

## State Revenue Legislation Amendment (Budget) Bill 2002

### Explanatory note

This explanatory note relates to this Bill as introduced into Parliament.

This Bill is cognate with the *Appropriation Bill 2002*.

### Overview of Bill

The objects of this Bill are:

- (a) in relation to pay-roll tax:
  - (i) to exempt, on and from 1 July 2002, the wages of all apprentices in New South Wales from pay-roll tax, and
  - (ii) to broaden the pay-roll tax base by removing, on and from 1 July 2002, the concessions for fringe benefits and eligible termination payments, and
- (b) to abolish bookmaker's turnover tax on and from 31 March 2002, and
- (c) to reduce the Class 1 duty rate on premiums paid for general insurance from 10% to 5% on and from 1 August 2002.

### Outline of provisions

**Clause 1** sets out the name (also called the short title) of the proposed Act.

**Clause 2** provides for the commencement of the proposed Act on various days in order to give effect to the measures described in the Overview.

**Clause 3** is a formal provision giving effect to the amendment to the *Apprenticeship and Traineeship Act 2001* set out in Schedule 1.

**Clause 4** is a formal provision giving effect to the amendment to the *Betting Tax Act 2001* set out in Schedule 2.

**Clause 5** is a formal provision giving effect to the amendments to the *Duties Act 1997* set out in Schedule 3.

**Clause 6** is a formal provision giving effect to the amendments to the *Pay-roll Tax Act 1971* set out in Schedule 4.

**Clause 7** is a formal provision giving effect to the amendments to the *Racing Administration Act 1998* set out in Schedule 5.

**Clause 8** is a formal provision giving effect to the amendment to the *Taxation Administration Act 1996* set out in Schedule 6.

### Schedules 1–6

#### Pay-roll tax—wages of apprentices

**Schedule 4 [4]** exempts from pay-roll tax wages paid to an apprentice within the meaning of the *Apprenticeship and Traineeship Act 2001*. **Schedule 4 [10]** (proposed clause 12) applies the exemption to wages that are paid or payable for services performed or rendered on or after 1 July 2002. **Schedule 4 [5]** provides that the exemption ceases if an application made to the Commissioner for Vocational Training for the approval of the apprenticeship to which an apprenticeship contract applies is dismissed. **Schedule 4 [6]** makes a consequential amendment.

**Schedule 1** makes a consequential amendment to the *Apprenticeship and Traineeship Act 2001*, and **Schedule 6** makes a consequential amendment to the *Taxation Administration Act 1996*, to enable relevant information to be exchanged between the Chief Commissioner of State Revenue and the Commissioner for Vocational Training as to the existence of an apprenticeship.

#### Pay-roll tax—fringe benefits and eligible termination payments

From 1 July 2002, the pay-roll tax base is to be broadened by removing the concessions for fringe benefits and eligible termination payments.

As to fringe benefits, **Schedule 4 [3]** substitutes section 9 of the *Pay-roll Tax Act 1971* to provide that the value of taxable wages, comprising a fringe benefit, is to be determined on the

basis of the grossed up, or tax inclusive, value of the fringe benefit rather than on the pre-grossed up value. **Schedule 4 [7]** and **[8]** make consequential amendments.

As to eligible termination payments, **Schedule 4 [1]** and **[2]** amend the definition of wages in the *Pay-roll Tax Act 1971* to include as taxable wages eligible termination payments that would be included in the assessable income of an employee under Subdivision AA of Division 2 of Part III of the *Income Tax Assessment Act 1936* of the Commonwealth if the whole of the eligible termination payment had been paid to the employee.

#### **Pay-roll tax—savings and transitional provisions**

**Schedule 4 [10]** includes transitional provisions that describe the application of the amendments made elsewhere in the Schedule. **Schedule 4 [9]** enables the making of regulations of a savings or transitional nature that may be found to be necessary or convenient as a consequence of the amendments.

#### **Bookmaker's turnover tax**

**Schedule 2** inserts section 5A into the *Betting Tax Act 2001* to abolish race betting tax (horse, harness and greyhound racing) and sports betting tax on a bookmaker's turnover on and from 31 March 2002.

**Schedule 5** makes consequential amendments to the *Racing Administration Act 1998*. For example, the State bookmakers tax authority that is required to be held by a person in order to carry on business as a bookmaker is to be renamed the "State bookmakers authority" (**Schedule 5 [1]** and **[9]**) and the application fee for such an authority is removed (**Schedule 5 [3]** and **[4]**). The Chief Commissioner of State Revenue ceases to be a member of the Bookmakers Revision Committee (**Schedule 5 [2]**). New grounds are provided for the revocation of a State bookmakers authority (**Schedule 5 [5]** and **[6]**). Other requirements are imposed requiring the keeping of records by bookmakers of betting turnover details and the furnishing of returns (**Schedule 5 [7]**). **Schedule 5 [8]** enables the making of regulations of a savings or transitional nature that may be found to be necessary or convenient as a consequence of the amendments.

#### **General insurance duty**

Under section 233 of the *Duties Act 1997*, general insurance (being all New South Wales related insurance other than life insurance) is divided into 3 classes. Duty is charged at different rates on the amount of the premium paid for a contract of insurance depending on its class. The rates are 10% for Class 1 insurance, 5% for Class 2 insurance and 2.5% for Class 3 insurance.

**Schedule 3 [1]** (substituted section 234) reduces the rate for Class 1 insurance from 10% to 5%. Consequently, **Schedule 3 [1]** (substituted section 233) combines Class 1 insurance and Class 2 insurance (for which the duty rates are now the same) and calls the resulting category of insurance "Type A insurance". Class 3 insurance (for which the rate of duty is not changed) is called "Type B insurance". **Schedule 3 [2]–[5]** make consequential amendments. **Schedule 3 [7]** provides that the amendments have effect only in relation to premiums paid on or after 4 June 2002 for contracts of insurance, and renewals, that take effect on or after 1 August 2002.

**Schedule 3 [6]** enables the making of regulations of a savings or transitional nature that may be found to be necessary or convenient as a consequence of the amendments.