

Australian Capital Territory

Taxation Administration (Interest Payable – Land Rent) Determination 2008 (No 1)

Disallowable instrument DI2008–137

made under the

Taxation Administration Act 1999, section 139 (Determination of amounts payable under tax laws)

EXPLANATORY STATEMENT

1. The *Land Rent Act 2008* (Land Rent Act) is a new Act and this is the first instrument to be made under it.
2. The purpose of the instrument is to enable the Minister, under section 139 of the *Taxation Administration Act 1999* (TAA), to determine the interest rate for unpaid land rent payable under a land rent lease under section 21 of the Land Rent Act as calculated in accordance with section 22 of the Land Rent Act.
3. Section 139 of the TAA authorises the Minister to determine a rate by which interest is payable under a tax law, including the Land Rent Act.
4. For the purposes of section 21 of the Land Rent Act, the interest rate is set at the 90-day bank bill rate, which is defined in section 26 (2) of the TAA as the market rate component, and is charged monthly on the outstanding amount of land rent.
5. The interest rate is calculated as simple interest, i.e. a lessee will not be paying interest on interest, as would apply to mortgage payments in default.
6. Payment of simple interest on unpaid land rent also means the interest is non-compounding. This potentially offers savings to lessees in comparison to the interest that would be payable on a mortgage in default.

Authorised by the Treasurer