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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

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WOOL LEGISLATION AMENDMENT BILL 1990

WOOL TAX (NOS 1-5) FURTHER AMENDMENT BILL 1990

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SUPPLEMENTARY EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Primary  
Industries and Energy, the Hon. John Kerin MP  
and the Treasurer, the Hon. P. J. Keating MP)

WOOL LEGISLATION AMENDMENT BILL 1990  
WOOL TAX (NOS 1-5) FURTHER AMENDMENT BILLS 1990

General outline of the amendments

The amendments amend the Wool Legislation Amendment Bill 1990 and the Wool Tax (Nos. 4 and 5) Further Amendment Bills 1990 to ensure that shorn wool less than 32 microns in thickness is only taxed at the concessional rate of tax applicable to carpet wool if it is used in Australia to manufacture carpet or carpet yarn.

Main features of the amendments

The clauses inserted in the Bills by these amendments propose amendments of the Wool Tax (Administration) Act 1964 and the Wool Tax Acts (Nos. 4 and 5) 1964.

The amendments of the Wool Tax Administration Act provide that:

- . wool that is carpet wool by virtue of either paragraph (b) or (c) of the definition of carpet wool ceases to be carpet wool if it is used to manufacture goods other than carpet or is exported, and
- . where, in relation to wool, tax has been paid at the rate applicable to carpet wool and the wool is again subject to tax because it has not been used to manufacture carpet, the amount of tax payable is reduced by the amount of tax already paid.

The amendments of the Wool Tax Acts (Nos. 4 and 5) will have the effect of imposing tax on wool, less than 32 microns in thickness, that has already been taxed as carpet wool but that has been used to manufacture goods other than carpet (Wool Tax Act (No. 4)) or has been exported (Wool Tax Act (No. 5)).

Notes on amendments

Amendment of Wool Legislation Amendment Bill 1990

Clause 16 : Interpretation

Clause 16 of the Bill amends section 4 of the Wool Tax (Administration) Act 1964 (the Administration Act). It is proposed to amend this clause in the Bill to add a new subsection (9) to section 4 of the Administration Act.

Proposed subsection (9) provides that:

- (a) where wool is carpet wool by virtue of paragraphs (b) or (c) of the definition of carpet wool (refer notes on the definition of carpet wool in paragraph (a) of this clause in the explanatory memorandum that accompanied the Bills) (proposed paragraph (a)); and
- (b) the wool is used to manufacture goods other than carpet (proposed subparagraph (b)(i)) or is exported (proposed subparagraph (b)(ii));

the wool ceases to be carpet wool immediately before it is used to manufacture the goods or is exported. The effect of this subsection will be to make the wool ineligible for the concessional rate of tax applicable to carpet wool.

Clause 16A : Person liable to pay tax

The proposed second amendment to the Bill will insert a new clause 16A which amends section 11 of the Administration Act. Section 11 sets out the person who is liable to pay wool tax. Clause 16A will add a new subsection (2) to section 11.

New subsection (2) provides that:

- (a) where tax is imposed on wool by a Wool Tax Act (proposed paragraph (a)); and
- (b) further tax is payable under Wool Tax Act No. 4 or No. 5 because of the operation of subsection 4(4A) of either of those Acts (refer later notes on amendments to the Wool Tax (Nos. 4 and 5) Further Amendments Bills explaining new subsection 4A) (proposed paragraph (b));

the amount of further tax payable is reduced by the amount already paid. The effect of this provision is to ensure that where wool tax has been paid at the concessional carpet wool rate but the wool was not used to manufacture carpet the tax payable, that is, the maximum amount payable on wool other than carpet wool, will be reduced by the amount of tax already paid in relation to that wool.

Amendment of the Wool Tax (Nos. 4 and 5) Further Amendment Bills 1990

The provisions of these Bills are similar and it is proposed that the amendments to them be dealt with collectively in the following notes.

Clause 3 : Imposition of tax

The amendments replace clause 3 of the Bills with new clause 3. New clause 3 in each Bill proposes amendments of section 4 of Wool Tax Acts (Nos. 4 and 5) 1964. Section 4 of each Act

imposes tax on all shorn wool produced in Australia and subjected to a process of manufacture (Act No. 4) or exported (Act No. 5).

Paragraph (a) of clause 3 amends subsection (1) of section 4 by replacing the words "a tax" with the word "tax". This amendment is made necessary by the introduction of the wool tax surcharge (refer notes on clause 5 of the Bills).

Paragraph (b) of the clause makes subsection (4) of section 4 in each Act subject to new subsection (4A) (inserted by this clause - refer later notes). Subsection (4) provides that tax is not payable under the relevant Wool Tax Act if tax has been imposed on the wool under another Wool Tax Act.

Paragraph (c) adds new subsection 4A to section 4 in Wool Tax Acts (Nos. 4 and 5).

Proposed subsection 4A has the effect of overriding subsection 4 where wool has been taxed at the concessional rate applicable to carpet wool because it satisfied paragraph (b) or (c) of the definition of carpet wool but the wool was actually used to manufacture goods other than carpet or was exported.

The effect of this amendment will be to allow for tax to be imposed by Wool Tax Act No. 4 or No. 5 in relation to wool that has been subject to tax under another Wool Tax Act. Tax will only be imposed if the wool has not been used to manufacture carpet but has been taxed as carpet wool. The Administration Act is also being amended to ensure that where tax is imposed twice the total amount paid in respect of the wool will not exceed the maximum amount payable in respect of wool that is not carpet wool.

