1. Purpose
This Bill provides the financial machinery required to operate the Income Equalisation Deposits (IED) Scheme announced in the 1976–77 Budget.

The Bill provides for the lodging of deposits by individual persons, trustees or companies with the Commissioner of Taxation (clause 27). Such deposits are to bear interest, initially at the rate of 5 per cent per annum (clause 4).

Moneys deposited are to be credited via the Loan Fund to the Income Equalisation Deposits Trust Account and withdrawals of deposits are to be repaid out of money in that Account (clause 8).

Deposits may not be withdrawn within 12 months of lodgement except on grounds of serious financial difficulties (clause 16). On death or bankruptcy, deposits will be immediately repayable (clause 20).

Drought bonds, for which tax deductions have not been claimed, may be converted to IEDs (clause 12).

Further details of the provisions of this Bill are documented in an Explanatory Memorandum (Pages 72–93) which also discusses three other Bills, of which the Income Tax Assessment Amendment Bill (No. 3) and the Loan (Drought Bonds) Amendment Bill are related to this one.

3. Related Legislation
Two other Bills are related to and will be debated in cognate with this Bill. First, the Income Tax Assessment Amendment Bill (No. 3) 1976, provides for changes in taxation legislation so that IEDs may be deducted from taxable income in the year of deposit and added to taxable income in the year of withdrawal.

Secondly, the Loan (Drought Bonds) Amendment Bill 1976 provides for the conversion into IEDs of deposits under the Loan (Drought Bonds) Act 1969.

4. Implications
This Bill, together with the two Bills mentioned above, provides for the introduction of an IED scheme to expand upon and ultimately replace the Drought Bond Scheme.

The existing tax averaging provisions for primary producers enable them partly to reduce the tax inequity they would otherwise suffer from the application of the progressive tax system to incomes which vary considerably from year to year. Although, however, the tax averaging provisions tend to reduce fluctuations in

Loan (Income Equalisation Deposits) Bill 1976 (Bills Digest 72, 1976-77)
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marginal tax rates and hence reduce the total tax burden over time, they tend to destabilise post-tax incomes.

The IED scheme will help to reduce further the tax inequity suffered by primary producers with fluctuating incomes and will also tend to stabilise taxable and hence post-tax incomes. The Drought Bond Scheme was more limited in its ability to achieve such objectives because it could only be redeemed at maturity or in times of hardship due to drought or other factors. IEDs will be redeemable at any time except within 12 months of deposit (this limitation may be dropped in special circumstances).

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