

Wool Tax (Nos 1-5) Relations (Amendment) 1994 No. 229

EXPLANATORY STATEMENT

STATUTORY RULES 1994 No. 229

ISSUED BY THE AUTHORITY OF THE ASSISTANT TREASURER

Wool Tax Acts (Nos 1-5) 1964

Wool Tax (Nos 1-5) Relations (Amendment)

These regulations set the rate of wool tax for the financial year 1 July 1994 to 30 June 1995. The rate for shorn wool other than carpet wool will be 8.5% and the rate for carpet wool will be 4%.

The regulations are made under the Wool Tax Acts (Nos. 1-5) 1964 (the Acts), which impose wool tax on the sale value of shorn wool produced in Australia. Each Act imposes the tax on a particular dealing with wool. Broadly speaking, the dealings are sale by a wool broker, purchase by a wool dealer, purchase by a manufacturer, subjecting the wool to a process of manufacture and export. The need for five separate Acts arises from the Constitutional requirement that laws imposing taxes should deal with one subject of taxation only.

Section 6 of each Act gives the Governor-General the power to make regulations. In particular, the Governor-General may make regulations which, within certain limitations, prescribe the rate of tax. The maximum rate which can be prescribed for shorn wool other than carpet wool is 15% of the sale value of the wool, and the maximum rate for carpet wool is 6% of the sale value of the wool. Neither rate can be less than 2.75%. Moreover, regulations can only prescribe rates of tax for a single financial year. Thus it is necessary to make regulations to prescribe wool tax rates every year, even if the rates are not being changed from the previous year.

In addition, before making regulations prescribing a rate of wool tax, the Governor-General is required, under subsection 6(5) of each Act, to consider certain matters. In the case of shorn wool other than carpet wool, these matters are:

- the percentage fixed by subsection 43 (2) of the *Wool International Act* 1993 (which is 4.5%); and
- the current recommendations applying to the financial year for the purposes of sections 49 and 50 of the *Australian Wool Research and Promotion Organisation Act* 1993 (AWRAP Act).

In the case of carpet wool, the relevant matters are the current recommendations applying to the financial year for the purposes of sections 49 and 50 of the AWRAP Act.

The "current recommendations" for the financial year commencing 1 July 1994 are the recommendations from the financial year commencing on 1 July 1993. The AWRAP Act allows the recommendations of an earlier year to be adopted as current recommendations, if there would otherwise be no current recommendations. The recommendations of an earlier year can be used as current recommendations, even if, as in this case, they were made under legislation which has been amended or repealed.

The making of recommendations specifically for the financial year commencing 1 July 1994 would have required a grower ballot, and no ballot has been held. It was not thought to be necessary since neither the industry nor the Government wished to change the rates.

With respect to shorn wool other than carpet wool, the rate recommended by the current recommendations is therefore 8.5%, and with respect to carpet wool, the recommended rate is 4%.

These recommendations also repeal earlier Wool Tax (Nos. 1-5) Regulations, Statutory Rules 1980 Nos. 168 - 172. The 1980 Regulations no longer have any effect; however, their continued existence causes confusion because they have the same name as the regulations which are currently being amended.

Details of the proposed amendments to the Regulations are as follows:

Regulation 1 - provides that these regulations will commence on 1 July 1994.

Regulation 2 - provides for the amendment of the Regulations.

Regulation 3 - amends subregulations 3(1) and 3(2) of Wool Tax (Nos. 1-5) Regulations, the subregulations which actually prescribe the rates of wool tax. Subregulation 3(1) sets the rate of tax for shorn wool other than carpet wool at 8.5% and subregulation 3(2) sets the rate for carpet wool at 4%. This regulation provides that subregulations 3(1) and 3(2) will apply for the financial year commencing on 1 July 1994.

Regulation 4 - repeals former Wool Tax (Nos. 1-5) Regulations.

There are five separate Regulations, because there are separate regulations for each of the Wool Tax Acts (Nos. 1-5).