

1987-88

THE PARLIAMENT OF THE COMMONWEALTH  
OF AUSTRALIA

THE SENATE

---

TAXATION LAWS AMENDMENT BILL (NO.5) 1988  
SALES TAX (EXEMPTIONS AND CLASSIFICATIONS)  
AMENDMENT BILL (NO.2) 1988  
INCOME TAX RATES AMENDMENT BILL 1988

---

SUPPLEMENTARY EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for  
Finance, Senator the Hon. Peter Walsh)



## INTRODUCTORY NOTE

This supplementary explanatory memorandum explains the amendments proposed to the Taxation Laws Amendment Bill (No.5) 1988 as introduced into the Senate. The first amendment will provide for the transitional imputation provisions to take effect from 1 January 1989. The second amendment will remove those measures which deal with the sales tax refund provisions and was foreshadowed by the Treasurer in a press release on 23 November 1988.

## GENERAL OUTLINE

The first amendment will amend clause 2 of the Bill to expressly provide that the transitional imputation provisions - which will modify the operation of the provisions dealing with imputation for early balancing companies - are to take effect from 1 January 1989.

The second amendment will remove Part IV from the Bill. Briefly, Part IV proposes amendment of the Sales Tax Assessment Act (No.1) 1930 to ensure that where overpaid sales tax has been passed on to others refunds are available only if all persons to whom the tax was passed on have been recompensed.

It has become apparent that such a provision would place an unacceptable burden on certain wholesalers and retailers. For this reason the amendment proposed by Part IV of the Bill is not to proceed.

## FINANCIAL IMPACT

The revenue effect of the first amendment cannot be estimated with any degree of accuracy. It will, however, prevent the revenue loss that would arise from early balancing companies channelling dividends through later balancing companies in circumstances that allow imputation credits calculated at the 39 per cent rate to be credited at the 49 per cent rate.

The nature of the proposal to amend the refund provisions of the sales tax law was such that a reliable estimate of the potential revenue effect could not be made. It is also not possible to estimate the financial impact of not proceeding with the amendment.

## NOTES ON CLAUSES

Under the first amendment the transitional imputation provisions (contained in Division 6 of Part III of the Bill) are proposed to come into effect on 1 January

1989. This amendment will ensure that in the event that the amending Bill does not receive Royal Assent on or before 1 January 1989, dividends paid by early balancing companies during the period 1 January 1989 to the day the Bill receives Royal Assent will be subject to the same rules as dividends paid after the day on which Royal Assent is granted.

The second amendment will omit Part IV from the Bill.