



HOUSE OF REPRESENTATIVES

INCOME TAX BILL 1967

NOTES FOR THE MINISTER'S SECOND READING SPEECH.

This Bill will declare the general rates of tax for the current financial year 1967-68.

The rates to be declared do not differ from those that applied for the preceding financial year. As announced in the Budget Speech, however, there are to be two changes in the income tax allowance for men aged 65 years or more, and women of 60 years or more, who are residents of Australia.

One of these changes will increase the exemption levels of the age allowance by \$126. This will preserve the long-standing relationship between the age allowance and the amount represented by the sum of the full age pension and the maximum other income a pensioner may receive without affecting his pension entitlement.

Honourable members will recall that the age pension means test was increased last April by \$156. Legislation enacted shortly afterwards increased the amount of the age allowance for 1966/67 by \$30 on a simple pro-rata time basis. For 1967/68 the allowance is to be increased by the balance of \$126. This will mean that the exemption levels for 1967/68 will be \$1,196 for a single person and \$2,106 for a married couple as against \$1,070 and \$1,980, respectively, last financial year. A measure of tax relief will continue to be provided on a range of incomes somewhat in excess of these points. The new limits for this purpose will be \$1,451 for single persons and \$3,287 for married couples.

The other change in the age allowance will simplify the way in which it is calculated. For many years the allowance has been related to an aged person's net income from all sources, as distinguished from his taxable income. While this is justifiable in principle, it has, without the slightest doubt, caused a great deal of misunderstanding of the allowance in the minds of aged people and complicated not only the preparation of their income tax returns but also the general administration of the taxation law.

The Commonwealth Committee on Taxation headed by Sir George Ligertwood recommended that the allowance be simplified by relating it to taxable income instead of net income and this is now being done. This change will not only simplify procedures; it will also enhance the value of the allowance in the numerous cases where aged persons receive income such as war pensions which are exempt from tax, or incur medical and other expenses which are deductible in calculating taxable income.

The technical provisions of the Bill are explained in greater detail in a memorandum to be circulated for the information of honourable members and I do not think I need go further into it at this stage.

I commend the Bill to the House.