New Business Tax System (Venture Capital Deficit Tax) Act 2000

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An Act to impose a tax in respect of venture capital sub-account deficits of companies, and for related purposes

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[*Assented to 22 June 2000*]

The Parliament of Australia enacts:

1 Short title

This Act may be cited as the *New Business Tax System (Venture Capital Deficit Tax) Act 2000*.

2 Commencement

This Act is taken to have commenced immediately after Schedule 3 to the *New Business Tax System (Capital Gains Tax) Act 1999* commences.

3 Definitions

In this Act:

applicable general company tax rate means the rate specified under paragraph (baa) of the definition of ***applicable general company tax rate*** in section 160APA of the *Income Tax Assessment Act 1936* in relation to a company's liability to pay class C franking deficit tax.

deficit for a venture capital sub-account has the same meaning as in Part IIIAA of the *Income Tax Assessment Act 1936*.

franking year has the same meaning as in Part IIIAA of the *Income Tax Assessment Act 1936*.

PDF has the same meaning as in the *Income Tax Assessment Act 1936*.

venture capital credits has the same meaning as in Part IIIAA of the *Income Tax Assessment Act 1936*.

venture capital sub-account has the same meaning as in Part IIIAA of the *Income Tax Assessment Act 1936*.

4 Imposition of tax

(1) Tax is imposed on a deficit in a PDF's venture capital sub-account at the end of a franking year.

Note: See section 160AQJAA of the *Income Tax Assessment Act 1936*.

(2) For the purposes of this section, a refund of income tax in relation to a PDF's taxable income for a year of income that is received within 6 months after the end of the franking year that ends in or at the same time as the year of income is taken to be received on the last day of the franking year.

Note: The operation of this subsection may create, or increase, a deficit in the PDF's venture capital sub-account on the last day of the franking year. This may make the PDF liable to, or increase its liability to, venture capital deficit tax.

5 Amount of tax

(1) If the deficit does not exceed 10% of the PDF's total venture capital credits arising during the franking year, the amount of tax is worked out using the formula:

$$\begin{array}{c}\text{Venture capital}\\ \text{sub - account deficit}\end{array} \times \left[\frac{\text{Company tax rate}}{1 - \text{Company tax rate}}\right]$$

where:

company tax rate means the applicable general company tax rate.

venture capital sub-account deficit means the amount of the deficit in the venture capital sub-account.

(2) If the deficit exceeds 10% of the PDF's total venture capital credits arising during the franking year, the amount of tax is worked out using the formula:

$$130\% \times \begin{array}{c}\text{Venture capital}\\ \text{sub - account deficit}\end{array} \times \left[\frac{\text{Company tax rate}}{1 - \text{Company tax rate}}\right]$$

where:

company tax rate means the applicable general company tax rate.

venture capital sub-account deficit means the amount of the deficit in the venture capital sub-account.

[*Minister's second reading speech made in—*
House of Representatives on 9 December 1999
Senate on 6 March 2000]

(239/99)