the day after the section 122k termination date; and
2. ending at the end of the actual eligible rehabilitation period.

“(7) An amount calculated using the following formula is allowable as a deduction to the taxpayer for each year of income any part of which occurs during both the actual eligible rehabilitation period and the estimated eligible rehabilitation period:



where:

**‘Capital amount’** means the capital amount in relation to the property;

**‘Eligible rehabilitation days in year’** means the number of days in so much of the year of income as occurs during both of the actual eligible rehabilitation period and the estimated eligible rehabilitation period;

**‘Days in estimated total rehabilitation period’** means the number of days in the estimated total rehabilitation period.

“(8) Subsections (9) and (10) apply in relation to a year of income if:

1. deductions are allowable, or have been allowed, under subsection (7) in respect of the property; and
2. the actual eligible rehabilitation period ends in the year of income.

“(9) The amount (if any) calculated using the following formula is an allowable deduction to the taxpayer for the year of income:



where:

**‘Capital amount’** means the capital amount in relation to the property;

**‘Actual eligible rehabilitation days’** means the number of days in the actual eligible rehabilitation period;

**‘Days in actual total rehabilitation period’** means the number of days in the actual total rehabilitation period;

**‘Deductions previously allowed’** means the total deductions that are allowable, or have been allowed, under subsection (7) in respect of the property.

“(10) The amount (if any) calculated using the following formula is included in the assessable income of the taxpayer of the year of income:



where:

**‘Final value’** means whichever of the following amounts is applicable in relation to the property:

1. in the case of the disposal, loss or destruction of the property— the consideration receivable in respect of the disposal, loss or destruction; or
2. in the case of other termination of the use of the property—the value of the property at the end of the actual eligible rehabilitation period;

**‘Actual eligible rehabilitation days’** means the number of days in the actual eligible rehabilitation period;

**‘Days in actual total rehabilitation period’** means the number of days in the actual total rehabilitation period.

“(11) A reference in this section to use of property by a taxpayer for a particular purpose includes a reference to the holding in reserve

of property owned by the taxpayer which has been installed ready for use for that purpose.

“(12) In this section:

**‘actual eligible rehabilitation period’** has the meaning given by subsection (5);

**‘actual total rehabilitation period’** has the meaning given by subsection (6);

**‘capital amount’**,in relation to property, means the lesser of:

1. the total expenditure of a capital nature of the taxpayer in respect of the property; and
2. the value of the property as at the section 122k termination date;

**‘estimated eligible rehabilitation period’** has the meaning given by subsection (2);

**‘estimated total rehabilitation period’** has the meaning given by subsection (4);

**‘rehabilitation-related activities’** has the same meaning as in Division 10ab;

**‘section 122K** **termination date’** has the meaning given by subsection (1).”.

**Disposal, loss, destruction or termination of use of property**

**38.** Section 124am of the Principal Act is amended by adding at the end the following subsections:

“(8) For the purposes of subsection (1), use of property by a taxpayer is taken to be use for purposes of carrying on prescribed petroleum operations or of exploring or prospecting for petroleum if:

1. the use is on or after 1 July 1991; and
2. the use is for rehabilitation-related activities in relation to a site on which the taxpayer conducted:

(i) prescribed petroleum operations within the meaning of subsection 124 (1); or

(ii) activities in respect of which a deduction is allowable, or has been allowed, under section 124ah; and

(c) either of the following conditions is satisfied:

(i) the property is plant or articles for the purposes of section 54;

(ii) expenditure on the property is covered by paragraph 124aa (2) (c), (d) or (e).

“(9) A reference in subsection (8) to use of property by a taxpayer for a particular purpose includes a reference to the holding in reserve of property owned by the taxpayer which has been installed ready for use for that purpose.

“(10) In this section:

**‘rehabilitation-related activities’** has the same meaning as in Division 10ab.”.

**39.** After section 124am of the Principal Act the following section is inserted:

**Application of section 124am before 1 July 1991—subsequent use of property for rehabilitation**

“124ama. (1) This section applies to property if:

(a) either of the following conditions is satisfied:

(i) the property is plant or articles for the purposes of section 54;

(ii) expenditure on the property is covered by paragraph 124aa (2) (c), (d) or (e); and

1. section 124am has applied in respect of the termination of use of the property; and
2. the date of the termination (in this section called the **‘section 124am termination date’**)was before 1 July 1991; and
3. no deduction is allowable, or has been allowed, in respect of the use of the property that occurred in the period commencing on the section 124am termination date and ending on 30 June 1991; and
4. the taxpayer commences to use the property for rehabilitation-related activities on the day after the section 124am termination date; and

(f) the taxpayer has not ceased to use the property for rehabilitation-related activities before 1 July 1991.

“(2) For the purposes of this section, the estimated eligible rehabilitation period is the period:

1. commencing on 1 July 1991; and
2. ending on the day on which, as at 1 July 1991, it is estimated that the property will cease to be used by the taxpayer for rehabilitation-related activities.

“(3) If, having regard to information in the Commissioner’s possession, the Commissioner is not satisfied that the estimate is a reasonable estimate, the estimated eligible rehabilitation period is taken to end on such day as the Commissioner considers reasonable.

“(4) For the purposes of this section, the estimated total rehabilitation period is the period:

1. commencing on the day after the section 124am termination date; and
2. ending at the end of the estimated eligible rehabilitation period.

“(5) For the purposes of this section, the actual eligible rehabilitation period is the period:

1. commencing on 1 July 1991; and
2. ending on the day on which the property is disposed of, lost or destroyed, or the use of which by the taxpayer for rehabilitation-related activities has been otherwise terminated.

“(6) For the purposes of this section, the actual total rehabilitation period is the period:

1. commencing on the day after the section 124am termination date; and
2. ending at the end of the actual eligible rehabilitation period.

“(7) An amount calculated using the following formula is allowable as a deduction to the taxpayer for each year of income any part of which occurs during both the actual eligible rehabilitation period and the estimated eligible rehabilitation period:



where:

**‘Capital amount’** means the capital amount in relation to the property;

**‘Eligible rehabilitation days in year’** means the number of days in so much of the year of income as occurs during both of the actual eligible rehabilitation period and the estimated eligible rehabilitation period;

**‘Days in estimated total rehabilitation period’** means the number of days in the estimated total rehabilitation period.

“(8) Subsections (9) and (10) apply in relation to a year of income if:

1. deductions are allowable, or have been allowed, under subsection (7) in respect of the property; and
2. the actual eligible rehabilitation period ends in the year of income.

“(9) The amount (if any) calculated using the following formula is an allowable deduction to the taxpayer for the year of income:



where:

**‘Capital amount’** means the capital amount in relation to the property;

**‘Actual eligible rehabilitation days’** means the number of days in the actual eligible rehabilitation period;

**‘Days in actual total rehabilitation period’** means the number of days in the actual total rehabilitation period;

**‘Deductions previously allowed’** means the total deductions that are allowable, or have been allowed, under subsection (7) in respect of the property.

“(10) The amount (if any) calculated using the following formula is included in the assessable income of the taxpayer of the year of income:



where:

**‘Final value’** means whichever of the following amounts is applicable in relation to the property:

1. in the case of the disposal, loss or destruction of the property— the consideration receivable in respect of the disposal, loss or destruction; or
2. in the case of other termination of the use of the property—the value of the property at the end of the actual eligible rehabilitation period;

**‘Actual eligible rehabilitation days’** means the number of days in the actual eligible rehabilitation period;

**‘Days in actual total rehabilitation period’** means the number of days in the actual total rehabilitation period.

“(11) A reference in this section to use of property by a taxpayer for a particular purpose includes a reference to the holding in reserve of property owned by the taxpayer which has been installed ready for use for that purpose.

“(12) Where an amount is included in the assessable income of a taxpayer under subsection (10), the amount is taken to be assessable income from petroleum.

“(13) In this section:

**‘actual eligible rehabilitation period’** has the meaning given by subsection (5);

**‘actual total rehabilitation period’** has the meaning given by subsection (6);

**‘capital amount’**, in relation to property, means the lesser of:

1. the total expenditure of a capital nature of the taxpayer in respect of the property; and
2. the value of the property as at the section 124am termination date;

**‘estimated eligible rehabilitation period’** has the meaning given by subsection (2);

**‘estimated total rehabilitation period’** has the meaning given by subsection (4);

**‘rehabilitation-related activities’** has the same meaning as in Division 10ab;

**‘section 124am termination date’** has the meaning given by subsection (1).”.

**40.** After section 124aq of the Principal Act the following Division is inserted:

***“Division 10ab***—***Rehabilitation and Restoration of Mining, Quarrying and Petroleum Sites***

**Interpretation**

“124b. In this Division:

**‘extractive activities’** means:

1. eligible exploration or prospecting activities; or
2. eligible quarrying operations within the meaning of Subdivision B of Division 10; or
3. prescribed mining operations within the meaning of Subdivision A of Division 10; or
4. prescribed petroleum operations within the meaning of Division 10aa;

**‘eligible exploration or prospecting activities’** means activities in respect of which a deduction is allowable, or has been allowed, under section 122j, 122jf or 124ah;

**‘housing and welfare’** means:

1. residential accommodation; or
2. health, educational, recreational or other similar facilities; or
3. facilities for the provision of meals;

and includes works carried out directly in connection with such accommodation or facilities (including works for the provision of water, light, power, access or communications);

**‘land’** includes:

1. a legal or equitable estate or interest in land; or
2. a right, power or privilege over, or in connection with, land;

**‘predecessor’** means a predecessor, whether immediate or otherwise;

**‘rehabilitation-related activities’** has the meaning given by section 124bb;

**‘restore’** includes rehabilitate.

**Deduction of expenditure on rehabilitation-related activities**

“124ba. (1) Subject to this Division, expenditure (whether of a capital nature or otherwise) incurred by a taxpayer on or after 1 July 1991, to the extent to which the expenditure is in respect of

rehabilitation-related activities, is an allowable deduction for the year of income in which the expenditure is incurred.

“(2) A provision of this Act (including a provision of section 51) that expressly prevents or restricts the operation of section 51 applies in the same way to this section.

**Rehabilitation-related activity**

“124bb. (1) A reference in this Division to a rehabilitation-related activity in relation to a taxpayer is a reference to the restoration of a site on which the taxpayer conducted extractive activities to, or to a reasonable approximation of, the pre-mining condition of the site.

“(2) A reference in this section to the pre-mining condition of a site is a reference to the condition the site was in before extractive activities were first commenced on the site, whether by the taxpayer or by a predecessor of the taxpayer.

**No deduction for certain expenditure**

“124bc. (1) A deduction is not allowable under section 124ba for expenditure in respect of:

1. property, being plant or articles for the purposes of section 54; or
2. acquiring land; or
3. constructing buildings or other structures; or
4. a bond or security, however described, for the performance of rehabilitation-related activities.

“(2) A deduction is not allowable under section 124ba for expenditure of a capital nature in respect of housing and welfare.

**No deduction where expenditure is recouped**

“124bd. (1) Section 124ba does not apply, and is to be taken never to have applied, to expenditure where both of the following conditions are satisfied:

1. the taxpayer is recouped, or becomes entitled to be recouped, in respect of the expenditure;
2. the amount of the recoupment is not, and will not be, included in the assessable income of the taxpayer of any year of income.

“(2) Where a taxpayer receives, or becomes entitled to receive, an amount that constitutes to an unspecified extent a recoupment of expenditure, the Commissioner may, for the purposes of subsection (1), determine the extent to which that amount constitutes a recoupment of that expenditure.

“(3) Section 170 does not prevent the amendment of an assessment at any time for the purpose of giving effect to this section.

**Transactions between persons not at arm’s length**

“124be. If:

1. a person has incurred expenditure in connection with a transaction where the parties to the transaction are not dealing with each other at arm’s length in relation to the transaction; and
2. deductions are or have been allowable under this Division in respect of the expenditure; and
3. the amount of the expenditure is greater or less than is reasonable;

the amount of the expenditure is taken, for all purposes of the application of this Act in relation to the parties to the transaction, to be the amount that would have been reasonable if the parties were dealing with each other at arm’s length.

**Property used for rehabilitation-related activities taken to be used for the purpose of producing assessable income**

“124bf. (1) For the purposes of this Act, where property is used by a taxpayer on or after 1 July 1991 for rehabilitation-related activities, that use of the property by the taxpayer is taken to be for the purpose of producing assessable income of the taxpayer.

“(2) Subsection (1) has effect subject to a provision of this Act that expressly provides that a particular use of property is not taken to be for the purpose of producing assessable income.”.

**Foreign debt**

**41.** Section 159gzf of the Principal Act is amended:

1. by omitting from subsection (1) “(not including, in the case of a financial institution, a nostro amount)”;
2. by omitting from paragraph (l) (c) “becomes payable.” and substituting “becomes payable;”;
3. by inserting after paragraph (1) (c) the following words and paragraphs:

“reduced by sum of:

1. if the company is a financial institution—nostro amounts; and
2. section 128f debenture amounts owing by the company.”.

**Foreign equity**

**42.** Section 159gzg of the Principal Act is amended by inserting in subparagraph (1) (d) (ii) “owing to the company” after “amounts”.

**Section 128f debenture amounts**

**43.** Section 159gzja of the Principal Act is amended:

**(a)** by inserting “owing to the company” after “debenture amount”;

**(b)** by adding at the end the following subsection:

“(2) For the purposes of this Division, an amount owing by a company as at a particular time is a section 128f debenture amount owing by the company if all of the following paragraphs apply:

1. the amount is owing by the company to a foreign controller, or a non-resident associate of a foreign controller, of the company (which foreign controller or associate is in this section called the **‘debenture holder’**);
2. the amount is owing in respect of a debenture issued by the company to the debenture holder not earlier than 30 days before that time;
3. the debenture was issued to the debenture holder for the purpose of enabling the debenture holder to dispose of the debenture outside Australia;
4. the debenture holder disposes of the debenture within 30 days after the issue of the debenture;
5. section 128f applies, or will apply, to any interest paid by the company in respect of the debenture;

(f) no interest has become, or will become, due and payable by the company to the debenture holder in respect of the debenture.”.

**Adjustment of foreign equity in certain cases involving resident holding companies of financial institutions**

**44.** Section 159gzla of the Principal Act is amended:

1. by adding at the end of subparagraph (1) (c) (ii) “(other than amounts owing to a resident associate of the resident holding company)” after “payable”;
2. by adding at the end of subsection (1) the following paragraph:

“(f) if, apart from this subsection, at the end of the year of income, the resident holding company owes one or more amounts to a resident associate of the resident holding company (being an amount in respect of which interest is or may become payable), then, the foreign equity in relation to the resident financial company in relation to the year of income is reduced by the amount, or the sum of the amounts, so owing.”.

**45.** After section 159gzla of the Principal Act the following section is inserted:

**Transition to wholly-owned banking group—resident company group and adjustment of foreign equity**

“159gzlb. (1) This section applies in relation to a resident company (in this section called the **‘resident financial company’**)in relation to a year of income (in this section called the **‘transitional year’**), where all of the following conditions are satisfied:

1. at all times during the transitional year when the resident financial company was in existence, the resident financial company was a bank within the meaning of the *Banking Act 1959*;
2. at all times during the transitional year when the resident financial company was in existence, the same foreign controller in relation to the resident financial company was the sole foreign controller in relation to the resident financial company;
3. at all times during the transitional year when the resident financial company was in existence, all of the following subparagraphs apply in relation to another resident company (in this section called the **‘resident holding company’**):

(i) the resident holding company is not a financial institution;

(ii) there is no amount owing by the resident holding company in respect of which interest is or may become payable (other than amounts owing to a resident associate of the resident holding company);

(iii) all of the shares in the resident holding company are beneficially owned by the foreign controller or by the foreign controller and an associate, or associates, of the foreign controller;

(d) at all times during a particular period:

(i) commencing at whichever is the later of:

(a) the start of the transitional year; and

(b) the time when the resident financial company came into existence; and

(ii) ending before the end of the transitional year;

when the resident financial company was in existence, some, but not all, of the shares in the resident financial company are beneficially owned by the resident holding company;

(e) at all times during the remainder of the transitional year when the resident financial company was in existence, all of the shares in the resident financial company are beneficially owned by the resident holding company.

“(2) For the purposes of subparagraph 159gzla (1) (c) (iv), some, but not all, of the shares in the resident financial company are taken to be beneficially owned by the resident holding company at all times during the transitional year when the resident financial company was in existence.

“(3) For the purposes of this Division, the resident financial company and the resident holding company are taken to be members of a resident company group in relation to the transitional year.

“(4) Subject to subsection (5), for the purposes of this section, a company is taken to be in existence if it has been incorporated and has not been dissolved.

“(5) For the purposes of this section, if a company was dormant (within the meaning of Part VI of the *Companies Act 1981)* at all times during a period (in this subsection called the **‘dormant period’**) commencing at the time of its incorporation, the company is taken not to have been in existence during the dormant period.”.

**Rebates for dependants**

**46.** Section 159j of the Principal Act is amended:

1. by inserting “or a special needs invalid pension” after “invalid pension” in paragraph (a) of the definition of “invalid relative” in subsection (6);
2. by omitting “*1947*”from paragraph (a) of the definition of “invalid relative” in subsection (6) and substituting “*1991*”;
3. by omitting “Part IV” from paragraph (c) of the definition of “invalid relative” in subsection (6) and substituting “Part 2.3”;
4. by omitting “*1947*”from paragraph (a) of the definition of “separate net income” in subsection (6) and substituting “*1991*”.

**Housekeeper**

**47.** Section 159L of the Principal Act is amended by omitting “*1947*”(wherever occurring) and substituting “*1991*”.

**Interpretation**

**48.** Section 159zr of the Principal Act is amended:

1. by omitting “or” from the end of paragraph (d) of the definition of “eligible income” in subsection (1);
2. by omitting paragraph (e) of the definition of “eligible income” in subsection (1) and substituting the following paragraphs:

“(e) a payment that is covered by Division 1aa, but that is not exempt from income tax under that Division; or

(f) a payment under a law of a foreign country that is similar to a payment covered by paragraph (e);”.

**Rebate in respect of certain pensions, benefits etc.**

**49.** Section 160aaa of the Principal Act is amended:

**(a)** by omitting “Part XIII of the *Social Security Act 1947*”from paragraph (a) of the definition of “rebatable benefit” in subsection (1) and substituting “Part 2.11, 2.12 or 2.14 of the *Social Security Act 1991*”;

1. by omitting “or” from the end of paragraph (d) of the definition of “rebatable benefit” in subsection (1);
2. by omitting paragraph (e) of the definition of “rebatable benefit” in subsection (1);
3. by omitting paragraph (b) of the definition of “rebatable pension” in subsection (1) and substituting the following paragraph:

“(b) the *Social Security Act 1991* (other than Part 2.11, 2.12 or 2.14).”.

**50.** After section 160abb of the Principal Act the following section is inserted:

**Rebate for certain Cocos (Keeling) Islands income—1991-92**

“160ace. (1) Where the amount of tax that would, apart from this section, be payable by a taxpayer (not being a company other than a company in the capacity of trustee) in respect of income of the 1991-92 year of income exceeds the amount of tax that would be so payable by the taxpayer in respect of income of that year of income if:

1. section 24bb had not been enacted; and
2. section 24ba had applied in relation to that year of income;

the taxpayer is entitled, in the taxpayer’s assessment in respect of income of that year of income, to a rebate of tax of an amount equal to 50% of the amount of the excess.

“(2) This section does not apply to an assessment under subsection 98 (3) or (4).”.

**Credits in respect of foreign tax**

**51.** Section 160af of the Principal Act is amended by omitting subsection (6).

**Interpretation**

**52. (1)** Section 160apa of the Principal Act is amended by omitting “24ba (a)” from paragraph (e) of the definition of “frankable dividend” and substituting “24bb (a)”.

**(2)** Section 160apa of the Principal Act is amended:

1. by inserting “, in writing,” after “form approved” in the definition of “approved form”;
2. by adding “, 160aqub, 160aquc or 160aqud” at the end of the definition of “dividend statement”;
3. by inserting the following definitions:

“**‘borrower’**,in relation to a securities lending arrangement, has the meaning given by subsection 26bc (3);

**‘borrowing period’**,in relation to a securities lending arrangement, has the meaning given by subsection 26bc (3);

**‘lender’**,in relation to a securities lending arrangement, has the meaning given by subsection 26bc (3);

**‘securities dealer’** has the same meaning as in section 202a;

**‘securities lending arrangement’** means an agreement covered by subsection 26bc (3);”.

**53.** After section 160aqu of the Principal Act the following Division is inserted:

***“Division 6a***—***Transfer of Shareholder Status for Tax Purposes***

**Transfer of shareholder status for tax purposes—cum-dividend stock exchange sales and securities lending arrangements**

“160aqua. (1) If:

1. a franked dividend is paid to a shareholder in a company (in this section called the **‘first shareholder’**) in respect of a share in the company (including a dividend that is taken to be paid as a result of one or more previous applications of this section); and
2. either of the following conditions is satisfied:

(i) at the dividend closing time, the first shareholder was under an obligation to transfer the share to another taxpayer (in this section called the **‘transferee’**)under a contract for the sale of the share where:

(a) the contract is of the kind known as a ‘cum-dividend’ contract; and

(b) the contract was entered into in the ordinary course of trading on a stock exchange in Australia or elsewhere;

(ii) all of the following conditions are satisfied:

(a) at the time the dividend was paid, the first shareholder was under an obligation to pay the dividend to the lender under a securities lending arrangement;

(b) the obligation was incurred in the first shareholder’s capacity as the borrower under the securities lending arrangement;

(c) the dividend closing time occurred during the borrowing period;

then, for the purposes of Subdivision D of Division 2 of Part III and of this Part (other than Divisions 4 and 5 and sections 160aqcb and 160arx), the dividend is taken to be a dividend paid to the transferee or the lender, as the case may be, as a shareholder in the company instead of to the first shareholder.

“(2) For the purposes of this section, if dividends are paid to those taxpayers who were shareholders as at a particular time at or before the payment, that time is the dividend closing time in relation to those dividends.

**Securities dealer to give dividend statement to other party— cum-dividend sale**

“160aqub. If:

1. section 160aqua applies in relation to a dividend covered by subparagraph 160aqua (1) (b) (i) (whether the application is the sole or final application or an earlier application of that section); and
2. a securities dealer has acted for a particular party to the contract concerned;

the securities dealer must, as soon as practicable after the payment of the dividend, give to the other party to the contract a statement in the approved form setting out such information in relation to the dividend as is required by the approved form to be set out.

**No securities dealer—party to cum-dividend sale contract to give dividend statement to other party**

“160aquc. If:

1. section 160aqua applies in relation to a dividend covered by subparagraph 160aqua (1) (b) (i) (whether the application is the sole or final application or an earlier application of that section); and
2. a particular party to the contract concerned has not had a securities dealer acting for him or her;

the party must, as soon as practicable after the payment of the dividend, give to the other party to the contract a statement in the approved form setting out such information in relation to the dividend as is required by the approved form to be set out.

**Borrower under a securities lending arrangement to give dividend statement to lender**

“160aqud. If section 160aqua applies in relation to a dividend covered by subparagraph 160aqua (1) (b) (ii) (whether the application is the sole or final application or an earlier application of that section), the borrower must, as soon as practicable after the payment of the dividend, give to the lender a statement in the approved form setting out such information in relation to the dividend as is required by the approved form to be set out.”.

**General application of Part in relation to corporate trust estates**

**54.** Section 160arda of the Principal Act is amended:

**(a)** by omitting “and” from the end of paragraph (2) (c);

1. by omitting from paragraph (2) (d) “dividend.” and substituting “dividend; and”;
2. by adding at the end of subsection (2) the following paragraph:

“(e) a reference to a contract of the kind known as a ‘cum-dividend’ contract includes a reference to a contract that, if a corporate trust estate were a company, would be a contract of the kind known as a ‘cum-dividend’ contract.”.

**Penalty for setting out incorrect amounts in dividend statements**

**55.** Section 160ary of the Principal Act is amended:

1. by omitting from paragraph (l) (a) “a company gives to a shareholder in the company” and substituting “a person (in this section called the **‘first person’**)gives to a shareholder in a company”;
2. by omitting from subsection (1) “the company is liable to pay” and substituting “the first person is liable to pay”;
3. by adding at the end the following subsection:

“(3) In addition to its effect apart from this subsection, this section also has the effect that it would have if section 160aqua had not been enacted.”.

**Deemed assessment**

**56.** Section 166a of the Principal Act is amended by omitting subparagraphs (a) (i) and (ii) and substituting the following subparagraphs:

“(i) if the entity is required to make a payment under section 221azd in respect of that year of income:

(a) if the entity furnishes the return on or before the day by which the entity is required to make the payment— on that day; or

(b) if the entity furnishes the return after the day by which the entity is required to make the payment—on the day on which the return is furnished; or

(ii) if the entity is not required to make a payment under section 221azd in respect of that year of income otherwise than because no amount of income tax is payable—on the day that would have been applicable under subparagraph (i) if the entity had been required to make such a payment under section 221azd;”.

**Quotation of tax file number in employment declaration**

**57.** Section 202cb of the Principal Act is amended by omitting from paragraph (6) (a) “or a sole parent’s pension under the *Social Security Act 1947*”and substituting “, a sole parent pension or a special needs sole parent pension under the *Social Security Act 1991*”.

**Effect of incorrect quotation of tax file number**

**58.** Section 202ce of the Principal Act is amended by omitting from paragraph (7) (a) “or a sole parent’s pension under the *Social Security Act 1947*”and substituting “, a sole parent pension or a special needs sole parent pension under the *Social Security Act 1991*”.

**Explanation of terms: investment, investor, investment body**

**59.** Section 202d of the Principal Act is amended by adding at the end the following subsections:

“(6) In determining whether a person in the capacity of trustee of a trust estate is an investor in relation to an investment, it is irrelevant that the name of the trust estate, the name of any actual or potential beneficiary or any other indication of trust is shown on any documentation in connection with the investment.

“(7) Subsection (6) is enacted for the guidance and information of investors and investment bodies and does not, by implication, affect the meaning of other provisions of this Act dealing with trustees and trust estates.”.

**60.** After section 202dd of the Principal Act the following sections are inserted:

**Quotation of investment body remitter number to be alternative to quoting tax file number**

“202dda. (1) The regulations may provide for a system for the issue, cancellation, alteration and quotation of investment body remitter numbers.

“(2) Where:

(a) either of the following subparagraphs applies:

(i) both of the following conditions are satisfied:

(a) a body corporate (in this section called the **‘interposed entity’**) is the investor in relation to an investment (in this section called the **‘secondary investment’**)with an investment body (in this section called the **‘secondary investment body’**);

(b) another person is entitled to receive from the interposed entity all or part of the income from the secondary investment;

(ii) both of the following conditions are satisfied:

(a) a person is the investor in relation to an investment covered by item 4 in the table in subsection 202d (1), being a deposit of money with a solicitor (in this section also called the **‘interposed entity’**);

(b) as a result of carrying out the purpose for which that investment was made, the interposed entity is

the investor in relation to another investment (in this section also called the **‘secondary investment’**)with an investment body (in this section also called the **‘secondary investment body’**); and

(b) the interposed entity is taken, under regulations made for the purpose of subsection (1), to have quoted its investment body remitter number to the secondary investment body in connection with the secondary investment;

then, for the purposes of this Part, the interposed entity is taken to have quoted its tax file number to the secondary investment body in connection with the secondary investment.

**Quotation of tax file number in connection with indirectly held investment**

“202ddb. (1) If, apart from this section:

(a) either of the following subparagraphs applies:

(i) both of the following conditions are satisfied:

(a) a body corporate (in this section called the **‘interposed entity’**) is the investor in relation to an investment (in this section called the **‘secondary investment’**)with an investment body (in this section called the **‘secondary investment body’**);

(b) another person (in this section called the **‘primary investor’**)is entitled to receive from the interposed entity all or part of the income from the secondary investment (which right to receive the income or part of the income is in this section called **‘primary investment’);**

(ii) both of the following conditions are satisfied:

(a) a person (in this section also called the **‘primary investor’**)is the investor in relation to an investment (in this section also called the **‘primary investment’**) covered by item 4 in the table in subsection 202d (1), being a deposit of money with a solicitor (in this section also called the **‘interposed entity’**);

(b) as a result of carrying out the purpose for which that investment was made, the interposed entity is the investor in relation to another investment (in this section also called the **‘secondary investment’**)with an investment body (in this section also called the **‘secondary investment body’**); and

(b) the conditions set out in the regulations are satisfied;

the following provisions have effect for the purposes of this Part and of Division 3b of Part VI:

(c) the primary investor may quote his or her tax file number

under section 202db to the secondary investment body in connection with the secondary investment as if he or she were the investor in relation to the secondary investment;

1. if the primary investor quotes his or her tax file number as mentioned in paragraph (c)—the interposed entity is taken to have quoted his or her tax file number to the secondary investment body in connection with the secondary investment;
2. the interposed entity is not entitled to actually quote his or her tax file number to the secondary investment body in connection with the secondary investment;

(f) the interposed entity is taken not to be an investment body in relation to the primary investment.

“(2) If there are 2 or more primary investors in relation to a primary investment, all the primary investors are taken to have quoted their tax file numbers as mentioned in paragraph (1) (c) if, and only if:

1. all of those primary investors are persons who, for the purposes of this Part, are taken, by section 202ee or 202ef, or both, to have quoted their tax file numbers under this Division in connection with the primary investment; or
2. if:

(i) paragraph (a) does not apply; and

(ii) all of those primary investors are covered by any or all of the following categories:

(a) persons who, for the purpose of this Part, are taken, under section 202ee or 202ef, or both, to have quoted their tax file numbers under this Division in connection with the primary investment;

(b) persons to whom section 202eb applies;

(c) entities mentioned in paragraph 202ec (1) (a); and

(iii) all of the following conditions are satisfied in relation to at least one of those primary investors:

(a) the primary investor is covered by sub-subparagraph (ii) (b) or (c);

(b) the primary investor gives to the secondary investment body the information mentioned in subsection 202eb (1) or 202ec (1) as if the primary investor were the investor in relation to the secondary investment;

(c) as a result of the giving of that information, the primary investor would be taken, under section 202eb or 202ec, to have quoted his or her tax file number under this Division in connection with the secondary investment; or

(c) at least one of those primary investors:

(i) has a tax file number; and

(ii) has quoted that number under section 202db to the secondary investment body in connection with the secondary investment as if he or she were the investor in relation to the secondary investment.”.

**Investments held jointly**

**61.** Section 202dg of the Principal Act is amended by adding at the end the following subsection:

“(4) This section does not apply in relation to investments covered by section 202ddb.”.

**Persons receiving certain pensions etc.—employment**

**62.** Section 202ea of the Principal Act is amended by omitting subsection (5) and substituting the following subsection:

“(5) This section applies in relation to the following:

1. an age pension under Part 2.2 of the *Social Security Act 1991*;
2. an invalid pension under Part 2.3 of that Act;
3. a wife pension under Part 2.4 of that Act;
4. a carer pension under Part 2.5 of that Act;
5. a sole parent pension under Part 2.6 of that Act;
6. a widow B pension under Part 2.8 of that Act;
7. a special benefit under Part 2.15 of that Act;

(h) a special needs pension under Part 2.16 of that Act;

(i) a pension under Part III of the *Veterans’ Entitlements Act 1986*.”*.*

**Persons receiving certain pensions etc.—investments**

**63.** Section 202eb of the Principal Act is amended by omitting paragraphs (5) (a) and (b) and substituting the following paragraphs:

“(a) one of the following:

(i) an age pension under Part 2.2 of the *Social Security Act 1991*;

(ii) an invalid pension under Part 2.3 of that Act;

(iii) a wife pension under Part 2.4 of that Act;

(iv) a carer pension under Part 2.5 of that Act;

(v) a sole parent pension under Part 2.6 of that Act;

(vi) a widow B pension under Part 2.8 of that Act;

(vii) a special benefit under Part 2.15 of that Act;

(viii) a special needs pension under Part 2.16 of that Act; or

(b) a rehabilitation allowance under Part 2.10 of the *Social Security Act 1991* where the person is qualified to receive a pension or benefit mentioned in paragraph (a); or”.

**Non-residents**

**64.** Section 202ee of the Principal Act is amended:

**(a)** by omitting subsection (1) and substituting the following subsection:

“(1) For the purposes of this Part, where:

1. a non-resident is an investor in relation to an investment to which this Part applies; and
2. at a particular time, the investment body pays an amount to the non-resident by way of income derived from the investment;

the non-resident is taken to have quoted the non-resident’s tax file number in connection with the investment at that time if:

1. the investment body is required to make a deduction under subsection 221yl from the payment; or
2. the investment body would have been required to make such a deduction but for the operation of paragraph 128b (3) (a), (b) or (ga) or subparagraph 128b (3) (h) (iii) or (iv).”;

**(b)** by omitting paragraph (2) (a) and substituting the following paragraph:

“(a) a person who was a non-resident and an investor in relation to an investment to which this Part applies becomes a resident of Australia at a particular time; and”.

**When income tax becomes due and payable**

**65.** Section 221am of the Principal Act is amended by omitting paragraphs (a) and (b) and substituting the following paragraphs:

“(a) if the entity is required to make a payment under section 221azd in respect of that year of income:

(i) if the entity furnishes the return on or before the day by which the entity is required to make the payment— on that day; or

(ii) if the entity furnishes the return after the day by which the entity is required to make the payment—on the day on which the return is furnished; or

(b) if the entity is not required to make a payment under section 221azd in respect of that year of income otherwise than because no amount of income tax is payable—on the day that would have been applicable under paragraph (a) if the entity had been required to make such a payment under section 221azd.”.

**Interpretation**

**66.** Section 221a of the Principal Act is amended:

1. by adding “or” at the end of paragraph (b) of the definition of “prescribed non-resident” in subsection (1);
2. by omitting paragraphs (c) and (d) of the definition of “prescribed non-resident” in subsection (1) and substituting the following paragraph:

“(c) a provision of the *Social Security Act 1991* other than Part 2.11, 2.12 or 2.14 of that Act;”;

1. by omitting “excepted payments for the purposes of section 23ad” from the definition of “salary or wages” in subsection (1) and substituting “covered by Division 1aa of Part III”;
2. by omitting paragraph (ha) of the definition of “salary or wages” in subsection (1).

**Certain employees to be subject to provisional tax**

**67.** Section 221yab of the Principal Act is amended by omitting from the definition of “Qualifying rebates” in paragraph (b) “and 159tl” and substituting “, 159tl and 160ace”.

**Uplifted provisional tax amount**

**68.** Section 221ycaa of the Principal Act is amended by inserting in paragraph (2) (m) “160ace,” after “159l,”.

**Provisional tax on estimated income**

**69.** Section 221yda of the Principal Act is amended:

**(a)** by inserting in paragraph (l) (da) “160ace,” after “160aaa,”;

**(b)** by inserting in subparagraph (2) (a) (ii) “160ace,” after “160aaa,”.

**Interpretation**

**70.** Section 221yhza of the Principal Act is amended by omitting subsection (2b).

**Duty of payer to pay deducted amount to Commissioner**

**71.** Section 221yhzd of the Principal Act is amended by inserting after subsection (1a) the following subsection:

“(1aa) The Commissioner may, by notice in writing served on an investment body, vary, in relation to the investment body, in such instances and to such extent as the Commissioner thinks fit, any of the requirements of subsection (1a).”.

**Credits in respect of deducted amounts**

**72.** Section 221yhzk of the Principal Act is amended by adding at the end the following subsection:

“(5) If, apart from this subsection:

(a) the Commissioner is satisfied that an amount or amounts (in this subsection called the **‘deducted amount’**)were deducted, or were purportedly deducted, under subsection 22lyhzc (1a), from a dividend paid to a shareholder in a company (in this subsection called the **‘registered shareholder’**);and

(b) section 160aqua applies to the payment of the dividend;

this section has effect as if:

1. the company had made a payment (in this subsection called the **‘notional payment’**)to the transferee or the lender mentioned in section 160aqua, as the case requires, of the amount that, by virtue of 160aqua, is taken to be a dividend paid to the transferee or lender for the purposes of section 44; and
2. the deducted amounts had been deducted, or purportedly deducted, from the notional payment instead of from the dividend that was paid to the registered shareholder.”.

**Interpretation**

**73.** Section 251r of the Principal Act is amended by omitting from subsection (5) “Part X of the *Social Security Act 1947*”and substituting “Part 2.17 of the *Social Security Act 1991*”.

**Medicare levy**

**74.** Section 251s of the Principal Act is amended by adding at the end the following subsection:

“(4) In determining for the purposes of paragraph (1) (a) or (b) whether, in relation to the 1991-92 year of income or any subsequent year of income, a person was a resident of Australia otherwise than by virtue of subsection 7a (2), that subsection is to be applied as if the reference in that subsection to the Territory of Cocos (Keeling) Islands were omitted.”.

**Prescribed persons**

**75.** Section 251u of the Principal Act is amended by inserting after subsection (1a) the following subsection:

“(1b) In determining for the purposes of paragraph (1) (d) whether, in relation to the 1991-92 year of income or any subsequent year of income, a person was a resident solely by virtue of subsection 7a (2), that subsection is to be applied as if the reference in that subsection to the Territory of Cocos (Keeling) Islands were omitted.”.

**76.** After section 399 of the Principal Act the following section is inserted:

**Modified application of bad debt provisions**

“399a. (1) For the purposes of applying this Act in calculating the attributable income of the eligible CFC for the eligible period:

(a) the amendment made to section 63 by section 13 of the *Taxation*

*Laws Amendment Act 1991* is to be taken to have applied to debts created or acquired at any time; and

1. section 63d of this Act is to be disregarded; and
2. subsection (2) of this section has effect.

“(2) Where:

1. apart from this subsection, an amount would be a notional allowable deduction to the eligible CFC under section 51 or 63 in respect of the writing off of a debt as bad; and
2. the debt was created or acquired in the ordinary course of a money-lending business of the eligible CFC that carries on that business; and
3. assuming that income:

(i) that has been derived by the eligible CFC in respect of the debt; or

(ii) that would have been reasonably likely to have been derived by the eligible CFC in respect of the debt if it had not become bad;

were instead derived by the eligible CFC during periods to which it may reasonably be attributed, there would be a part or parts (which part or the total of which parts is in this subsection called the **‘notional exempt income period’**)of the period (in this subsection called the **‘eligible debt holding period’**)beginning when the debt was so created or acquired, and ending when it was written off, in respect of which some or all of that income would not be included in the notional assessable income of the eligible CFC for any statutory accounting period;

then only a proportion of the amount referred to in paragraph (a) is a notional allowable deduction, being the proportion calculated using the following formula:



where:

**‘Eligible debt holding period’** means the number of days in the eligible debt holding period;

**‘Notional exempt income period’** means the number of days in the notional exempt income period;

**‘Eligible debt term’** means:

1. where the debt was acquired from a person other than an associate, within the meaning of Part IIIa—the number of days in the eligible debt holding period; or
2. in any other case—the number of days in the period beginning on the day on which the debt was created (whether by the eligible CFC or another person) and ending at the end of the day on which it was written off.

“(3) For the purposes of subsection (2):

1. where a debt that is written off was acquired from another person, the creation and any previous acquisition of the debt is to be disregarded, other than for the purposes of paragraph (2) (e); and
2. if, on the assumption in paragraph (2) (c), income would be derived by the eligible CFC during a period before the first statutory accounting period of the eligible CFC beginning on or after 1 July 1990, then, in spite of anything in that paragraph, that income is taken not to be included in the notional assessable income of the eligible CFC for any statutory accounting period; and
3. it is to be assumed that, for any statutory accounting period for which there is no requirement to calculate the attributable income of the eligible CFC in relation to the eligible taxpayer, there is such a requirement.”.

**Reduction of section 456 assessability where item subject to foreign accruals tax**

**77.** Section 456a of the Principal Act is amended by omitting from subparagraph (1) (c) (i) “or above”.

**Assessability in respect of certain dividends paid by a CFC**

**78.** Section 458 of the Principal Act is amended:

**(a)** by inserting after subsection (2) the following subsection:

“(2a) Where:

1. a dividend is not taxed in a listed country at the country’s normal company tax rate because the whole or part of the dividend represents another amount in respect of which foreign tax is payable under an accruals tax law of the listed country; and
2. that other amount is, under the accruals tax law, taxed in the listed country at the country’s normal company tax rate;

the following provisions have effect:

(c) if:

(i) the whole of the dividend represents the other amount; or

(ii) part of the dividend represents the other amount and, on the assumption that section 325 applied to the remainder of the dividend as if it were an entire dividend, the remainder of the dividend would be taxed in the listed country at the country’s normal company tax rate;

then subsection (1) does not apply in relation to the dividend;

(d) in any other case—the only application that subsection (1) has in relation to the dividend is in respect of the remainder of the dividend as if it were an entire dividend.”;

**(b)** by inserting after subsection (6) the following subsection:

“(6a) Where:

(a) either:

(i) the dividend referred to in subsection (3) (in this subsection called a **‘dividend amount’**);or

(ii) any amount (in this subsection also called a **‘dividend amount’**) that would, as a result of the payment of the dividend referred to in subsection (4) or (5), be included in the tax base of the CFC or CFT, or of any partnership or trust, referred to in paragraph (4) (b) or (5) (b), in respect of the holding of any interest or present entitlement referred to in that paragraph;

is not taxed in a listed country at the country’s normal company tax rate because the whole or part of the dividend amount represents another amount (in this subsection called the **‘accruals-taxed amount’**)in respect of which foreign tax is payable under an accruals tax law of the listed country; and

(b) the accruals-taxed amount is, under the accruals tax law, taxed in the listed country at the country’s normal company tax rate;

the following provisions have effect:

(c) if:

(i) the whole of the dividend amount represents the accruals-taxed amount; or

(ii) part of the dividend amount represents the accruals-taxed amount and, on the assumption that section 325 applied to the remainder of the dividend amount as if it were an entire dividend amount, the remainder of the dividend amount would be taxed in the listed country at the country’s normal company tax rate;

then subsection (3), (4) or (5), as the case may be, does not apply in relation to the dividend referred to in that subsection;

(d) in any other case—the only application that subsection (3), (4) or (5), as the case may be, has in relation to the dividend referred to in that subsection is in respect of a

proportion of the dividend (as if it were an entire dividend) calculated using the formula:



where:

**‘Remainder’** means the remainder of the dividend amount;

**‘Dividend amount’** means the dividend amount;

**‘Dividend’** means the amount of the dividend.”.

**79.** After section 462 of the Principal Act the following section is inserted:

**Keeping of records**—**section 457**

“462a. Subject to this Division, where:

1. subsection 457 (1) applies to a change of residence of a CFC; and
2. at the residence-change time referred to in that subsection, a person is an attributable taxpayer in relation to the CFC;

the person must keep records (in Australia or elsewhere) containing particulars of:

1. the acts, transactions and other circumstances that resulted in the person being an attributable taxpayer in relation to the CFC at that time; and
2. the basis of the calculation of:

(i) the direct attribution interest; and

(ii) the aggregate of the indirect attribution interests;

in the CFC held by the person at that time; and

1. the basis of the calculation of the attribution percentage of the person in relation to the CFC at that time; and
2. the basis of the calculation of the amount (including a nil amount) included in the assessable income of the person under section 457 in relation to the change of residence concerned.”.

**80.** After section 464 of the Principal Act the following section is inserted:

**Keeping of records**—**section 459a**

“464a. Subject to this Division, where:

1. subsection 459a (1) applies in relation to an amount (in this section called the **‘trigger amount’**)included in the assessable income of an Australian partnership or of an Australian trust as mentioned in paragraph 459a (1) (a); and
2. at the time referred to in whichever subparagraph of paragraph

459a (l) (c) is applicable, a person is an attributable taxpayer in relation to the CFC or the CFT mentioned in that paragraph;

the person must keep records (in Australia or elsewhere) containing particulars of:

1. the acts, transactions and other circumstances that resulted in the person being an attributable taxpayer in relation to the CFC or the CFT at that time; and
2. the basis of the calculation of:

(i) the direct attribution interest; and

(ii) the aggregate of the indirect attribution interests;

in the CFC or the CFT held by the person at that time; and

(e) the basis of the calculation of the attribution percentage of the person in relation to the CFC or the CFT at that time; and

(f) the basis of the calculation of the amount (including a nil amount) that, apart from subsection 459a (2), would be included in the assessable income of the person under subsection 459a (1) in relation to the trigger amount.”.

**Offence of failing to keep records**

**81. (1)** Section 465 of the Principal Act is amended by inserting “462a,” after “462,”.

**(2)** Section 465 of the Principal Act is amended by omitting “or 464” and substituting “, 464 or 464a”.

**Circumstances where records not required to be kept—reasonable excuse etc.**

**82. (1)** Section 467 of the Principal Act is amended by inserting in paragraphs (a) and (b) “or 462a” after “462”.

**(2)** Section 467 of the Principal Act is amended:

1. by omitting from paragraphs (a) and (b) “or subsection” and substituting “, subsection”;
2. by inserting in paragraphs (a) and (b) “or section 464a” after “(2) or (3)”.

**Application of amendments**

**83. (1)** In this section:

**“amended Act”** means the Principal Act as amended by this Act.

1. The amendments made by sections 16, 17, 20, 32, 35, 46, 47, 48, 49, 57, 58, 62, 63, 66 and 73 apply in relation to payments made on or after 1 July 1991.
2. The amendments made by sections 18, 19 and 51 apply in relation to income derived on or after 1 July 1990.
3. The amendments made by section 25 apply in relation to ‘‘agreements of the kind known as securities lending arrangements that

are entered into on or after the date of commencement of this subsection.

1. The amendments made by section 28 apply in relation to dividends paid after 18 April 1991.
2. The amendment made by section 30 applies to expenditure incurred after 21 August 1990.
3. Subparagraph 78 (1) (a) (xxiv) of the amended Act applies to gifts made on or after 13 July 1989.
4. The amendments made by paragraphs 33 (b), (e) and (f) apply to assessments in respect of income of the 1985-86 year of income and of all subsequent years of income.
5. Even though an amendment of the *Income Tax Assessment Act 1936* has been made under paragraph 33 (c) or (d), if a particular assessment would be affected by the amendment, the amendment is to be disregarded in making the assessment.
6. The amendments made by sections 41, 42, 43 and 44 apply to assessments in respect of income of the 1987-88 year of income and of all subsequent years of income.
7. Section 159gzlb of the amended Act applies to assessments in respect of income of the 1991-92 year of income and of all subsequent years of income.
8. The amendment made by subsection 52 (1) applies to a dividend paid by a company during the 1991-92 year of income of the company or during a subsequent year of income.
9. The amendments made by section 53 apply to dividends where the dividend closing time is on or after:
10. if the date of commencement of this subsection is before 1 August 1991—1 August 1991; or
11. if the date of commencement of this subsection is on or after 1 August 1991—the first day of the month next following the month in which the date of commencement of this subsection occurs.
12. The amendments made by sections 56 and 65 apply in relation to the year of income ending on 30 June 1990 or a subsequent year of income.
13. Subsections 202d (6) and (7), section 202ddb and subsection 202dg (4) of the amended Act apply to the quotation of tax file numbers on or after 1 July 1990.
14. The amendment made by section 76 applies in relation to the calculation of attributable income of any eligible period beginning on or after 1 July 1990.

**(17)** Section 458 of the amended Act has the same application as section 458 of the Principal Act was given when it was inserted by the *Taxation Laws Amendment (Foreign Income) Act 1990.*

**Amendment of assessments**

**84. (1)** Section 170 of the Principal Act does not prevent the amendment of an assessment made before the commencement of this section for the purpose of giving effect to this Act.

**(2)** Section 74 of the *Fringe Benefits Tax Assessment Act 1986* does not prevent the amendment of an assessment made before the commencement of this section for the purpose of giving effect to the amendments of sections 23af and 23ag of the Principal Act made by this Act.

**PART 4—AMENDMENT OF THE INCOME TAX RATES ACT 1986**

**Principal Act**

**85.** In this Part, **“Principal Act”** means the *Income Tax Rates Act 1986*3.

**Interpretation**

**86.** Section 3 of the Principal Act is amended by omitting “*1947*” from paragraph (c) of the definition of “prescribed non-resident” in subsection (1) and substituting “*1991*”.

**Interpretation**

**87.** Section 16 of the Principal Act is amended by omitting paragraph (c) of the definition of “eligible pensioner” in subsection (1) and substituting the following paragraph:

“(c) a provision of the *Social Security Act 1991* other than Part 2.11, 2.12 or 2.14 of that Act;”.

**Application of amendments**

**88.** The amendments made by this Part apply in relation to payments made on or after 1 July 1991.

**PART 5—AMENDMENT OF THE MEDICARE LEVY ACT 1986**

**Principal Act**

**89.** In this Part, **“Principal Act”** means the *Medicare Levy Act 1986*4*.*

**Amount of levy—person who has spouse or dependants**

**90.** Section 8 of the Principal Act is amended by omitting from subsection (6) “Part X of the *Social Security Act 1947*”and substituting “Part 2.17 of the *Social Security Act 1991*”*.*

**Application of amendments**

**91.** The amendments made by this Part apply in relation to payments made on or after 1 July 1991.

**PART 6—AMENDMENT OF THE TAXATION ADMINISTRATION ACT 1953**

**Principal Act**

**92.** In this Part, **“Principal Act”** means the *Taxation Administration Act 1953*5*.*

**Interpretation**

**93.** Section 2 of the Principal Act is amended:

**(a)** by inserting after paragraph (d) of the definition of “head” the following paragraphs:

“(daa) in the case of the Australian Bureau of Criminal Intelligence—the Director of the Bureau;

(dab) in the case of the Independent Commission Against Corruption—the Commissioner of the Commission;

(dac) in the case of the New South Wales Crimes Commission—the Chairperson of the Commission;”;

**(b)** by inserting after paragraph (d) of the definition of “law enforcement agency” the following paragraphs:

“(daa) the Australian Bureau of Criminal Intelligence established by an agreement made on 6 February 1981 between the Commonwealth, the 6 States and the Northern Territory;

(dab) the Independent Commission Against Corruption established by the Independent Commission Against Corruption Act 1988 of New South Wales;

(dac) the New South Wales Crimes Commission;”.

**SCHEDULE 1** Section 10

AMENDMENTS OF THE FRINGE BENEFITS TAX ASSESSMENT

ACT 1986 CONSEQUENTIAL ON THE REPEAL OF SECTIONS

65b AND 65c OF THAT ACT

1. The following provisions of the Principal Act are amended by omitting “sections 62, 65b and 65c” (wherever occurring) and substituting “section 62”:

Sections 61a, 61c, 61d, 63 and 65a.

2. The following provisions of the Principal Act are amended by omitting “and sections 65b and 65c”:

Sections 61b, 61e and 61f.

**SCHEDULE** 2 Section 11

CONSEQUENTIAL AMENDMENTS OF THE FRINGE BENEFITS

TAX ASSESSMENT ACT 1986 RELATING TO THE COCOS

(KEELING) ISLANDS

1. The following provisions of the Principal Act are amended by omitting “section 62” (wherever occurring) and substituting “sections 62 and 65caa”:

Sections 61a, 61c, 61d, 63 and 65a.

2. The following provisions of the Principal Act are amended by omitting “but for this section” and substituting “but for this section and section 65caa”:

Sections 61b, 61e and 61f.

**NOTES**

1. No. 39, 1986, as amended. For previous amendments, see Nos. 48 and 112, 1986; Nos. 23 and 145, 1987; No. 139, 1987 (as amended by Nos. 11 and 78, 1988); Nos. 6, 78, 95, 97 and 153, 1988; Nos. 2, 11, 97 and 107, 1989; Nos. 58, 60 and 135, 1990; and No. 48, 1991.

2. No. 27, 1936, as amended. For previous amendments, see No. 88, 1936; No. 5, 1937; No. 46, 1938; No. 30, 1939; Nos. 17 and 65, 1940; Nos. 58 and 69, 1941; Nos. 22 and 50, 1942; No. 10, 1943; Nos. 3 and 28, 1944; Nos. 4 and 37, 1945; No. 6, 1946; Nos. 11 and 63, 1947; No. 44, 1948; No. 66, 1949; No. 48, 1950; No. 44, 1951; Nos. 4, 28 and 90, 1952; Nos. 1, 28, 45 and 81, 1953; No. 43, 1954; Nos. 18 and 62, 1955; Nos. 25, 30 and 101, 1956; Nos. 39 and 65, 1957; No. 55, 1958; Nos. 12, 70 and 85, 1959; Nos. 17, 18, 58 and 108, 1960; Nos. 17, 27 and 94, 1961; Nos. 39 and 98, 1962; Nos. 34 and 69, 1963; Nos. 46, 68, 110 and 115, 1964; Nos. 33, 103 and 143, 1965; Nos. 50 and 83,

**NOTES—**continued

1966; Nos. 19, 38, 76 and 85, 1967; Nos. 4, 70, 87 and 148, 1968; Nos. 18, 93 and 101, 1969; No. 87, 1970; Nos. 6, 54 and 93, 1971; Nos. 5, 46, 47, 65 and 85, 1972; Nos. 51, 52, 53, 164 and 165, 1973; No. 216, 1973 (as amended by No. 20, 1974); Nos. 26 and 126, 1974; Nos. 80 and 117, 1975; Nos. 50, 53, 56, 98, 143, 165 and 205, 1976; Nos. 57, 126 and 127, 1977; Nos. 36, 57, 87, 90, 123, 171 and 172, 1978; Nos. 12, 19, 27, 43, 62, 146, 147 and 149, 1979; Nos. 19, 24, 57, 58, 124, 133, 134 and 159, 1980; Nos. 61, 92, 108, 109, 110, 111, 154 and 175, 1981; Nos. 29, 38, 39, 76, 80, 106 and 123, 1982; Nos. 14, 25, 39, 49, 51, 54 and 103, 1983; Nos. 14, 42, 47, 63, 76, 115, 124, 165 and 174, 1984; No. 123, 1984 (as amended by No. 65, 1985); Nos. 47, 49, 104, 123, 168 and 174, 1985; No. 173, 1985 (as amended by No. 49, 1986); Nos. 41, 46, 48, 51, 109, 112 and 154, 1986; No. 49, 1986 (as amended by No. 141, 1987); No. 52, 1986 (as amended by No. 141, 1987); No. 90, 1986 (as amended by No. 141, 1987); Nos. 23, 58, 61, 120, 145 and 163, 1987; No. 62, 1987 (as amended by No. 108, 1987); No. 108, 1987 (as amended by No. 138, 1987); No. 138, 1987 (as amended by No. 11, 1988); No. 139, 1987 (as amended by Nos. 11 and 78, 1988); Nos. 8, 11, 59, 75, 78, 80, 87, 95, 97, 127 and 153, 1988; Nos. 2, 11, 56, 70, 73, 105, 107, 129, 163 and 167, 1989; No. 97, 1989 (as amended by No. 105, 1989); Nos. 20, 35, 45, 57, 58, 60, 61, 87, 119 and 135, 1990; and Nos. 4, 5, 6, 48 and 55, 1991.

3. No. 107, 1986, as amended. For previous amendments, see Nos. 60 and 138, 1987; and Nos. 11, 78 and 118, 1988; Nos. 98 and 106, 1989; No. 87, 1990; and No. 48, 1991.

4. No. 110, 1986, as amended. For previous amendments, see No. 110, 1987; No. 93, 1988; No. 137, 1989; and Nos. 86 and 135, 1990.

5. No. 1, 1953, as amended. For previous amendments, see Nos. 28, 39, 40 and 52, 1953; No. 18, 1955; No. 39, 1957; No. 95, 1959; No. 17, 1960; No. 75, 1964; No. 155, 1965; No. 93, 1966; No. 120, 1968; No. 216, 1973; No. 133, 1974; No. 37, 1976; Nos. 19 and 59, 1979; Nos. 39 and 117, 1983; No. 123, 1984; No. 65, 1985 (as amended by No. 193, 1985); Nos. 4, 47, 104, 123 and 168, 1985; Nos. 41, 46, 48, 112, 144 and 154, 1986; No. 49, 1986 (as amended by No. 141, 1987); Nos. 120 and 145, 1987; No. 62, 1987 (as amended by No. 108, 1987); No. 108, 1987 (as amended by No. 138, 1987); No. 138, 1987 (as amended by No. 11, 1988); Nos. 95 and 97, 1988; Nos. 97, 105, 107, 124, 163 and 167, 1989; Nos. 20, 60, 61, 110, 119 and 136, 1990; and Nos. 5, 6 and 48, 1991.

[*Minister’s second reading speech made in*—

*House of Representatives on 18 April 1991*

*Senate on 16 May 1991*]