

EXPLANATORY STATEMENT

Issued by authority of the Treasurer

Minerals Resource Rent Tax Repeal and Other Measures Act 2014

Proclamation

Item 2 of the table in subsection 2(1) of the *Minerals Resource Rent Tax Repeal and Other Measures Act 2014* (the Act) provides that Schedule 1 to 5 to the Act commence on the earlier of a day or days to be fixed by proclamation or the day 12 months after the day the Act received the Royal Assent. The Act received Royal Assent on 5 September 2014.

The Proclamation fixes 30 September 2014 as the day on which Schedules 1 to 5 to the Act commence.

The Act repeals the Minerals Resource Rent Tax (MRRT) and abolishes or amends a number of related tax and spending measures.

Schedule 1 to the Act repeals the MRRT with effect from the date fixed by proclamation – 30 September 2014. It includes transitional rules to ensure that for all taxpayers, the MRRT year ends on this day and to adjust various thresholds and other rules where this would result in a taxpayer having a short final MRRT year.

Schedule 2 to the Act repeals the loss carry-back measure for income tax. Under the loss carry-back arrangements in the *Income Tax Assessment Act 1997* (ITAA 1997), companies were able to utilise their loss for the current income year to reduce their income in prior years to obtain a refund of the tax they had previously paid in relation to that prior year. The repeal of the loss carry-back measure has effect from the start of the income year before the income year in which Schedule 2 commences. As this Schedule commences on 30 September 2014, the repeal applies from the start of the 2013-14 income year for taxpayers, other than certain taxpayers with a late balancing substituted accounting period (that is, taxpayers whose income years end after 30 June).

Schedules 3 and 4 to the Act amend the capital allowance concessions for small businesses in the ITAA 1997. As a result of these amendments, the threshold for small businesses to immediately deduct their capital expenditure will be reduced to \$1,000 and they will no longer be able to claim concessional deductions for the purchase of motor vehicles. These amendments apply from 1 January of the income year before the income year in which Schedules 3 and 4 commence. As these Schedules commence on 30 September 2014, the amendments apply from 1 January 2014 for taxpayers other than certain taxpayers with a late balancing substituted accounting period.

Schedule 5 to the Act repeals special deductions for expenditure incurred in relation to geothermal energy exploration and prospecting. This repeal has effect from the start of the income year in which Schedule 5 commences. As this Schedule commences on 30 September 2014, the repeal applies from the start of the 2014-15 income year for taxpayers other than certain taxpayers with a late balancing substituted accounting period.

The start dates give effect to the Government's intention to abolish the MRRT and related measures as soon as is practicable. They provide taxpayers with certainty about the date of effect of the repeals and amendments and eliminate the effects of the tax.

The Proclamation is a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.