



## REPORT ON THE INQUIRY INTO THE FLOOD LEVY BILLS

The House Economics Committee has tabled its report on the *Income Tax Rates Amendment (Temporary Flood Reconstruction Levy) Bill 2011*; and the *Tax Laws Amendment (Temporary Flood Reconstruction Levy) Bill 2011*.

The explanatory memorandum states that the bills will 'introduce a one-year progressive flood reconstruction levy in the form of additional income tax on Australian resident and foreign resident individuals in the 2011-12 financial year. These changes will ensure that those with a greater capacity to pay make a larger contribution to the rebuilding of disaster affected regions of Australia through revenue raised by the levy.' The proposed levy will raise \$1.8 billion.

The amount of levy payable is at the rate of 0.5 per cent on taxable income between \$50,001 and \$100,000, and 1.0 per cent on taxable income in excess of \$100,000. No levy is payable where the taxpayer has a taxable income of \$50,000 or less or where they fall into an exemption category.

The Chair of the committee, Craig Thomson, MP, said that the flood levy responds to some of the worst and most destructive floods in our nation's history. Vital infrastructure has been destroyed and needs rebuilding. This legislation through applying the levy will help this objective.

In January, the Government decided to fund \$1.8 billion of this work through a temporary flood reconstruction levy, which will apply on a one-off basis to individual taxpayers for 2011-12. The remainder of the work will be funded through spending cuts and deferring other infrastructure projects.

At the committee's hearing there was strong support for the reconstruction work, and this reflects community support for the recovery as well. While there was a range of views on whether borrowings, taxes, or spending cuts should be used to fund reconstruction, it was also put to the Committee that, in the context of total annual outlays of \$350 billion, any of these three funding methods would be suitable.

The markets were supportive of the proposed levy which is broadly seen as helping curb inflation and therefore assist in keeping interest rates under control.

**The Committee has therefore concluded that the House of Representatives should pass the Bills.**

The report is available on the Committee's website at:

<http://www.aph.gov.au/house/committee/economics/Floodlevy/report.htm>.

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