

LEGISLATIVE RESEARCH SERVICE
DEPARTMENT OF THE PARLIAMENTARY LIBRARY

BANK ACCOUNT DEBITS TAX AMENDMENT BILL 1986

Date introduced: 17 September 1986
House: House of Representatives
Presented by: Hon. Chris Hurford, M.P.,
Minister Assisting the Treasurer

DIGEST OF BILL

Purpose

To increase the rate of the bank account debits tax.

Background

The bank accounts debits tax was introduced by the **Bank Accounts Debits Tax Act 1982** (the Principal Act) and the **Bank Accounts Debits Tax Administration Act 1982** and came into operation on 1 April 1983. The tax is imposed on most debits made to a bank account on which cheques drawn on the bank by the account holder may be debited. The tax not only applies to cheques drawn on such an account but applies to all debits made to such an account including bank fees and automatic teller machine operations.

Exemptions from the tax are generally limited to accounts held by the Governor-General or the governor of a State; public benevolent and religious bodies; non-profit hospitals; non-profit schools, colleges and universities, organisations whose sole function is the support of a specified public benevolent or religious institution, hospital, school, or college presently exempt from the tax; government departments and instrumentalities other than accounts used for business undertakings; foreign diplomatic and consular personnel and international organisations and their officials for which Australia traditionally grants tax exemptions of this kind in recognition of its treaty obligations, and governments of foreign countries.

The rate of the tax remained steady until 1 November 1984 when most rates were increased, though debits of less than \$1 were exempted from the tax from that date.

The following table shows the rates that applied from 1 April 1983 to 1 November 1984, the rates from 1 November 1984 and the rates that will be introduced by this Bill that are to apply from 1 December 1986.

Amount of debit						
Period	Less than \$1	Not less than \$1 but less than \$100	Not less than \$100 but less than \$500	Not less than \$500 but less than \$5000	Not less than \$5000 but less than \$10000	\$10000 or more
From 1 April 1983	10c	10c	10c	25c	50c	\$1.00
From 1 Nov. 1984	Nil	10c	25c	50c	\$1.00	\$1.50
From 1 Dec. 1986	Nil	15c	35c	75c	\$1.50	\$2.00

Amendments to the Principal Act contained in the Bank Account Debits Tax Amendment Act 1985 introduced a separate rate of tax for the ACT. The rates payable for debits in the ACT are twice those in force for the rest of Australia. It was announced in the Budget that a financial institutions duty would be introduced in the ACT from 1 July 1987. In the second reading speech for this Bill, the Minister states that due to the introduction of this duty the bank account debits tax for the ACT would not be increased.

In the two months of 1982-83 that the tax operated, \$29.6 million was raised. In the full year 1983-84 this increased to \$182.7 million and further increased to \$189.5 million in 1984-85. In 1985-86 the tax raised \$202 million and is estimated to raise \$260 million in 1986-87, an increase of 28.6% on 1985-86. This will largely be due to the new rates which were announced as part of the 1986-87 Budget.

Main Provisions

The Bill will come into force on 1 December 1986 (clause 2).

Clause 3 will amend column 2 of the Schedule to the Principal Act to increase the rates of the tax. Refer to the table in the Background of this Digest for the new rates.

For further information, if required, contact the Economics and Commerce Group.

15 October 1986

Bills Digest Service
LEGISLATIVE RESEARCH SERVICE

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

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