

EXPLANATORY STATEMENT
STATUTORY RULES 1987 NO 182

Issued by the Authority of the Minister for Primary Industries and Energy.

WHEAT TAX ACT 1957
WHEAT TAX REGULATIONS (AMENDMENT)

Section 4 of the Wheat Tax Act 1957 (the Act) imposes a tax on wheat delivered to the Australian Wheat Board (AWB).

The Wheat Tax Act 1979 and the Wheat Tax (Permit) Act 1984 provide that the rate of tax in force from time to time under the Act shall apply respectively to wheat sold by the AWB, but which has not been delivered to it, and to wheat sold for stockfeed purposes under a permit issued by the AWB.

Section 9 of the Act provides that the Governor-General may make regulations for the purpose of Section 5 of the Act, which provides that the rate of tax shall not exceed \$1.10 per tonne. Subsection 5(2) provides that regulations prescribing a rate of tax shall not be made except after consideration by the Governor-General of a report made to the Minister for Primary Industries and Energy by the Australian Wheatgrowers' Federation, now the Grains Council of Australia (GCA). (Amending legislation will go forward effecting this change in the Budget session).

The currently prescribed rate of tax operative since 1 September 1986 is 40 cents per tonne. The GCA has presented a submission to the Minister requesting that the rate of tax be increased by 5 cents to 45 cents per tonne for the 1987/88 season.

The submission identifies three main reasons for increasing the wheat research tax. First, to maintain the competitiveness of Australian wheat on the world market; second, to maintain the real value of the research effort; and finally, to enable wheat research funding bodies to develop and maintain adequate financial reserves so as to maintain and not impinge on new or continuing research activities.

The industry's request to increase the tax accords with the Government's objective of encouraging rural industries to increase their contribution for research to 0.5% of the industry's GVP by 1990. The increase in the prescribed rate of tax represents an increase from 0.23% to 0.25% of the industry's estimated GVP for 1987/88.

The proposed regulations to increase the rate of tax to 45 cents per tonne are to apply from 1 October 1987.

Section 7 of the Rural Industries Research Act 1985 provides that wheat tax monies are held in the Wheat Research Trust Fund and are used to finance wheat industry research approved by the Wheat Research Committees in each mainland State.

The Commonwealth Government contributes matching amounts to cover research expenditure recommended by the Wheat Research Council and approved by the Minister. In any one financial year the Commonwealth contribution is limited to 0.5% of the gross value of wheat production (GVP). Estimated Commonwealth expenditure for 1987/88 is \$7.7 million. Increased matching government expenditure in 1988/89 resulting from the proposed increased levy will be considered in the budget context.

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