

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

**SNOWY HYDRO CORPORATISATION AMENDMENT BILL 2002**

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Industry, Tourism and Resources,  
the Honourable Ian Macfarlane MP)

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**OUTLINE**

The Snowy Hydro Corporatisation Amendment Bill 2002 (the Bill) makes an amendment to the *Snowy Hydro Corporatisation Act 1997* (the Act).

The Bill makes a change to the Act that will allow certain transactions associated with corporatisation of the Snowy Mountains Hydro-electric Authority to be exempt from the application of Goods and Services Tax (GST). The original intent of the Act was that certain transactions associated with corporatisation would be exempt from the imposition of Commonwealth and State taxes. This exemption was overruled, in relation to GST, by the operation of section 177-5 of the *A New Tax System (Goods and Services Tax) Act 1999*.

To allow corporatisation of the Snowy Mountains Hydro-electric Authority to proceed on 28 June 2002, the Commonwealth undertook, with the agreement of the New South Wales and Victorian governments to introduce this Bill to exempt certain transactions specified under the Act from GST. The original intent conveyed in the *Snowy Hydro Corporatisation Act 1997* was that all corporatisation transactions should be exempt from tax. This intent was overruled when *A New Tax System (Goods and Services Tax) Act 1999* came into force. The amending legislation will ensure that the original intent is restored.

The amendment specifically exempts from the application of the GST, any supply constituted by the transfer of assets and liabilities of the Commonwealth, New South Wales and Victorian Governments, the Snowy Mountains Hydro-electric Authority and the Snowy Mountains Council, to Snowy Hydro Limited, upon the corporatisation of the Snowy Mountains Hydro-electric Authority. This Bill restores the original intent of the *Snowy Hydro Corporatisation Act 1997* to exempt from GST those transactions and transfers specified in the *Snowy Hydro Corporatisation Act 1997*.

**FINANCIAL IMPACT STATEMENT**

**The Bill will not have any financial impact on Commonwealth revenue or expenditure.**

**If GST is required to be paid, transactions will have been revenue neutral, with any GST paid on the asset transfers being offset by input tax credits claimed by Snowy Hydro Limited. However, there are possible cash flow issues for Snowy Hydro Limited while such matters are resolved.**

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**NOTES ON CLAUSES**

**Clause 1 Short Title**

1. Clause 1 provides for the Act to be cited as the *Snowy Hydro Corporatisation Amendment Act 2002*.

## Clause 2 Commencement

2. Clause 2 provides for the commencement of the Act on 26 July 2001. This is the date upon which Snowy Hydro Limited was incorporated and the first shares were issued to the Commonwealth, New South Wales and Victoria.

## Clause 3 Schedule(s)

3. Clause 3 provides for the Schedule to the Act. It provides that the Snowy Hydro Corporatisation Act 1997 is amended as set out in that Schedule.

## Schedule 1 Snowy Hydro Corporatisation Act 1997

### Item 1 Subsection 49(1)

4. This proposed new section provides for the addition of a note which effectively cancels this section in respect of the introduction of the *A New Tax System(Goods and Services Tax) Act 1999*. The note also refers to the proposed new section 49A which specifically outlines supplies, in respect to corporatisation, that are GST free.

### Item 2 Subsection 49A(1)

5. This proposed new section exempts certain aspects of the corporatisation from GST. It is not as broad as the exemption from other forms of taxation set out in section 49. This new section covers the initial issue of shares to the three Governments, the transfer of assets and liabilities of the Authority and the Governments that comprise the Snowy Scheme, the assumption and restructure of the Authority's debt, the transfer of employees, the transfer of Authority records, and the termination of the Snowy Agreements.

### Item 3 Subsection 49A(2)

6. This proposed new section expressly confirms that the exemption only applies to the corporatisation transaction itself and does not impact on the ongoing operation and application of the GST Act to Snowy Hydro Ltd and the assets and liabilities that have been transferred to it.