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The Parliament of the
Commonwealth of Australia

HOUSE OF REPRESENTATIVES

Presented and read a first time

**Income Tax Rates Amendment
(Superannuation) Bill 2007**

No. , 2007

(Treasury)

A Bill for an Act to amend the *Income Tax Rates Act 1986*, and for related purposes

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1 **A Bill for an Act to amend the *Income Tax Rates***
2 ***Act 1986, and for related purposes***

3 The Parliament of Australia enacts:

4 **1 Short title**

5 This Act may be cited as the *Income Tax Rates Amendment*
6 (*Superannuation*) Act 2007.

7 **2 Commencement**

8 This Act commences immediately after the commencement of
9 Schedule 1 to the *Tax Laws Amendment (Simplified*
10 *Superannuation)* Act 2007.

1

3 Schedule(s)

2

Each Act that is specified in a Schedule to this Act is amended or

3

repealed as set out in the applicable items in the Schedule

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concerned, and any other item in a Schedule to this Act has effect

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according to its terms.

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Income Tax Rates Amendment (Superannuation) Bill 2007 No. , 2007

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Schedule 1—Amendment of the Income Tax Rates Act 1986

Income Tax Rates Act 1986

1 Subsection 3(1) (definition of *complying ADF*)

Repeal the definition, substitute:

complying ADF means a complying approved deposit fund as defined in the *Income Tax Assessment Act 1997*.

2 Subsection 3(1) (definition of *complying superannuation fund*)

Omit “Part IX of the Assessment Act”, substitute “the *Income Tax Assessment Act 1997*”.

3 Subsection 3(1) (definition of *EC part of the taxable income*)

Repeal the definition.

4 Subsection 3(1) (definition of *eligible ADF*)

Repeal the definition, substitute:

eligible ADF means a fund that is a complying approved deposit fund or a non-complying approved deposit fund, as defined in the *Income Tax Assessment Act 1997*.

5 Subsection 3(1) (definition of *eligible superannuation fund*)

Repeal the definition, substitute:

eligible superannuation fund means a fund that is a complying superannuation fund or a non-complying superannuation fund, as defined in the *Income Tax Assessment Act 1997*.

6 Subsection 3(1)

Insert:

employment termination remainder of taxable income means so much of the taxable income as:

- 1 (a) is included in assessable income under a maximum tax rate
2 provision in Division 82 of the *Income Tax Assessment Act*
3 *1997* or Division 82 of the *Income Tax (Transitional*
4 *Provisions) Act 1997*; and
5 (b) does not give rise to an entitlement to a tax offset under that
6 maximum tax rate provision.

7 **7 Subsection 3(1) (definition of ETP)**

8 Repeal the definition.

9 **8 Subsection 3(1)**

10 Insert:

11 *low tax component* has the same meaning as in the *Income Tax*
12 *Assessment Act 1997*.

13 **9 Subsection 3(1)**

14 Insert:

15 *maximum tax rate provision* means any of the following
16 provisions:

- 17 (a) section 82-10 of the *Income Tax Assessment Act 1997*;
18 (b) section 82-65 of the *Income Tax Assessment Act 1997*;
19 (c) section 82-70 of the *Income Tax Assessment Act 1997*;
20 (d) section 301-95 of the *Income Tax Assessment Act 1997*;
21 (e) section 301-105 of the *Income Tax Assessment Act 1997*;
22 (f) section 301-115 of the *Income Tax Assessment Act 1997*;
23 (g) section 82-10A of the *Income Tax (Transitional Provisions)*
24 *Act 1997*;
25 (h) section 82-10C of the *Income Tax (Transitional Provisions)*
26 *Act 1997*.

27 **10 Subsection 3(1)**

28 Insert:

29 *non-arm's length component* has the same meaning as in the
30 *Income Tax Assessment Act 1997*.

31 **11 Subsection 3(1) (definition of non-complying ADF)**

32 Repeal the definition, substitute:

1 *non-complying ADF* means a fund that, at all times during the year
2 of income when the fund is in existence, is an approved deposit
3 fund within the meaning of the *Income Tax Assessment Act 1997*,
4 but does not include a fund that is a complying ADF.

5 **12 Subsection 3(1) (definition of *non-complying***
6 ***superannuation fund*)**

7 Omit “Part IX of the Assessment Act”, substitute “the *Income Tax*
8 *Assessment Act 1997*”.

9 **13 Subsection 3(1)**

10 Insert:

11 *no-TFN contributions income* has the same meaning as in the
12 *Income Tax Assessment Act 1997*.

13 **14 Subsection 3(1) (definition of *ordinary taxable income*)**

14 Omit “EC part of the taxable income”, substitute “superannuation
15 remainder of the taxable income and by the employment termination
16 remainder of the taxable income”.

17 **15 Subsection 3(1) (definition of *pooled superannuation***
18 ***trust*)**

19 Omit “Part IX of the Assessment Act”, substitute “the *Income Tax*
20 *Assessment Act 1997*”.

21 **16 Subsection 3(1) (definition of *post-June 83 component*)**

22 Repeal the definition.

23 **17 Subsection 3(1) (definition of *retained amount*)**

24 Repeal the definition.

25 **18 Subsection 3(1) (paragraph (b) of the definition of *RSA***
26 ***component*)**

27 Omit “Part IX of the Assessment Act”, substitute “the *Income Tax*
28 *Assessment Act 1997*”.

29 **19 Subsection 3(1) (definition of *special component*)**

30 Repeal the definition.

1 **20 Subsection 3(1) (subparagraph (b)(ii) of the definition of**
2 ***special income component*)**

3 Repeal the subparagraph, substitute:

- 4 (ii) the superannuation remainder of the taxable income;
5 and
6 (iii) the employment termination remainder of the taxable
7 income;

8 **21 Subsection 3(1) (paragraph (b) of the definition of**
9 ***standard component*)**

10 Omit “Part IX of the Assessment Act”, substitute “the *Income Tax*
11 *Assessment Act 1997*”.

12 **22 Subsection 3(1)**

13 Insert:

14 *superannuation remainder* of taxable income means so much of
15 the taxable income as:

- 16 (a) is included in assessable income under a maximum tax rate
17 provision in Division 301 of the *Income Tax Assessment Act*
18 *1997*; and
19 (b) does not give rise to an entitlement to a tax offset under that
20 maximum tax rate provision.

21 **23 Subsection 3(1) (definition of *taxed element*)**

22 Repeal the definition.

23 **24 Subsection 3(1)**

24 Insert:

25 *tax offset* has the same meaning as in the *Income Tax Assessment*
26 *Act 1997*.

27 **25 Paragraph 26(1)(a)**

28 Omit “standard component”, substitute “low tax component”.

29 **26 Paragraph 26(1)(b)**

30 Omit “special component”, substitute “non-arm’s length component”.

31 **27 Paragraph 27(1)(a)**

1 Omit “standard component”, substitute “low tax component”.

2 **28 Paragraph 27(1)(b)**

3 Omit “special component”, substitute “non-arm’s length component”.

4 **29 Paragraph 27A(a)**

5 Omit “standard component”, substitute “low tax component”.

6 **30 Paragraph 27A(b)**

7 Omit “special component”, substitute “non-arm’s length component”.

8 **31 Paragraph 29(1)(c)**

9 Omit “(other than a life insurance company)”.

10 **32 At the end of subsection 29(2)**

11 Add:

12 ; or (iv) for a life insurance company that is an RSA provider—
13 set out in paragraph 23(4A)(ba).

14 **33 Paragraphs 1(a) and (aa) of Part I of Schedule 7**

15 Repeal the paragraphs, substitute:

16 (a) 45% for the superannuation remainder (if any) of the taxable
17 income;

18 (aa) 45% for the employment termination remainder (if any) of
19 the taxable income;

20 **34 Paragraphs 1(a) and (aa) of Part II of Schedule 7**

21 Repeal the paragraphs, substitute:

22 (a) 45% for the superannuation remainder (if any) of the taxable
23 income;

24 (aa) 45% for the employment termination remainder (if any) of
25 the taxable income;

26 **35 Application**

27 (1) The amendments made by this Schedule apply to the 2007-2008 income
28 year and later years.

29 (2) Despite subitem (1), those amendments apply on and after 1 July 2007,
30 to the extent that they relate to any of the following:

Schedule 1 Amendment of the Income Tax Rates Act 1986

- 1 (a) Divisions 82 and 83 of the *Income Tax Assessment Act 1997*;
2 (b) Divisions 301 to 307 of that Act.