

2004

**THE LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY**

REVENUE LEGISLATION REPEAL BILL 2004

EXPLANATORY STATEMENT

Circulated by the authority of the Treasurer

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Revenue Legislation Repeal Bill 2004

Summary

This Bill repeals the *Financial Institutions Duty Act 1987* (FID Act) and the *Financial Institutions Duty Regulation 1990* from the commencement date of this Act. The operation of the *Debits Tax Act 1997* (Debits Tax Act) has been amended so there is no tax liability in relation to debits made from 1 July 2005, and the Debits Tax Act is then repealed from 1 July 2006.

Overview

The Debits Tax Act is an Act for the imposition and collection of a tax in respect of certain debits made to accounts kept with financial institutions. As part of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (IGA), the States and Territories agreed to cease the application of certain inefficient taxes. At the March 2004 meeting of the Ministerial Council for Commonwealth-State Financial Relations, it was agreed that all States and Territories would abolish bank account debits tax by 1 July 2005 and this Bill gives effect to that decision for the ACT.

The Debits Tax Act contains some obligations and rights that can occur after 1 July 2005. Examples include:

- the tax must be paid no later than 14 days after the end of the month; and
- an application for a rebate can be made up to 12 months after the liability is incurred.

To allow sufficient time for these to be met, the Debits Tax Act will not be repealed until 1 July 2006. However, the liability arising from a taxable debit, or an eligible debit ceases on 1 July 2005. The requirement for financial institutions to lodge returns also ceases for any month after June 2005.

Under the terms of the IGA, Financial Institutions Duty was abolished from 1 July 2001 and the ACT legislation ceased to operate from that date, however, the FID Act was not repealed at that time. The time for lodgement of returns and other administrative functions has long passed, and so the FID Act is now repealed.

Both the FID and Debits Tax Acts remain tax laws under the *Taxation Administration Act 1999* which will continue to apply to all liabilities even if the liability is discovered after the cessation of the tax. This includes assessment or reassessment, imposition of penalty tax and interest, powers of investigation, record keeping requirements, offences, refunds, and objection and appeal rights.

Financial Implications

Since the 2002-03 Budget, the estimated revenue from debits tax for 2005-06 onwards has been nil so this Bill has no revenue impact. Financial institution duty ceased operation on 1 July 2001 and this Bill has no revenue impact in that regard either.

Details of the Bill are attached.



Details of the Revenue Legislation Repeal Bill 2004

Clause 1 Name of Act

This Act is the *Revenue Legislation Repeal Act 2004*.

Clause 2 Commencement

This Act commences on the day after notification.

Clause 3 Notes

This clause explains that a note included in the Act is explanatory and not part of the Act.

Clause 4 Legislation Repealed

This clause lists the Act and regulation repealed from the commencement date of this Act as the *Financial Institutions Duty Act 1987* and the *Financial Institutions Duty Regulation 1990*.

Clause 5 Debits Tax Act 1997, new pt 6

A new part 6 has been inserted into the *Debits Tax Act 1997* to end the effect of the Act on debits made on or after 1 July 2005. The *Debits Tax Act 1997* will then be repealed on 30 June 2006. This delayed repeal is to ensure that certain rights and duties that arise after 1 July 2005 continue, for example: the liability to pay tax 14 days after the end of the month, the recovery of the tax by a financial institution from its customers, and the ability for an eligible person to apply for a rebate up to 12 months after the date of liability.

Part 6 End of effect of Act

23 No liability for debits from 1 July 2005

There is no liability on a person to pay tax on a taxable debit or an eligible debit made on or after 1 July 2005. The last month for which debits tax is to be paid is June 2005.

24 No returns required for months from July 2005

The last return required to be lodged by a financial institution is for the month of June 2005.

25 Expiry of Act from 1 July 2006

The expiry of the *Debits Tax Act 1997* takes effect at midnight on 30 June 2006.

Clause 6 Credit Act 1985, section 75 (1)

Reference to section 75A is removed as this section has been omitted (see clause 8).

Clause 7 Credit Act, section 75 (2)

Reference to section 75A is removed as this section has been omitted (see clause 8).

Clause 8 Credit Act 1985, section 75A

This section is omitted to remove reference to the *Financial Institutions Duty Act 1987*.

Clause 9 State Bank of South Australia (Transfer of Undertaking) Act 1994, section 12

This section is omitted to remove reference to the *Financial Institutions Duty Act 1987*.