

1998

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

TAXATION (ADMINISTRATION) (AMENDMENT) BILL 1998

EXPLANATORY MEMORANDUM

Circulated by the authority of the Chief Minister and Treasurer

Kate Carnell MLA

Taxation (Administration) (Amendment) Bill 1998

Summary

This is an amending Bill. It amends the *Taxation (Administration) Act 1987* (the Act) referred to in the amending Bill as the Principal Act. The Act deals with the administration of various tax laws relating to the imposition and collection of certain duties, taxes and fees.

This amending Bill introduces the facility to allow the late payment penalty interest rate on unpaid duties, taxes and fees, which currently is fixed in the Act at 20% per annum of the unpaid amount of tax, to be set by determination.

This will allow the interest rate on unpaid taxes be reviewed every six months, in line with the practice of the Australian Taxation Office (ATO) and the NSW government through its Taxation Administration Act, thus allowing adjustment of the rate at regular intervals to be made more easily.

By means of an administrative arrangement, from 1 February 1998 the Revenue Office applied a new rate of penalty interest of 16.8% per annum of unpaid tax, in line with the ATO's revised interest rate. The Bill and a subsequent determination will validate this arrangement.

Revenue/Cost Implications

The adoption of the 16.8% interest rate compared with the previous statutory 20% will result in the collection of less revenue from interest imposed on overdue accounts. However, this change represents a fairer and more equitable approach to tax administration, with interest rates more in line with changes in the market place, particularly in times of falling interest rates. When interest rates rise again, revenue from this impost will increase correspondingly.

Details of the Bill are attached.



Details of the Taxation (Administration) (Amendment) Bill 1998

Title

Clause 1 provides for this Act to be the *Taxation (Administration) (Amendment) Act 1998*

Commencement

Clause 2 provides for the commencement of this Act The Bill commences on the day on which it is notified in the Gazette

Principal Act

Clause 3 specifies the *Taxation (Administration) Act 1987* as the Principal Act

Interpretation

Clause 4 amends section 31 of the Principal Act by replacing the fixed 20% per annum penalty interest rate charged on unpaid amounts of tax, duty, late lodgement penalty tax or licence fees with an interest rate set by determination by the Minister under section 99 of the Act