



Income Tax Rates Amendment Act (No. 1) 1997

No. 124, 1997



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**An Act to amend the *Income Tax Rates Act 1986*,
and for related purposes**

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**An Act to amend the *Income Tax Rates Act 1986*,
and for related purposes**

[Assented to 15 September 1997]

The Parliament of Australia enacts:

1 Short title

This Act may be cited as the *Income Tax Rates Amendment Act (No. 1) 1997*.

2 Commencement

This Act commences on the day on which it receives the Royal Assent.

3 Schedule(s)

Each Act that is specified in a Schedule to this Act is amended or repealed as set out in the applicable items in the Schedule concerned, and any other item in a Schedule to this Act has effect according to its terms.

Schedule 1—Family tax initiative

Income Tax Rates Act 1986

1 Paragraph 12(7)(a) (definition of *B*)

After “subsection (3)”, insert “, Division 5 of Part II”.

2 Paragraph 12(8)(a) (definition of *B*)

After “subsection (3)”, insert “, Division 5 of Part II”.

3 Subsection 20F(1)

Repeal the subsection, substitute:

(1) If:

- (a) the taxable income of a year of income of a taxpayer to whom section 20C or 20D applies, or would apart from section 20E apply, consists of or includes a special income component; and
- (b) the rate of tax for every \$1 of the taxable income, as worked out under clause 2 or 3 of Part I of Schedule 7, clause 2 of Part I of Schedule 9 or clause 3 of Part I of Schedule 11, as the case may be, and apart from sections 20C, 20D and 20E, exceeds the section 20F rate adjustment;

then:

- (c) sections 20C, 20D and 20E do not apply; and
- (d) the rate referred to in paragraph (b) is reduced by the section 20F rate adjustment.

(1A) If:

- (a) the taxable income of a year of income of a taxpayer to whom section 20C or 20D applies, or would apart from section 20E apply, consists of or includes a special income component; and
- (b) the rate of tax for every \$1 of the taxable income, as worked out under clause 2 or 3 of Part I of Schedule 7, clause 2 of Part I of Schedule 9 or clause 3 of Part I of Schedule 11, as the case may be, and apart from sections 20C, 20D and 20E, does not exceed the section 20F rate adjustment;

then:

- (c) sections 20C, 20D and 20E do not apply; and
- (d) the rate referred to in paragraph (b) is reduced to nil.

4 Subsection 20F(2)

Omit all the words after paragraph (d), substitute:

- and (e) the rate of tax for every \$1 of the taxable income, as worked out under clause 3 of Part I of Schedule 12 and apart from sections 20C, 20D and 20E, exceeds the section 20F rate adjustment;

then:

- (f) sections 20C, 20D and 20E do not apply; and
- (g) the rate referred to in paragraph (e) is reduced by the section 20F rate adjustment.

5 After subsection 20F(2)

Insert:

(2A) If:

- (a) a trustee of a trust estate is liable to be assessed and to pay tax under section 98 of the Assessment Act in respect of a share of a resident beneficiary of the net income of the trust estate of a year of income; and
- (b) Division 6AA of Part III of that Act applies to a part of that share; and
- (c) that share consists of or includes a capital gains component; and
- (d) section 20C or 20D applies, or would apart from section 20E apply, to the beneficiary; and
- (e) the rate of tax for every \$1 of the taxable income, as worked out under clause 3 of Part I of Schedule 12 and apart from sections 20C, 20D and 20E, does not exceed the section 20F rate adjustment;

then:

- (f) sections 20C, 20D and 20E do not apply; and
- (g) the rate referred to in paragraph (e) is reduced to nil.

6 Subsection 20F(3)

Insert:

section 20F rate adjustment means:

- (a) for the purposes of subsections (1) and (1A)—the rate worked out using the formula:

$$\frac{\text{Tax - free threshold increase}}{\text{Taxable income}} \times \text{Lowest marginal rate of tax}$$

- (b) for the purposes of subsections (2) and (2A)—the rate worked out using the formula:

$$\frac{\text{Tax - free threshold increase}}{\text{Share of net income}} \times \text{Lowest marginal rate of tax}$$

7 Paragraphs 20G(1)(c), (2)(c), (3)(e) and (4)(e)

Omit “\$5,400”, substitute “the tax-free threshold”

8 After subsection 20G(2)

Insert:

- (2A) If a taxpayer to whom subsection 20F(1A) applies in respect of a year of income is liable to pay complementary tax under subsection 156(4A) of the Assessment Act in respect of the whole or a part of the taxable income of the year of income, the rate of complementary tax, as determined under subsection 12(3), is reduced by the rate worked out using the formula:

$$\frac{\text{Taxable income}}{\text{Deemed taxable income from primary production}} \times \text{Balance of section 20F rate adjustment}$$

9 After subsection 20G(4)

Insert:

(4A) If:

- (a) a trustee of a trust estate is liable to be assessed and to pay tax under subsection 98(1) or (2) of the Assessment Act in respect of a beneficiary’s share of the net income of a trust estate of the year of income; and

- (b) subsection 20F(2A) applies in respect of that share; and
 - (c) the trustee is liable to pay complementary tax under subsection 156(5A) of that Act in respect of the share;
- the rate of complementary tax, as determined under subsection 12(4), is reduced by the rate worked out using the formula:

$$\frac{\text{Share of net income}}{\text{Deemed taxable income from primary production}} \times \text{Balance of section 20F rate adjustment}$$

10 Subsection 20G(5) (formula in the definition of *adjusted tax-free threshold*)

Repeal the formula, substitute:

$$\text{Tax - free threshold} + \text{Tax - free threshold increase}$$

11 Subsection 20G(5)

Insert:

balance of section 20F rate adjustment, in relation to a taxpayer to whom subsection 20F(1A) or (2A) applies, means the rate obtained by subtracting:

- (a) the rate of tax for every \$1 of the taxable income, as worked out under clause 2 or 3 of Part I of Schedule 7, clause 2 of Part I of Schedule 9 or clause 3 of Part I of Schedule 11, as the case may be, and apart from sections 20C, 20D and 20E; from:
- (b) the section 20F rate adjustment.

12 Subsection 20G(5)

Insert:

section 20F rate adjustment, in relation to a taxpayer to whom subsection 20F(1A) or (2A) applies, has the same meaning as in whichever of those subsections applies to the taxpayer.

13 Subsection 20G(5)

Insert:

tax-free threshold means:

- (a) \$5,400; or
- (b) if Division 4 applies to the taxpayer in respect of the year of income—the amount calculated under whichever of subsection 20(1) or 20(2) applies to the taxpayer.

14 Application

The amendments made by this Schedule apply in relation to the 1996-97 year of income and to all later years of income.

Schedule 2—Technical amendments

Income Tax Rates Act 1986

1 Section 20B (definition of *lowest marginal rate of tax*)

Omit “Part 1”, substitute “Part I”.

2 Section 20C

Omit “Part 1” (wherever occurring), substitute “Part I”.

3 Section 20D

Omit “Part 1” (wherever occurring), substitute “Part I”.

4 Section 20E

Omit “Part 1” (wherever occurring), substitute “Part I”.

5 Section 20F

Omit “Part 1” (wherever occurring), substitute “Part I”.

6 Subsection 20G(5) (definition of *tax-free threshold increase*)

Omit “Part 1”, substitute “Part I”.

7 Section 20H

Omit “Part 1” (wherever occurring), substitute “Part I”.

8 Subsection 20J(1)

Omit “Part 1” (wherever occurring), substitute “Part I”.

9 Subsection 20U(1)

Omit “Part 1” (wherever occurring), substitute “Part I”.

10 Application

The amendments made by this Schedule apply in relation to the 1996-97 year of income and to all later years of income.

*[Minister's second reading speech made in—
House of Representatives on 26 March 1997
Senate on 23 June 1997]*

(45/97)