

Income Tax Amendment Regulations 2001 (No. 1) 2001 No. 81

EXPLANATORY STATEMENT

STATUTORY RULES 2001 No. 81

Issued by authority of the Assistant Treasurer

Income Tax Assessment Act 1936

Income Tax Amendment Regulations 2001 (No. 1)

The Governor-General may make regulations under section 266 of the *Income Tax Assessment Act 1936* (the Act) for the purposes of the Act.

The purpose of these regulations is to provide for a change in the method of calculating the tax rebate for pensioners and low income aged persons under the *Income Tax Regulations 1936* (the regulations). Pensioners and self-funded retirees will now be able to earn significantly more income before paying tax.

Division 17, Subdivision B of the Act provides the pensioners and low income aged persons rebates. The calculation of the pensioner rebate is determined under Regulation 151 and the low income aged persons rebate is calculated under Regulation 150AD.

The amount of the pensioner rebate is determined by reference to the definition of *taxpayer's rebate amount* in subregulation 151(2), which has the meaning given by subregulation (3) and (3A). The amount of the low income aged persons rebate is determined by reference to the term *rebate amount*, which is defined in subregulation 150AB(1), as having the meaning given by subregulation (2) and (2A).

The Government amends the regulations so that the taxpayer's rebate amount is increased by \$415 for single pensioners and low income aged persons treated as single. For taxpayers receiving an illness-separated-rate pension and low income aged persons treated as separated due to illness, the Government amends the regulations so that the taxpayer's rebate amount is increased by \$331. For taxpayers receiving a partnered-rate pension and low income aged persons treated as partnered couples, the Government amends the regulations so that taxpayer's rebate amount is increased by \$304. The difference between the partnered rate and the illness-separated rate is due to differing pension levels.

The new rebate amounts will mean that single pensioners and low income aged persons who are treated as single can now have a taxable income (including pension) of \$15,459 before incurring a tax liability. This compares to \$12,190 in 1999-2000. A partnered couple can have a combined taxable income (including pension) of \$25,590 before incurring a tax liability. This compares to \$20,600 in 1999-2000.

The regulations commence on gazettal and apply to the 2000-2001 and later years of income. As the regulations apply to the 2000-2001 year of income they have a retrospective effect. However, the changes will benefit pensioners and low income aged persons and will not impose any retrospective liability. Therefore, the regulations will not contravene subsection 48(2) of the *Acts Interpretation Act 1901*.

Details of the Regulations are as follows:

Regulation 1: Names the Regulations.

Regulation 2: Provides that the regulations commence on gazettal.

Regulation 3: Provides that Schedule 1 amends the *Income Tax Regulations 1936*.

Schedule 1: This changes the method of calculating the rebate for pensioners and low income aged persons. This schedule also inserts subregulations 151(3A)(aa) and 150AB(2A)(aa) into the Regulations.

Items 1, 2 and 3 - Low income aged persons rebate

Regulation 150AB(2A) increases the *rebate amount* for the income year ending on 30 June 2001 and all later years of income as follows:

- for taxpayers treated as single the additional rebate amount will now be \$415 subregulation 150AB(2A)(a).

- for taxpayers treated as couples separated due to illness the additional rebate amount will now be \$331 - subregulation 150AB(2A)(aa).

- for taxpayers treated as partnered couples the additional rebate amount will now be \$304 - subregulation 150AB(2A)(b).

Items 4, 5 and 6 - Pensioner Rebate

Regulation 151(3A) increases the *taxpayer's rebate amount* for the income year ending on 30 June 2001 and all later years of income as follows:

for taxpayers receiving a single-rate pension the additional rebate amount will now be \$415 - subregulation 151(3A)(a).

- for taxpayers receiving an illness-separated-rate pension the additional rebate amount will now be \$331 - subregulation 151(3A)(aa).

- for taxpayers receiving a partnered-rate pension the additional rebate amount will now be \$304 - subregulation 151(3A)(b).