



Income Tax Rates Amendment (Temporary Flood Reconstruction Levy) Bill 2011

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Law and Bills Digest Section

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Income Tax Rates Amendment (Temporary Flood Reconstruction Levy) Bill 2011

Date introduced: 10 February 2011

House: House of Representatives

Portfolio: Treasury

Commencement: The formal provisions commence on Royal Assent. **Schedules 1 and 2** commence at the same time as Schedules 1 and 2 (respectively) to the *Tax Laws Amendment (Temporary Flood Reconstruction Levy) Act 2011* commence.

Links: The links to [the Bill, its Explanatory Memorandum and second reading speech](#) can be found on the Bills home page, or through <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at the ComLaw website, which is at <http://www.comlaw.gov.au/>.

Purpose

The Bill amends the *Income Tax Rates Act 1986* (the Income Tax Rates Act) to set the rate of extra income tax payable for the 2011–12 financial year at either 0.5 per cent (for the part of a taxpayer's taxable income that exceeds \$50 000 but does not exceed \$100 000) or 1 per cent (for the part of the taxpayer's taxable income that exceeds \$100 000).¹

The extra income tax (known more commonly as the 'temporary flood reconstruction levy') will only be payable if the Parliament passes the Tax Laws Amendment (Temporary Flood Reconstruction Levy) Bill 2011. That Bill was introduced at the same time as the Bill which is the subject of this Digest. Together, the two Bills are referred to as the 'flood levy Bills'.

Background

The reader is referred to the Bills Digest for the Tax Laws Amendment (Temporary Flood Reconstruction Levy) Bill 2011 for a detailed background to the flood levy Bills and a discussion of some of the relevant issues.

1. The current compilation of the Income Tax Rates Act is available at <http://www.comlaw.gov.au/Details/C2010C00555/Download> (viewed 15 February 2011).

Committee consideration

On 10 February 2011, the House of Representatives' Selection Committee referred the flood levy Bills to its Standing Committee on Economics (the Economics Committee).² The committee invited submissions from the public and also held a public hearing in Canberra on 16 February 2011. It reported to the House of Representatives on 21 February 2011.³ While the Coalition members of the Committee dissented from the report, the Committee recommended that the House of Representatives should pass the Bills. This Digest has been prepared in advance of the report.

Financial implications

According to the Explanatory Memorandum for the Bill, the levy will raise \$1.56 billion in 2011–12 and \$235 million in 2012–13, making a total of \$1.8 billion.⁴

A taxpayer with a taxable income of \$55 000 will pay a levy of \$0.48/week; a taxpayer with a taxable income of \$75 000 will pay a levy of \$2.40/week; a taxpayer with a taxable income of \$100 000 will pay a levy of \$4.81/week; and a taxpayer with a taxable income of \$150 000 will pay a levy of \$14.42/week.⁵

Key provisions

Item 1 of Schedule 1 to the Bill inserts **proposed section 12B** into the Income Tax Rates Act. It sets the rate of extra income payable under (proposed) section 4–10 of the *Income Tax (Transitional Provisions) Act 1997* for the 2011–12 financial year on the taxpayer's taxable income for the 2011–12 income year as follows:

- for the part of the taxable income that exceeds \$50 000 but is less than \$100 000: 0.5 per cent
- for the part of the taxable income that exceeds \$100 000: 1 per cent.

No extra income tax is payable where the taxpayer's taxable income for the 2011–12 income year is less than \$50 000.

2. Selection of Bills Committee, *Selection Committee Report No. 13*, 10 February 2011, p. 3, viewed 15 February 2011, http://www.aph.gov.au/house/committee/selc/reports/43rd_parliament/report_13.pdf Details of the inquiry are at <http://www.aph.gov.au/house/committee/economics/Floodlevy/index.htm>

3. House Standing Committee on Economics, 'Inquiry into the Income Tax Rates Amendment (Temporary Flood Reconstruction Levy) Bill 2011; and the Tax Laws Amendment (Temporary Flood Reconstruction Levy) Bill', report, 21 February 2011, viewed 23 January 2011, <http://www.aph.gov.au/house/committee/economics/Floodlevy/report.htm>

4. Explanatory Memorandum, Tax Laws Amendment (Temporary Flood Reconstruction Levy) Bill 2011, p. 3.

5. Treasury, 'Flood Levy Fact Sheet', website, 27 January 2011, viewed 15 February 2011, http://www.treasury.gov.au/documents/1949/PDF/Flood_Levy_Fact_Sheet.pdf

Schedule 2 to the Bill contains a sunset provision. It repeals section 12B of the Income Tax Rates Act (which is, as just mentioned, inserted by Schedule 1 to the current Bill). The amendment takes effect when Schedule 2 to the (proposed) *Tax Laws Amendment (Temporary Floods Reconstruction Levy) Act 2011* commences. Schedule 2 to that Act is due to commence on the later of either 1 July 2016 or the day when the current Bill receives Royal Assent.⁶ Assuming that the current Bill receives Royal Assent before 1 July 2016, section 12B of the Income Tax Rates Act will cease operation on 1 July 2016 (which allows the Government to assess and collect the extra income tax payable by taxpayers on their taxable income for the 2011–12 income year until that date).

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6. Schedule 2 to the proposed *Tax Laws Amendment (Temporary Flood Reconstruction Levy) Act 2011* does not commence at all if the proposed *Income Tax Rates Amendment (Temporary Flood Reconstruction Levy) Act 2011* does not receive Royal Assent.

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