

EXPLANATORY STATEMENT

Issued by authority of the Assistant Treasurer

A New Tax System (Goods and Services Tax) (Average Input Tax Credit Fraction) Determination 2010

Purpose

The purpose of the *A New Tax System (Goods and Services Tax) (Average Input Tax Credit Fraction) Determination 2010* is to specify the average input tax credit fractions for a particular compulsory third party (CTP) scheme.

Background

Section 79-100 of the *A New Tax System (Goods and Services Tax) Act 1999* sets out the meaning of 'average input tax credit fraction'. CTP operators use the average input tax credit fraction for their CTP scheme to work out the amount of decreasing adjustments they have when making certain payments under their scheme.

Subsection 79-100(3) of the Act requires the Treasurer (or relevant Minister), in the financial year beginning on 1 July 2006 and every third financial year thereafter, to determine whether each CTP scheme should have a new average input tax credit fraction. This financial year is called the 'determination year'.

The Treasurer is required to work out the 'business vehicle use fractions' for each CTP scheme using statistical information published by the Australian Bureau of Statistics (ABS) during the three financial years before the determination year. The 'business vehicle use fraction' is business vehicle use as a proportion of total vehicle use in the State or Territory in which the CTP scheme operates. The statistical information is that relating to business and total use of vehicles for the State or Territory in which the CTP scheme operates, released in the three years prior to the 'determination year'. Data from the *Survey of Motor Vehicle Use* series published by the ABS on 7 September 2006, 19 October 2007 and 28 August 2008 was used.

Having established the 'business vehicle use fractions' for each CTP scheme, the Treasurer must then work out the average of those fractions (the 'new fraction'). If the Treasurer considers the new fraction is significantly different from the current average input tax credit fraction for the CTP scheme, subsection 79-100(3) of the Act requires that he determine, in writing, the new fraction to be the average input tax credit fraction for that scheme from the 'operative year'. The operative year is the financial year following the determination year.

The Assistant Treasurer considers that the new fraction for the CTP scheme in New South Wales is significantly different from the existing average input tax credit fraction for that scheme.

Explanation of the Determination

The Determination has three clauses.

Clause 1 of the Determination specifies the name of the Determination as the *A New Tax System (Goods and Services Tax) (Average Input Tax Credit Fraction) Determination 2010*.

Clause 2 of the Determination specifies that it commences on 1 July 2010.

Clause 3 of the Determination specifies that for subsection 79-100(3) of the Act, the average input tax credit fraction for the CTP scheme under the *Motor Accidents Act 1988 (NSW)* and the *Motor Accidents Compensation Act 1999 (NSW)* is 32/100.

Consultation

Consultation was not undertaken on this determination as it was a minor and mechanical measure in relation to which no discretion was permitted.