

Supplementary Order Paper

HOUSE OF REPRESENTATIVES

Thursday, the 28th Day of August 1958

LAND AND INCOME TAX AMENDMENT (No. 2) BILL

AMENDMENTS proposed by His Excellency the Governor-General:

Clause 5: To omit from subsection (1) of the proposed new section 78A the word "assessable" in line 30, and substitute the word "taxable".

To add the following subsection to the proposed new section 78A:

"(3) For the purposes of subsection two of this section and of calculating the amount of the rebate to be allowed under subsection one of this section, the taxable income of a taxpayer to whom this section applies shall be deemed to be comprised of the following amounts and in the following order, namely:

"(a) Firstly, the amount of any interest on any stock to which section seventy-nine of this Act applies included in the assessable income, so far as the taxable income extends;

"(b) Secondly, the amount of the income from dividends (not being investment society dividends) included in the assessable income, so far as the taxable income extends after allowing for that interest; and

"(c) Thirdly, the amount of any income (other than that interest and that income from dividends) included in the assessable income, so far as the taxable income extends after allowing for that interest and that income from dividends."

Clause 13: To insert in the proposed new proviso to section 66 (c) of the Income Tax Assessment Act 1957, after the words "investment society dividends" in line 10, the words "or dividends of the kind referred to in paragraph (b) or paragraph (c) of subsection one of section four of the principal Act".

Clause 14: To insert in subsection (1), after the words "investment society dividends" in line 30, the words "or dividends of the kind referred to in paragraph (b) or paragraph (c) of subsection one of section four of the principal Act".

Clause 15: To insert in paragraph (a) of the proposed new section 172M, after the words "existing on" in line 17 on page 16, the words "or before".

To omit from the same paragraph the words "on that date" in line 19 on page 16.

EXPLANATORY NOTE

Clause 5: The purpose of the amendment to subsection (1) of the proposed new section 78A is to provide that the average rate of tax on dividends is to be ascertained in relation to the taxable income of the taxpayer, that is, his assessable income after allowing for a deduction of his special exemptions.

The general purpose of the proposed new subsection (3) of the new section 78A is to provide that where a taxpayer's taxable income includes both income from dividends and other income the dividends will be treated as the final increment of the taxpayer's income, so that, if the other income is insufficient to exhaust the taxpayer's special exemptions, the balance will be allowed against the amount of the dividends and reduce the rate of tax on those dividends both for the purposes of subsection (2) and for calculating the amount of rebate under subsection (1).

Clause 13: The purpose of this amendment is to provide that abnormal dividends in the form of bonus issues of shares in the 1958 income year retain their nature as non-assessable income when transferred to the 1959 income year.

Clause 14: The effect of this amendment is that abnormal dividends in the form of bonus issues of shares in the 1958 income year are to be treated as non-assessable income in calculating provisional tax for the 1959 income year.

Clause 15: The effect of these amendments is to empower the Commissioner to give relief from excess retention tax in respect of commitments entered into on or before 26 June 1958 in relation not only to liabilities existing on that date but also to liabilities existing before that date.