HOUSE OF REPRESENTATIVES.

INCOME TAX ASSESSMENT BILL (NO. 3) 1967.

NOTES FOR THE MINISTER'S SECOND READING SPEECH.

This Bill will give effect to proposals outlined in the Budget Speech.

The proposal affecting most taxpayers is, of course, the increase of $26 in the amounts of the concessional deductions allowable for maintenance of dependants. The increase is to apply over the full range of dependants for whom concessional deductions are provided. The deductions for a spouse, a daughter-housekeeper, an invalid relative and a parent will each be increased from $286 to $312, for a student child under 21 years of age and one child under 16 years of age the increase will be from $182 to $208, and for each other child under 16 years from $130 to $156. The allowance for a housekeeper is also to be increased from $286 to $312.

Another concessional deduction for which an increase is proposed is the allowance for payments by a taxpayer to provide superannuation or insurance cover for himself and his family. The present limit of $800 on the maximum deduction allowable each year is to be increased to $1,200.

These increases in the concessional deductions will apply in assessments for the 1967-68 income year and subsequent years. For salary and wage earners, the benefits from the increased dependants' allowances will be reflected in reduced tax instalment deductions to become operative from 1st October next.

The remaining amendments proposed by the Bill apply to primary producers.

In 1965 and again in 1966 the Government introduced temporary measures to assist woolgrowers who, because of the drought, advanced shearing dates during the 1964-65 and the 1965-66 income years. When this occurred the proceeds of two wool clips would have been brought to account for taxation purposes in the one year. Provision was, therefore, made for these woolgrowers to elect to transfer the net proceeds of the second clip to the succeeding income year, so that the proceeds were taxed in the year in which, in ordinary circumstances, they would have been received.

It is proposed to continue the operation of these provisions for the 1966-67 income year and subsequent years, and to extend them also to advanced shearings brought about by fire or flood.

Another amendment proposed by the Bill will apply to primary producers who, because of drought, fire or flood, are forced to sell livestock. The present law enables a primary producer forced to sell stock in these circumstances to elect to have the profits of the sale taxed over a period of five years, if he uses the proceeds of the sale principally for the purpose of re-stocking.

The Bill proposes an alternative method of bringing the profits of a forced sale to account for income tax purposes. In very general terms, a primary producer who uses the proceeds of the sale principally for re-stocking may, in respect of sales made in 1967-68 or a subsequent income year, elect to have the profit on the sale applied to reduce the cost for income tax purposes of stock purchased to replace the stock sold. The effect of an election will be to defer payment of tax on the proceeds of the forced sale until replacement stock purchased is sold in the normal course of carrying on business.

In some cases stock may be replaced by breeding up a new flock or herd, instead of buying animals. When this is the case, a primary producer may specify an amount of the profit of the forced sale to be included in his assessable income of the year in which natural increase is bred.

If, by the end of the fifth year after the year in which the forced sale occurred, any amount of the profits of the sale has not been applied in either of the ways I have mentioned the amount will be included in the primary producer's assessable income of that year.

A further proposal relates to the cost of subdivisional fencing constructed on land used in primary production. At present, this fencing is generally subject to depreciation allowances at the special rate of 20 per cent. It is proposed to permit the cost of this type of fencing to be wholly deducted in the year in which it is incurred. Boundary fences or fences around stock-yards are not included in the scope of this proposal. These will remain subject to depreciation allowances. The amendment will apply to expenditure incurred on subdivisional fencing during the 1967-68 income year and subsequent years.

The final proposal affecting primary producers is the continuation, without any limit as to time, of the special 20 per cent depreciation allowances on plant and structural improvements used wholly and exclusively for primary production purposes.

A memorandum explaining each clause of the Bill is being circulated for the information of honourable members and I do not propose to go into further detail at this stage.

I commend the Bill to the House.